



K E R I N G

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chapter 1
kering in 2014

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1. *history*

The Kering group was founded by François Pinault in 1963, as a timber and building materials business. In the mid-1990s the Group repositioned itself on the retail market and soon became one of the leading players in the sector.

The acquisition of a controlling stake in Gucci Group in 1999 and the establishment of a multi-brand Luxury Goods group marked a new stage in the Group's development.

In 2007, the Group seized a new growth opportunity with the purchase of a controlling stake in PUMA, a world leader and benchmark in sportlifestyle.

In 2014, Kering achieved its transformation by exiting its remaining mass market retailing assets, a strategic decision made a few years ago. From now on, Kering is entirely focused on Luxury and Sport & Lifestyle businesses.

1963

- François Pinault establishes the Pinault group, specialising in timber trading.

1988

- Flotation on the Paris Stock Market's Second Marché of Pinault SA, a company specialising in timber trading, distribution and processing.

1990

- Acquisition of Cfao, a group specialising in electrical equipment distribution (through CDME, which became Rexel in 1993) and in trading with Africa.

1991

- The Group acquires Conforama and enters the retail market.

1992

- The Pinault-Printemps Group is born with the takeover of Au Printemps SA, which held 54% of La Redoute and Finaref.

1994

- La Redoute is merged into Pinault-Printemps, and the Group is subsequently renamed Pinault-Printemps-Redoute.
- Takeover of Fnac.

1995

- Launch of the Group's first website, laredoute.fr.

1996

- Acquisition by Cfao of SCOA, the leading pharmaceutical distributor in West Africa, through its subsidiary Eurapharma.
- Creation of Orcanta, a women's lingerie chain.

1997

- Takeover by Redcats (Kering's home shopping business) of Ellos, the leader on the Scandinavian mail order market.
- Creation of Fnac Junior, a concept store for children under 12.

1998

- Takeover of Guilbert, the European leader in office supplies and furnishings.
- Acquisition by Redcats of 49.9% of Brylane, the fourth-largest home shopping company in the US.
- Creation of Made in Sport, a chain of stores dedicated to sports enthusiasts.

1999

- Purchase of the remaining stake in Brylane.
- The Group enters the Luxury Goods sector with the acquisition of 42% of Gucci Group NV.
- First steps towards the creation of a multi-brand Luxury Goods group, with the acquisition by Gucci Group of Yves Saint Laurent, YSL Beauté and Sergio Rossi.
- Launch of fnac.com, the Fnac website.

2000

- Acquisition of Surcouf, a specialised PC retailer.
- Acquisition by Gucci Group of Boucheron.
- Launch of Citadium, the new Printemps sports store.

2001

- Gucci Group acquires Bottega Veneta and Balenciaga and signs partnership agreements with Stella McCartney and Alexander McQueen.
- Conforama enters the Italian market with the purchase of the Emmezeta group, one of the leaders in the home furnishings market in Italy.
- Pinault-Printemps-Redoute raises its stake in Gucci Group to 53.2%.

2002

- The Group raises its stake in Gucci Group to 54.4%.
- Sale of the Guilbert home shopping business to Staples Inc.
- Partial disposal of the Credit and Financial Services division in France and Scandinavia to Crédit Agricole SA (61% of Finaref) and BNP Paribas (90% of Facet).

2003

- The Group raises its stake in Gucci Group to 67.6%.
- Sale of Pinault Bois & Matériaux to the Wolseley group in the UK.
- Sale of the Guilbert *Contract* activity to the US group Office Depot.
- Sale of an additional 14.5% stake in Finaref.

2004

- The Group raises its stake in Gucci Group to 99.4% further to a tender offer.
- Sale of Rexel.
- Sale of the residual 24.5% stake in Finaref.

2005

- Change of corporate name: Pinault-Printemps-Redoute becomes PPR.
- Sale of MobilePlanet.
- Sale of the residual 10% stake in Facet.

2006

- Sale of 51% of France Printemps to RREEF and the Borletti group.
- Sale of Orcanta to the Chantelle group.
- Sale of the Bernay industrial site (YSL Beauté Recherche et Industrie).
- Discontinuation of Fnac Service's activities.
- Acquisition by Conforama of a majority stake in Sodice Expansion.
- Acquisition by Redcats group of The Sportsman's Guide, Inc.

2007

- Sale of the residual 49% stake in France Printemps to RREEF and the Borletti group.
- Sale of Kadéos to the Accor group.
- Acquisition of a 27.1% controlling stake in PUMA. This stake was increased to 62.1% further to a tender offer.
- Acquisition by Redcats USA of United Retail group.

2008

- Sale of YSL Beauté to L'Oréal.
- Sale of Conforama Poland.
- Sale by Redcats UK of Empire Stores.
- Sale by Redcats USA of the Missy division.
- Acquisition of a 23% stake in Girard-Perregaux.

2009

- Acquisition by PUMA of Dobotex International BV.
- Acquisition by PUMA of Brandon AB.
- Sale of Bédar & Co.
- Sale of Surcouf.
- Flotation of 58% of Cfao.

2010

- Acquisition by PUMA of a 20% stake in Wilderness Holdings Ltd.
- Acquisition by PUMA of COBRA.
- Sale of Fnac éveil & jeux.
- Sale of the controlling stake in Conforama to Steinhoff.

2011

- Closing of the sale of Conforama to Steinhoff.
- New organisation of the Luxury Division.
- Acquisition of Volcom.
- Increased stake (50.1%) in Sowind Group (Girard-Perregaux and JEANRICHARD).
- Announced acquisition of Brioni.

2012

- Closing of the acquisition of Brioni.
- Sale of the remaining 42% stake in Cfao to TTC.
- Creation of a joint venture with Yoox S.p.A. dedicated to e-commerce for several brands of the Luxury Division.
- Announced project to demerge and list Fnac.
- Sale of Fnac Italy.
- Sale of Redcats USA business (The Sportsman's Guide and The Golf Warehouse, announced sale of OneStopPlus).
- Announced acquisition of a majority stake in Chinese fine jewellery brand Qeelin.

2013

- Closing of the acquisition of a majority stake in Chinese fine jewellery brand Qeelin.
- Acquisition of a majority stake in the luxury designer brand Christopher Kane.
- Closing of the sale of OneStopPlus.
- Sale of the Children and Family division of Redcats, Cyrillus and Vertbaudet.
- Acquisition of a majority stake in tannery France Croco.
- Sale of the Nordic brands of Redcats, Ellos and Jotex.
- Listing of Groupe Fnac.
- Change of corporate name: PPR becomes Kering.
- Acquisition of a majority stake in Italian jewellery group Pomellato.
- Kering enters into exclusive negotiations for the disposal of La Redoute and Relais Colis.

2014

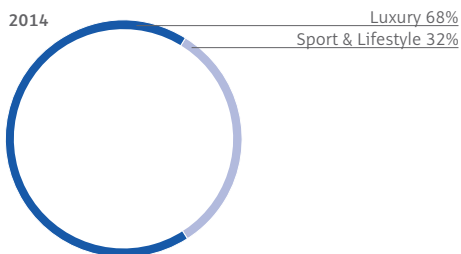
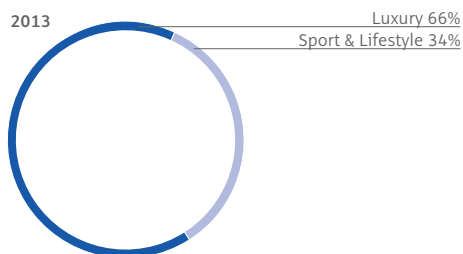
- Closing of the sale of La Redoute and Relais Colis (June 2014).
- Announced project of internalisation of the Eyewear business value chain (September 2014).
- Acquisition of the haute horlogerie brand Ulysse Nardin (November 2014).

2. key consolidated figures

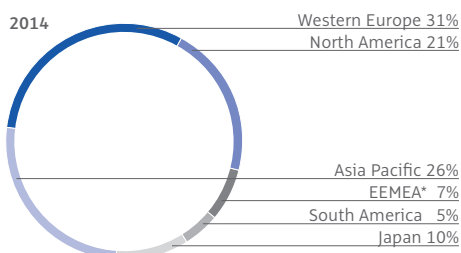
The comparative information for 2013 has been restated as described in Note 2.23 to the consolidated financial statements.

(in € millions)	2014	2013
Revenue	10,038	9,656
o/w generated in emerging countries (as a % of revenue)	37.6%	37.6%
EBITDA	1,991	2,043
EBITDA margin (as a % of revenue)	19.8%	21.2%
Recurring operating income	1,664	1,751
Recurring operating margin (as a % of revenue)	16.6%	18.1%
Net income attributable to owners of the parent	529	50
o/w net income from continuing operations excluding non-recurring items	1,177	1,231
Gross operating investments⁽¹⁾	551	675
Free cash flow from operations⁽²⁾	1,078	857
Average number of employees	32,890	30,882
(1) Purchases of property, plant and equipment and intangible assets.		
(2) Net cash flow from operating activities - net acquisitions of property, plant and equipment and intangible assets.		
Per share data (in €)	2014	2013
Earnings per share attributable to owners of the parent	4.20	0.39
o/w continuing operations excluding non-recurring items	9.35	9.78
Dividend per share ⁽³⁾	4.00	3.75
(3) Subject to the approval of the Annual General Meeting on April 23, 2015.		

revenue breakdown by division

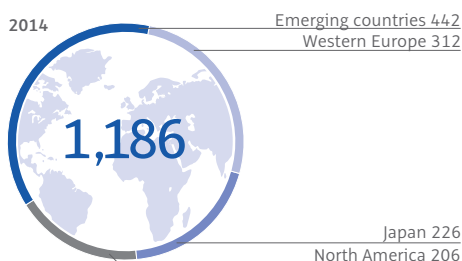


revenue breakdown by region

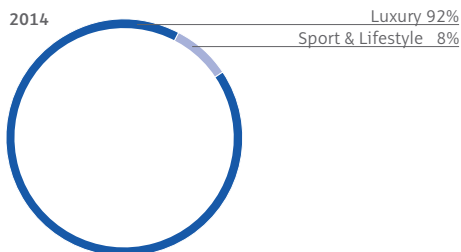
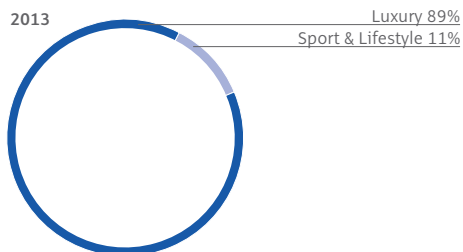


* EEMEA: Eastern Europe, Middle East and Africa.

number of directly-operated stores by region (luxury division)

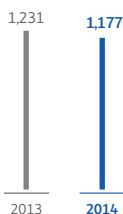


recurring operating income breakdown by division*

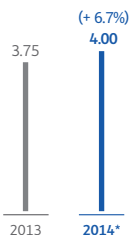


* Excluding Corporate.

net income attributable to owners of the parent from continuing operations excluding non-recurring items (in € millions)



dividend per share (in euros)

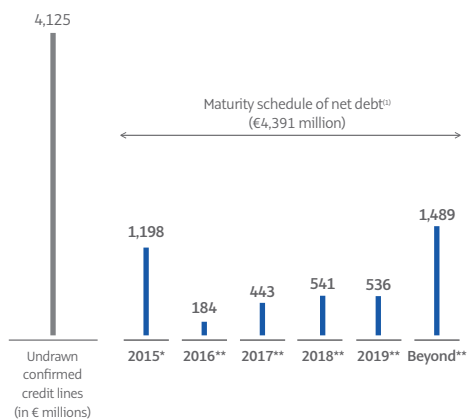


* Subject to the approval of the Annual General Meeting on April 23, 2015.

financial position debt-to-equity ratio



liquidity



* Gross borrowings after deduction of cash equivalents and financing of customer loans.

** Gross borrowings.

	2013	2014
Net debt⁽¹⁾ (ND)		
(in € millions)	3,443	4,391
Solvency ratio (ND/EBITDA)	1.68⁽²⁾	2.21

(1) Net debt defined in page 168.

(2) Published, not restated.

3. *kering empowering imagination*

owner of some of the world's most desirable luxury and sport & lifestyle brands, kering is well positioned for sustainable, profitable growth

Kering's ambition is to be the world leader in the design, manufacture and distribution of apparel and accessories in two of the market's fastest-growing segments: Luxury and Sport & Lifestyle.

Since its inception in 1963, Kering (then PPR) has continuously transformed itself, constantly seeking growth and creating value with the same entrepreneurial spirit. With the acquisition of Gucci in 1999, Kering deliberately changed course, a move amplified in 2007 with the takeover of PUMA. These two milestones have enabled Kering to benefit from the changes in the global economy and capture the growth of both mature and emerging markets.

In 2005, Kering launched a strategic mutation – until that date a conglomerate of diversified, largely European-based activities, Kering gradually transformed itself into a group with global reach present in a single industry sector. The Group finalised its conversion in 2014 with the disposal of its remaining mass-retail businesses and is now focusing all its resources on the development of a cohesive ensemble of apparel and accessories brands.

In 2013, the Group changed its name from PPR to Kering to underscore its new identity. Pronounced “caring”, the new corporate brand embodies the attention with which the Group nurtures its businesses, people, customers and stakeholders, as well as the environment.

Kering's mission is to offer products that enable its customers to express their personality. To reach this goal, the Group empowers an ensemble of powerful, complementary brands to reach their full potential, while ensuring that each of them stays true to its own values and identity – this is what Kering calls “Empowering Imagination”.

With a long-term entrepreneurial vision and a clear growth strategy, Kering can anticipate and leverage changing consumer trends. The Group invests purposefully in e-commerce, complementing the traditional channels with which the brands dialogue with their customers around the world.

kering's strategy is aimed at realising the organic growth potential of its brands

Growth in the Luxury and Sport & Lifestyle sector is fuelled by particularly solid, long-term demographic and social trends, in both mature and emerging markets.

To capture this growth, Kering has built a unique, well-balanced ensemble of brands, whose positioning, geographical footprint and stages of maturity complement one another. Their worldwide standing and huge consumer appeal are key assets of the Group's brands, underpinning their organic growth potential.

Three well-identified drivers propel the growth of Kering's brands:

- (i) launching new product categories and continuously refining existing lines;
- (ii) strengthening distribution channels through selective expansion of directly-operated store networks, close relationships with third-party retailers, and implementation of a dynamic e-commerce strategy;

- (iii) enhancing sales performance, notably through increasingly efficient merchandising, in-store excellence, sophisticated customer intelligence, and relevant, well-targeted communications.

The Group's brands work continuously to produce attractive, innovative items for their existing offers and to introduce new categories of products. In 2014, Gucci launched its first makeup range, while pursuing its brand elevation strategy. PUMA, the Group's leading Sport & Lifestyle brand, began refocusing its product offering around the Sport Performance category.

The Group is permanently fine-tuning its network of directly-operated stores to optimise the distribution of its brands and seize growth opportunities around the globe. Taking into account the characteristics and maturity of each brand, this strategy leads either to targeted store openings to broaden penetration of certain markets, or to store transfers to occupy the very best locations available.

In recent years, Alexander McQueen and Stella McCartney have initiated dynamic development plans outside the UK, while Bottega Veneta is gradually expanding its coverage of the US market to take advantage of its considerable growth potential, and Saint Laurent launched in 2013 an ambitious store-opening program. Adaptation of the Group's retail network also entails store renovation and expansion projects, as well as occasional store closures when brand criteria are no longer met. The pace of Gucci's network expansion has been reduced to focus on consolidation of the existing infrastructure, notably in Mainland China. The Group's brands also seek to permanently enhance the quality of their third-party

distribution, a channel that is particularly significant for Sport & Lifestyle activities. Finally, Kering is gradually increasing its investments in its brands' online presence to better meet the customers' new consumption and purchasing demands.

Organic growth is also fuelled by the brands' implementation of a range of initiatives aimed at maximising their sales potentials in the various distribution channels – merchandising and communications programs, enhanced customer intelligence and relationship management, and targeted efforts to reach new customers and retain existing ones.

constitution of a virtuous multi-brand model

Kering implements a multi-brand strategy focusing on the organic development of its brand portfolio – all of the Group's brands benefit from considerable growth potential around the world; each one of them enjoys a specific positioning; together, they form a coherent, complementary ensemble, with no direct competition across brands, and an inherent capacity to extract and implement synergies.

From a financial and operational standpoint, Kering's business model is virtuous in many regards – it enables the Group to better resist potential changes in the economic environment affecting an activity or a region; it combines growth and profitability, as the Group allocates operating investments on the basis of each brand's specific cycles; and it enables each brand to preserve its exclusivity while seeking to maximize growth.

While focusing on organic growth, Kering also strengthened its brand portfolio in recent years through the acquisition of small- and medium-sized brands, which are called to play a key role in the Group's future growth and value creation. As part of this strategy, Brioni, Pomellato Group, Qeelin and Christopher Kane have joined the Group.

The Group's external growth moves follow strict guidelines:

- The acquired brands must enjoy exceptional brand identity, well-rooted values and a sought-after legacy; a unique scope of expression through lasting codes and language, often referred to as their DNA; an ability to broaden their territories independently or through alliances; and an aptitude to gradually expand their market coverage beyond their current borders.

- The Group only considers targets where it sees potential to significantly improve financial performance, which it can identify and exploit in the long term, and which will go beyond the potential that the companies had before being brought into the Group. Beyond revenue synergies, which derive from the increased capacity of a newly acquired brand to expand its geographic presence or product categories once it joins the Group, Kering looks for synergies arising from a brand's expertise in terms of technical, commercial or innovation know-how. Finally, the Group evaluates the potential for savings in terms of operating costs (purchasing, supply chain, real estate, etc.) and financial expenses. These synergies are analysed and appraised throughout the acquisition stage, enabling us to draw a clear roadmap to value creation from the very beginning of the integration process.

Consistent with its acquisition strategy, Kering acquired full control of watchmaker Ulysse Nardin in November 2014. The acquisition constitutes a structural development enabling Kering to strengthen its Luxury – Watches and Jewellery division with a clearly positioned business that complements its other brands. Over and above the opportunity for Ulysse Nardin's geographical expansion, especially in Asia Pacific, it will enable the deployment of numerous synergies linked to Ulysse Nardin's technical and industrial expertise and its excellent distribution network.

towards a more integrated group

Each of our brands enjoys the degree of autonomy and responsibility it requires to preserve its creative freedom, its product strategy, and its distinctive image and positioning towards its customers. At the same time, the Group sets out the guidelines under which each brand operates ("Freedom within a framework") and ensures consistency across all operations, notably when it comes to financial management. The Group also puts in common a number of horizontal functions and services, including real estate, e-business, indirect purchasing, intellectual property, strategic marketing and media buying, so as to free the brands to focus on their individual business objectives and support their international development. To assist in this process, the Group has also established hubs in its three most important regions: Europe (where the Group headquarters are located), the Americas and Asia Pacific. These corporate entities are staffed by local functional and shared-service specialists (communications, audit, human resources, tax, real estate, legal, management information systems and transactional finance), who provide region-specific support tailored to the brands' operations and facilitate their geographic expansion.

Taking new steps

The completion of the Group's transformation, henceforth refocused on Luxury and Sport & Lifestyle, combined with recent changes in its markets, consumer trends and competitive environment, have led Kering to take new steps in terms of integration and organisation.

In 2013, the Group strengthened its upstream positioning in the value chain, with targeted acquisition of leather tanneries aimed at securing its raw material sourcing.

In 2014, Kering implemented a new organisational model, adapted to the specific activities of its brands, to offer them solutions better suited to their differing stages of development. This organisation strengthens the operational steerage of its businesses, notably through the creation of two divisions headed by seasoned specialists reporting directly to Kering's CEO:

- A Luxury – Couture & Leather Goods division, comprising Bottega Veneta, Saint Laurent, Alexander McQueen, Balenciaga, Brioni, Christopher Kane, McQ, Stella McCartney and Tomas Maier;
- A Luxury – Watches and Jewellery division, encompassing Boucheron, Girard-Perregaux, JEANRICHARD, Pomellato, Dodo, Qeelin and Ulysse Nardin.

Recognising that its people are the key force behind its transformation and future achievement, Kering has developed an ambitious, integrated, worldwide human resources framework, based on increased mobility across brands. The idea behind the HR strategy is for the brands to flourish through access to a shared talent pool, expertise, standards, information systems and best practices. It primarily targets the top 200 managers of the Group.

A key initiative to grow in-house expertise – Eyewear

In 2014, Kering launched a key strategic initiative aimed at growing in-house expertise in Eyewear for its Luxury and Sport & Lifestyle brands. The worldwide market for frames and sunglasses is vast and its upscale segment is enjoying substantial growth. To maximize the development of its portfolio of brands in this important category, Kering has decided to internalise the value chain for its Eyewear activities, from creation and product development to supply chain management, brand strategy and sales marketing. With this initiative, Kering is implementing an innovative management model, which will give rise to significant value creation opportunities, notably through sales and distribution synergies. Kering's goal is to better support its brands as they step up their development in this central product category.

The digital challenge

Kering has embraced the digital revolution. E-business is a strategic priority, not only for the business the Group's brands conduct online but also because it influences demand across all sales channels. Since Kering's brands are global, they need online flagship stores to be accessible from around the world.

Gucci is a pioneer in Luxury e-commerce: launched in 2002, its web presence is recognised as one of the very best in class with a high perceived digital competence, and is ranked "Genius" in the L2 Digital IQ Index in the Fashion category. For the other Luxury brands, which do not enjoy the same scale, the Group established in 2012 a Kering e-business platform to provide the Couture & Leather Goods division brands with the necessary technical competence to develop their online business and digital strategy. Kering has thus re-launched several new sites (Bottega Veneta, Saint Laurent, Balenciaga, Brioni) and improved user experience of existing sites. All the brands now have mobile- and tablet- optimised sites, performance-measurement tools shared by the various brands, and a dedicated user-experience design team that helps them continually improve site performance, conversion and customer satisfaction.

Mindful that the clients of its brands are increasingly connected, geographically mobile and expect an integrated shopping experience spanning physical and online stores, the Group's e-business teams support the brands in defining a cross-channel services' strategy appropriate to the characteristics of each brand. The Group can now count on several cross-channel service features, such as: online visibility of retail inventory (in Gucci's case this is also linked to geo-localisation technology), online buying, gradually extended to in-store pickup, online reservation, etc., with a host of other features in the pipeline. Kering is also encouraging its brands to experiment with new solutions, including pilot projects to help them test new technology

(such as a new online fitting solution for ready-to-wear and shoes) and share the results among the division for a wider rollout. To eventually offer a seamless omni-channel approach covering both physical stores and

online boutiques, Kering is working on a new large-scale project, aimed in particular at establishing a single client base common to the various distribution channels.

sustainability is at the heart of kering group and brand strategy

Kering believes sustainable business is smart business. It gives an opportunity to create value while helping to make a better world – economically, socially and environmentally. The Group's approach to sustainability represents long-term differentiation and competitive advantage by offering new business development opportunities, stimulating innovation and in many cases helping to reduce costs. It is also a motivating factor for the employees, helping the Group attract and retain the best.

Kering's approach to sustainability is therefore at the heart of the strategy that guides the Group, its brands and all its constituent parts. Further, Kering believes sustainability is inherent in quality. Because quality is the quintessence of its brands, the challenge of sustainability stimulates them to create products that are more imaginative, longer lasting and more desirable.

The Kering sustainability department acts as a platform of resources to accompany the brands' own activities. It provides support in the form of 15 in-house experts in sustainable sourcing, alternative materials, biodiversity, energy and supply chain performance, as well as social aspects. The sustainability department facilitates change by providing knowledge and guidance, operational synergies and economies of scale that help the brands develop more sustainable practices. A network of sustainability leads in each brand facilitates this process. The Chief Sustainability Officer sits on the Kering group Executive Committee, which ensures decision-making on sustainability is consistent and integrated across the Group.

Kering has defined a number of quantifiable Sustainability Targets to reach ambitious environmental and social measures for 2016. These relate to raw materials sourcing, including alternatives; paper and packaging; water use, waste and carbon emissions and hazardous chemicals; while offsetting the remaining CO₂ emissions and supporting suppliers in their progress. At the AGM in 2014, Kering published a Sustainability Targets Progress Report detailing the first results and the efforts undertaken to achieve these targets.

In 2015, one year ahead of the initial schedule, Kering will have rolled out a Group Environmental Profit & Loss (E P&L) account across all of its brands. Firstly, it is measuring the environmental impact across the brands' operations and entire supply chain, from sourcing raw materials to selling products. Secondly, it is providing a monetary valuation of the impact: the profit and loss for the environment. It serves as a tool for deeper understanding and better

decision-making. This is the first time that a global Group of companies has undertaken such an analysis.

Kering's social responsibility goes beyond compliance. The Group works with its suppliers through the social audits and helps them reach the standards laid out in Kering's Code of ethics. The Group considers diversity, which is endorsed in its HR procedures, to be a source of creativity and innovation. Social sustainability encompasses attention to working conditions, which includes third-party workshops, and the need to preserve artisanal businesses. Which is why Kering brands support a network of highly skilled craft workers, providing training schemes and founding technical schools.

An example of how the Group turns its pledge to sustainability into action, Kering launched the Materials Innovation Lab (MIL). Available to all Kering brands, the MIL provides the brands' teams with information and technical assistance to help them understand how to make more sustainable choices in the development of their products. The MIL team has created, and curates, a library of over 1,400 sustainable fabrics.

In another example of sustainable sourcing, Kering has formed the Python Conservation Partnership with the International Trade Centre (ITC) and the International Union for Conservation of Nature (IUCN SSC Boa & Python Specialist Group). The aim is to better understand the supply circuits of python skins, to protect the species and ensure that the supply is responsible. In March 2014, the Group released the first report issued from this collaboration on the topic of captive breeding. In October 2014, Kering and the International Trade Centre (ITC) announced an important collaboration to support the monitoring and sustainable management of the trade in Nile crocodiles from Madagascar. The goal is to support sustainable trade that contributes to economic opportunities, local livelihoods and the long-term conservation of crocodiles and their habitat. Kering also announced the purchase of Fairmined certified gold by Gucci from the Sotrami mine in Southern Peru. This represents the single largest purchase to date of Fairmined certified gold across all industries.

In 2014, Kering was named industry leader in Textiles, Apparel & Luxury Goods on the Dow Jones Sustainability Indices (DJSI) World and Europe. These indices track the best-in-class sustainability performers amongst the 2,500 largest companies in the Dow Jones Global Total Stock Market Index. Each year, applicant companies are

rated against an industry-specific questionnaire. Only the top ten per cent of leading performers in terms of sustainability assessed against pre-defined criteria are listed in the DJSI.

At the same time, Kering was included in "The A List: the Carbon Disclosure Project (CDP) Climate Performance Leadership Index 2014" (CPLI), for its actions to reduce carbon emissions and mitigate the business risks of climate change. Kering was thereby presented with an award from the CDP for being one of ten French companies to receive an "A" grade for its performance. Kering was also ranked 4th in the Global 500 and 1st amongst the Consumer Discretionary sector in Newsweek Green Rankings, thus positioning Kering as one of the most sustainable corporations worldwide. Kering is also listed in the ethical rating indices FTSE4GOOD, ASPI and Ethibel Excellence. In addition, Kering's sustainability reporting complies with Level A+ of the Global Reporting Initiative (GRI).

Since its inception in 2009, the Kering Corporate Foundation has been dedicated to combating violence against women. The Kering Foundation is a separate legal entity with its own slogan: *Stop violence. Improve women's lives*, and has supported 47 NGOs and social entrepreneurs and benefited more than 140,000 women.

in an economic environment that remains unsettled in the short term, kering is confident in its outlook

In a context of slowing GDP trends, notably for certain key emerging markets such as China, and in the absence of a strong rebound in Europe, growth in the global economy remained subdued throughout 2014.

Against this challenging backdrop, Kering has demonstrated the relevance and resilience of its multi-brand portfolio in Luxury. The strategy is consistent: to nurture each brand's potential for the long run, with organic growth and operating cash flow generation being the priorities.

While Gucci has continued to reinforce its core luxury positioning, Kering's other luxury brands, especially Bottega Veneta and Saint Laurent, are acting as incremental drivers of sales and profit growth. Along with the gradual ramp-up of the new Eyewear organisation and the integration of Ulysse Nardin, which reinforces Kering's expertise and synergies in watches, this allows the Group to look to the future with confidence, thanks to its solid fundamentals.

In Sport & Lifestyle, the new management team at PUMA has begun to provide a new impetus to the brand, as it rejuvenates its product range and refocuses its overall positioning via the *Forever faster* campaign. This far-reaching turnaround process should provide long-lasting benefits and establish a solid foundation for PUMA to grow sales and profitability in the medium term.

Integrated in the Kering sustainability department, the Foundation embodies the social commitment of the Group. It focuses its action on three geographic areas and one cause in each: sexual violence in the Americas, harmful traditional practices in Western Europe and domestic violence in Asia. In these areas, the Kering Foundation supports projects led by NGOs, community entrepreneurs and awareness campaigns.

In March 2014, on International Women's Day, for the first time in Europe, the Kering Foundation showed the Emmy-nominated documentary *Brave Miss World* directed by Cecilia Peck. The premiere kicked-off a worldwide series of screenings for invited stakeholders and Group employees, hosted by the Foundation, and the cycle will continue next year.

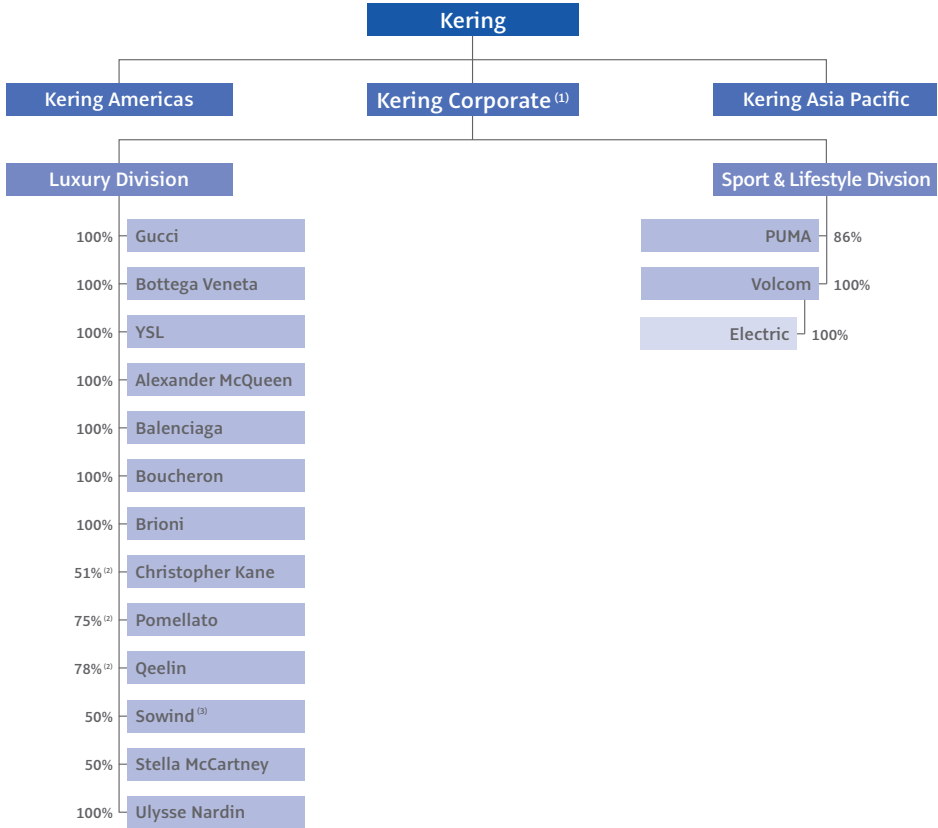
In addition, many of the brands have been running their own social-support programmes for some time. For instance in 2013, Gucci, with the Kering Foundation as a founding partner, launched Chime for Change, a global campaign to raise funds and awareness for girls' and women's empowerment with a focus on education, health and justice. The programme has raised €6.5 million to date, funding more than 390 projects in 86 countries through 132 non-profit partners.

Kering enjoys healthy growth prospects. Its activities are aligned with today's consumer trends and aspirations. At the same time, the Group's Luxury brands are expected to consolidate their store network expansion, selectively extending their footprint in those regions and for those brands where potential has been identified. By constantly striving to make each of its brands' products more attractive and to streamline operations, coupled with a disciplined and focused management taking advantage of the intrinsic potential of its assets, Kering should continue its long-term trend of improving sales and margins.

In addition, Kering continues to closely support the digital strategies of its brands by systemising the fostering of inter-brand synergies, co-ordinating e-business projects and encouraging knowledge sharing, thus increasing Internet penetration for all Group activities.

In 2015, Kering intends to pursue its policies of attracting new talent, promoting skills and career development, and encouraging fruitful exchange within the Group. Kering continues to devote energy to corporate environmental and social sustainability, including people diversity, all of which are crucial to its business objectives and to its long-term performance.

4. *kering group simplified organisational chart as of december 31, 2014*



(1) Corporate defined page 185.
(2) Excluding put options.
(3) The Sowind group owns the Girard-Perregaux and JEANRICHARD brands.

chapter 2
our activities

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worldwide personal luxury goods market overview

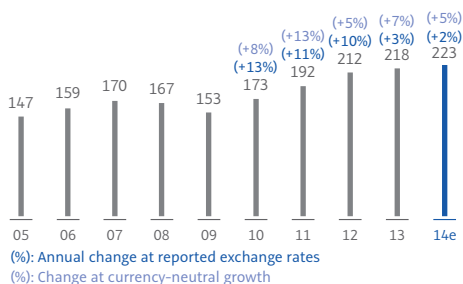
This section contains information derived from studies conducted by organisations, such as Altagamma and Bain & Company. Unless otherwise indicated, all historical and forecast statistical information, including trends, sales, market shares and growth levels, comes from the Bain Luxury Study – Altagamma Worldwide Market Monitor, published in October 2014. Luxury Goods industry segments and product categories correspond to the definitions used in the Bain Luxury Study – Altagamma Worldwide Market Monitor.

In this document the global personal Luxury Goods market includes the “soft luxury” area such as apparel, accessories, perfumes and cosmetics, and the “hard luxury” area such as watches and jewellery.

market overview: size, trends and main growth drivers

The global personal Luxury Goods market has enjoyed significant growth over the past few years (double-digit growth in 2010, 2011 and 2012). Since 2013, the market has decelerated and entered a more normalised growth phase. In 2014, it generated revenue of €223 billion, up 2% reported and up 5% at comparable exchange rates. Currency fluctuations were thus a headwind again in 2014.

Worldwide personal Luxury Goods market trend (2005–2014e, in € billions)



Although the personal Luxury Goods market has seen strong growth since 2010, outpacing the global economy, it is however tied to changes in worldwide GDP, as evidenced by the fall seen in the luxury market in 2009.

In addition to economic factors, structural factors are also impacting demand and growth on the personal Luxury Goods market, including:

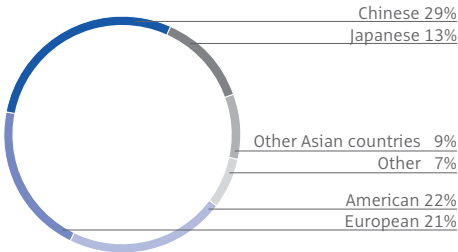
- positive demographic trends, especially in emerging markets;
- the emerging middle-class in these countries, where the average disposable income and purchasing power of consumers has continued to grow;
- rising number of super-rich consumers: according to The Boston Consulting Group “Global Wealth 2014” report, the total number of millionaire households⁽¹⁾ reached 16.3 million in 2013, up 19% year-on-year, representing 1.1% of all households globally. The United States, China and Japan had the highest number of millionaires, while the highest density of millionaire households was in Qatar, followed by Switzerland and Singapore. Moving forward, China is expected to consolidate its position as the second wealthiest nation (in terms of number of millionaires);
- increased tourism flows and the growing relevance of tourist spending on Luxury Goods. As an example, Chinese outbound tourist flows have increased since 1995 from c. 5 million a year in 1995 to 95 million in 2013.

By destination, most regions rely on tourist spending, except Japan and to a lesser extent the Americas, where purchases are still made mainly by locals. Europe is a market where luxury purchases are made by locals but also by tourists. In Asia, Mainland Chinese tend to purchase Luxury Goods outside of their domestic market, especially in Hong Kong and Macau. As a consequence, while only 7% of luxury purchases are made in Mainland China, Chinese are responsible for 29% of worldwide luxury purchases (local and foreign consumption combined).

(1) Amount in US dollars of cash, deposits, and listed securities i.e. assets that can be monetized easily (thus do not include assets such as real estate, business ownership or consumables).

Some new patterns emerged in 2014, such as Mainland Chinese favoring new destinations (United States, Japan and South Korea) while still travelling to Europe, but with a slowdown in the pace of Chinese tourism in Europe.

2014e Luxury market by nationality (in € billions)



Nevertheless, some factors could weigh down personal Luxury Goods market developments in the short term, such as:

- exogenous events such as political turmoil, social conflict, hard weather conditions, etc.;
- high import taxes on Luxury Goods in some emerging countries;
- new and more restrictive regulations on travel and purchases of Luxury Goods.

competitive environment

The global personal Luxury Goods market is highly fragmented and is characterised by the presence of a few large global players, often part of so called "multi-brand groups", and a large number of smaller independent players. These players compete in different segments both in terms of product category and geographic location. Kering operates within the global personal Luxury Goods market alongside some of the most global groups, prominent among which are LVMH, Hermès, Prada, Burberry, Chanel and Richemont. A number of brands with more accessible prices have more recently appeared which could compete with established Luxury brands.

product categories

The global personal Luxury Goods market can be divided into 5 main product categories as shown below.

Worldwide personal Luxury Goods market: breakdown by category (2014)

	Market value 2014 (in € billions)	YoY change at reported exchange rates	% of total market
Accessories	65	+4%	29%
Apparel	56	+2%	25%
Watches and jewellery	49	+1%	22%
Perfume and cosmetics	45	+2%	20%
Other	8	+0%	4%
Total	223	+2%	100%

Accessories

This category includes shoes, leather goods (including handbags and wallets, and other leather products), eyewear and textile accessories.

In 2014, this category represented 29% of the total personal Luxury Goods market with total sales of €65 billion. It recorded the fastest overall year-on-year growth in 2014 at 4%.

The two biggest sub-categories were:

- a) Leather goods, with estimated revenue of €37 billion in 2014. This sub-category grew at a rate of 3% between 2013 and 2014, driven by continued outperformance of the men's business, and more contrasted trends in Women's leather goods. Kering operates in this product category mainly through Gucci and Bottega Veneta brands, as well as Saint Laurent and Balenciaga;
- b) Shoes, with estimated 2014 revenue of €14 billion, were the fastest growing sub-category between 2013 and 2014 with 5% growth. Shoes have been outperforming the broader leather goods segment since 2012. Kering operates in this product category with most of the larger brands, including Gucci, Bottega Veneta, Saint Laurent and Balenciaga, which offer shoes as part of their product assortment.

Apparel

This category includes ready-to-wear for both women and men. It represented 25% of the total personal Luxury Goods market in 2014, totalling an estimated €56 billion. The market is almost equally spread between men's and women's products, with an outperformance of the high-end segment. Illustrating this, menswear performance was primarily driven by made-to-measure.

All Kering "soft luxury" brands operate in this product category, especially Balenciaga, Stella McCartney, Alexander McQueen, Christopher Kane and Saint Laurent, in addition to Brioni for menswear.

Watches and jewellery

The watches and jewellery category generated revenue of €49 billion in 2014, representing 22% of the total personal Luxury Goods market, and grew by 1% between 2013 and 2014.

Kering operates in this category across different price points with Gucci Timepieces, Girard-Perregaux, JEANRICHARD and Ulysse Nardin (acquired in November 2014) for luxury watches, and Boucheron, Pomellato and Qeelin for luxury jewellery.

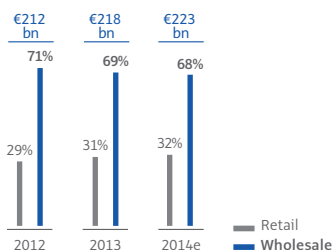
Perfume and cosmetics

The perfume and cosmetics category represented 20% of the total personal Luxury Goods market in 2014 and was worth an estimated €45 billion.

Kering operates in this product category through royalty licencing agreements between its main brands and leading industry players such as L'Oréal, Procter & Gamble, Coty and Interparfums to develop and sell fragrances and cosmetics.

distribution channels

Worldwide personal Luxury Goods market: breakdown by distribution channel (2012-2014e)



Retail channel

A strong directly-operated store network is important for the success of a luxury brand as it allows greater control over the consumer shopping experience and over product assortment, merchandising and customer service. In 2014 the retail channel accounts for sales amounting to 32% of the total global personal Luxury Goods market.

In the case of Kering Luxury brands, share of retail sales is far higher (69%), reflecting the Group's strategic commitment to growing its directly operated network. This also reflects Kering brands product mix, as the higher share of leather goods and accessories typically translates into a more prominent share of retail sales in the channel mix.

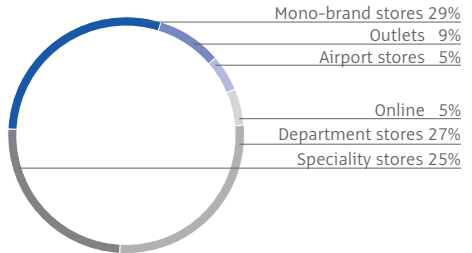
Wholesale channel

The wholesale channel typically includes department stores, independent high-end multi-brand stores and franchise stores, and accounted for approximately 68% of the total global personal Luxury Goods market in 2014. The wholesale channel can thus be multi-brand or mono-brand. The share of wholesale sales is typically higher in ready-to-wear and hard luxury, and is also more important than retail in the channel mix for a brand that stands at an earlier stage of maturity.

E-commerce

Online sales of Luxury Goods reached a record of around €12 billion in 2014 (up 28% year-on-year), representing about 5% of total global personal Luxury Goods sales.

These three distribution channels (retail, wholesale and e-commerce) can also be split into six sales formats:



For Kering's Luxury Division, the retail channel is predominant, in particular for Gucci, Bottega Veneta, Saint Laurent, Balenciaga and Boucheron, while other luxury brands are generally distributed through wholesale channels. All Kering brands are present online with e-commerce websites, either operated internally, as is the case for Gucci, or managed by a joint venture signed with Yoox, E_lite.

regional overview

Worldwide personal Luxury Goods market: breakdown by region (2014e)

	Size (in € billions)	Reported YoY change	YoY change at comparable exchange rates	% of total market
Europe	76	+2%	+2%	34%
Americas	72	+3%	+6%	32%
Japan	18	+2%	+10%	8%
Asia Pacific	47	+1%	+5%	21%
Rest of the world	10	+4%	+6%	5%
Total	223	+2%	+5%	100%

The ten largest countries in terms of global personal Luxury Goods revenue in 2014 are as follows:

2014 Rank	Country	Size (in € billions)	Reported YoY change	YoY change at comparable exchange rates
1	United States	64.9	+3%	+5%
2	Japan	18.0	+2%	+10%
3	Italy	16.1	-1%	-1%
4	France	15.3	+3%	+3%
5	China	15.0	-2%	-1%
6	United Kingdom	13.3	+9%	+4%
7	Germany	10.3	+4%	+4%
8	South Korea	9.1	+7%	+4%
9	Hong Kong	7.9	+1%	+3%
10	Russia	4.6	-18%	-7%

Europe, with 34% of the total worldwide market, remained the largest Luxury market in 2014, with revenue up 2% vs. 2013 at comparable exchange rates. In 2014, local demand remained under pressure, as the already difficult macro environment was further exacerbated by socio-political tensions in Eastern Europe. This has been offset by tourist spending, but to a lesser extent compared to the previous year. Performances were highly uneven across the different markets. For instance, while countries such as the UK and Germany remained dynamic, Italy and France were mixed and Eastern Europe underperformed.

In 2014, the Americas was the second largest market, with the United States accounting for the vast majority of revenue. The positive momentum continued in the region that recorded a 6% growth at comparable exchange rates, and was the second best performing region after Japan. Moving ahead, the Americas still presents strong fundamentals. In particular, the United States is considered as the biggest growth opportunity for the luxury market over the next decade. Indeed, European brands are still under penetrated and concentrated in few cities. For its part, Latin America slowed down, with Brazilian weakness offsetting good performance of Mexican markets and the emergence of new markets such as Peru.

The Asia-Pacific region, excluding Japan, was up 5% at comparable exchange rates, and represented 21% of the global personal Luxury Goods market. Within the Asia-Pacific region, Greater China, which encompasses Mainland China, Hong Kong, Macau and Taiwan according to the aforementioned study, was the largest personal Luxury Goods market in terms of sales, accounting for approximately €29 billion in revenue in 2014, flat compared to 2013, and up only 2% excluding currency effects. This slowdown was partly due to the tightening of anti-corruption

measures in Mainland China, as the government wishes a "moralization" of the Chinese society. Hong Kong also decelerated significantly, especially at the end of 2014 due to the "Occupy Central" protests. Markets such as Singapore also underperformed severely throughout the year, while Taiwan and South Korea recovered, partly reflecting a re-routing of some Mainland Chinese travelers flows.

Japan represented 8% of the global personal Luxury Goods market in 2014. Japan is the second largest single country in terms of personal Luxury Goods consumption after the United States, and posted a solid performance throughout the year, becoming the highest performing market in comparable growth terms. Throughout the year, and despite the planned consumption tax hike which came into force on April 1, 2014 and contributed to exacerbate volatility from quarter-to-quarter, local consumption maintained a generally positive momentum. Sales in this market also benefited from the growing number of inbound tourists, including from China. In 2014, Japan climbed up the rankings as a preferred choice for Chinese luxury travellers, notably encouraged by the weak yen.

The rest of the world – mainly comprising the Middle East and African markets – represented 5% of the personal Luxury Goods market, with €10 billion in revenue in 2014. In Middle East, Qataris are the biggest buyers of Luxury Goods, making their luxury purchases mainly in Dubai. In Africa, South Africa remains the most developed luxury retail market (accounting for half of African luxury sales). Meanwhile, Nigeria and Kenya also present growth opportunities thanks to growth in its middle-class population.

market outlook

For 2015, Bain and Altagamma forecast overall growth of 5% excluding currency effects for the personal Luxury Goods markets.

In the longer term, the personal Luxury Goods market is expected to reach €250-€265bn by 2017e, implying a CAGR 2014-2017e of between +4 and +6%, with the sector entering a phase of "new normal" growth.

Growth should be driven by:

- new emerging countries: in addition to South East Asian countries (Indonesia, Thailand, etc.), Brazil, Australia, Africa and India are expected to be increasingly key to the growth of the global personal Luxury Goods market;
- emerging consumers: a booming upper middle class especially benefiting the accessible luxury segment, particularly in China. In fact, according to McKinsey, by

2022, the Chinese upper-middle class should account for 54% of urban households and 56% of urban private consumption (up from 14% and 20% in 2012 respectively);

- the continued expansion of tourism flows with the emergence of new winners (Japan, the United States, South Korea, etc.), which could, however, come partly at the expense of some of the more traditional destinations (such as some European countries and Hong Kong);
- development of new distribution channels such as e-commerce, which generated €12 billion in revenue in 2014, and is expected to grow at an annual average rate of 24% over the 2013-2020 period;
- increase in high-spending consumer classes such as high-net-worth individuals (HNWIs);
- the development of new high-end products and services;
- the robustness of the American market.

luxury division

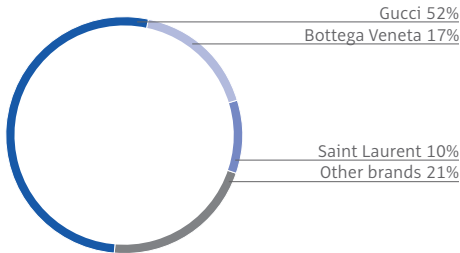
Gucci	24
Bottega Veneta	27
Saint Laurent	30
Other brands	33

Alexander McQueen	
Balenciaga	
Boucheron	
Brioni	
Christopher Kane	
Girard-Perregaux and JEANRICHARD	
Pomellato and Dodo	
Qeelin	
Stella McCartney	
Ulysse Nardin	

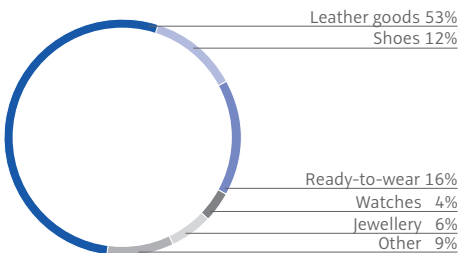
2014 key figures

€6,759 million
in revenue

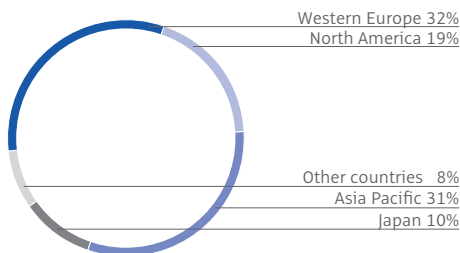
Breakdown by brand



Breakdown by product category

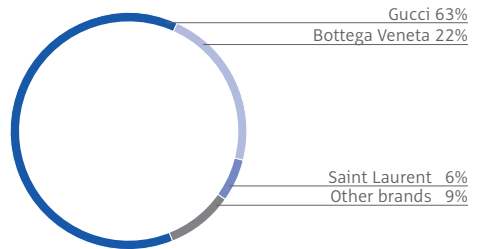


Breakdown by region

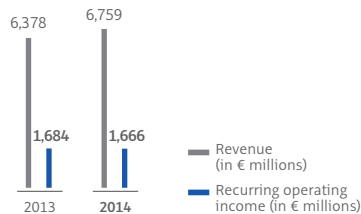


€1,666 million
in recurring operating income

Breakdown by brand

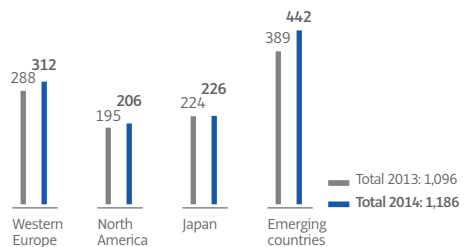


Revenue and recurring operating income



20,122
average number of employees

1,186
directly-operated stores



GUCCI

2014 key figures

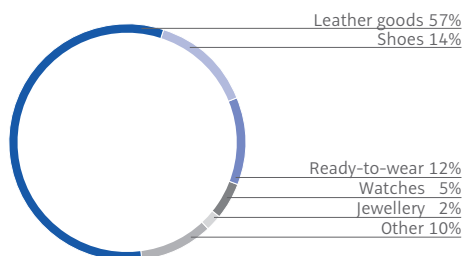
€3,497 million
in revenue

€1,056 million
in recurring operating income

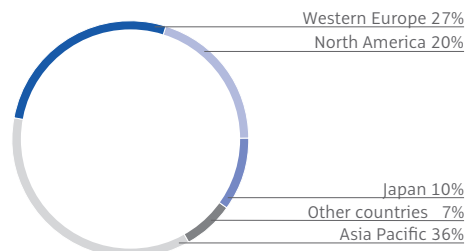
9,623
average number of employees

505
directly-operated stores

Breakdown of 2014 revenue by product category



Breakdown of 2014 revenue by region



business concept

Founded in Florence in 1921, Gucci is one of the world's leading luxury fashion brands.

Gucci's legacy began more than 90 years ago with the founder, Florentine artisan Guccio Gucci. Inspired by his time working at London's renowned Savoy Hotel, his product was initially focused on handcrafted leather luggage, however he soon expanded into all kinds of leather goods and accessories. In a time before marketing and brand positioning existed, Guccio Gucci set the tone for the brand and what it would represent: a combination of tradition and modernity, craftsmanship and innovation.

From its foundation in the 1920s through the late 1970s the brand stayed loyal to its values of superior Italian craftsmanship and innovation, and Gucci soon became the expression of Italian-made luxury for the international jet set. The following decades were the years of the brand's international expansion, first in the US, then in Japan and Asia, while, in the 1990s, the brand became recognised as one of the most influential fashion leaders of its time.

Today Gucci's brand mission is to offer the most desirable luxury products that combine authority in fashion with "Made in Italy" quality and craftsmanship, for successful, style-conscious, cosmopolitan women and men. Gucci designs, manufactures and distributes highly desirable leather goods (handbags, small leather goods and luggage), shoes, ready-to-wear, silks, timepieces and fine jewellery. Fragrances and eyewear⁽¹⁾ are manufactured and distributed under licence.

Gucci products are sold exclusively through a network of 505 directly-operated boutiques, a directly-operated e-commerce website (with more than 4,000 products available to customers) and a limited number of franchisees, as well as selected department and specialty stores.

At the end of the year, Gucci retail sales represented 79% of the brand's total revenues (growing from 72% in 2009), further substantiating the impact of its ongoing strategy to focus distribution through its direct retail network.

(1) Currently managed under licence, this category will be progressively internalised in Kering's eyewear platform, which will be operated by a newly created Group entity, as per the terms of the announcement made on September 2, 2014.

competitive environment

Gucci is one of the few luxury brands with truly worldwide operations alongside Hermès, Chanel, Louis Vuitton and Prada. In a challenging geopolitical and economic environment, Gucci is maintaining its leadership position as one of the world's largest Luxury Goods brands in terms of both revenue and profitability.

In 2014, for the 15th year in a row, the annual ranking by Interbrand⁽²⁾ confirmed Gucci as the most valuable Italian brand in any sector, with a brand value estimated at USD 10.4 billion. Since 2004, when the Gucci brand value was estimated by Interbrand at USD 4.7 billion; the value attributed to the brand has increased by well over 100%.

strategy

Over the last six years, Gucci has been successfully implementing a brand elevation strategy with a focus on products with a higher average value (driving higher profitability), encapsulating Gucci's quality, creativity, innovation and Italian craftsmanship supported by an ongoing worldwide store renovation program and a series of significant marketing and communication initiatives. By moving towards the mid-high end of the market, the brand has been steadily increasing its appeal among the most sophisticated and exclusive luxury consumers with a more balanced product offer.

A key element of the strategy worldwide has been the implementation of ongoing actions to reduce the proportion of indirect distribution, taking direct control wherever possible of the brand's store network and therefore further enhancing the consistency of the consumer's experience across different markets.

Gucci's goal is to continue enhancing brand value while still delivering best-in-class profitability and long-term sustainable growth across product categories and geographic regions, while always maintaining high standards of corporate social responsibility.

2014 highlights and outlook for 2015

In 2014, Gucci confirmed its fashion leadership, introducing a series of successful products, including the sophisticated leather handbag the *Soft Jackie*, a reinterpretation of the iconic Jackie line, available exclusively in Grand Prix leather or exotic skins. The launch of this modern reinterpretation of the House's most iconic handbag was supported in September by a digital film starring Kate Moss. Throughout the year, Gucci has also kept innovating in the handbags category through regular additions of new lines, such as *Swing* and *Bright Diamante*, both of which provide strong anchors in the "core medium" and "core high" segments. In the meantime, a careful elevation of the small leather goods and luggage assortment has been conducted, in order to further enhance these two categories exclusivity and ensure an ever improved alignment with handbags.

Segmentation of a diversified clientele and the identification of new product categories to attract specific customers are other fundamental drivers of growth for the brand. 2014 saw the strategic introduction of the Men's Tailoring collection, the House's comprehensive sartorial offer, accompanied by a special advertising campaign featured on CNN International. As part of its progression as a true Lifestyle brand, in June Gucci celebrated the launch of its long-awaited make-up line, Gucci Cosmetics.

The year 2014 marks fifty years since Gucci first opened its doors to Japanese customers. To celebrate the anniversary, the brand introduced an exclusive capsule collection inspired by the House's Flora pattern, an icon that made its debut in 1966, two years after Gucci opened in Japan. In May, Gucci also opened its renovated Aoyama flagship, located in Omotesando, Tokyo.

Looking to distribution, the shift from wholesale towards directly-operated stores continued in 2014 in key strategic markets including the United States, Canada and Russia, where the company announced its direct entry and opened two new locations in Moscow (a new four-floor flagship store on Petrovka Street and a shop-in-shop in the GUM department store) in the second half of year. Latin America represents an important area of store development for the brand. The company expanded its presence in Brazil with the openings of its 6th directly-operated store and opened a free standing store in Panama during the year.

(2) A leading global consultancy firm in creating and managing brand values.

In addition to the net openings of 31 directly-operated stores during the year, Gucci continued to roll out its refurbishment program in order to bring the store network to the same high standard as Gucci's products and to create a consistent brand image across regions.

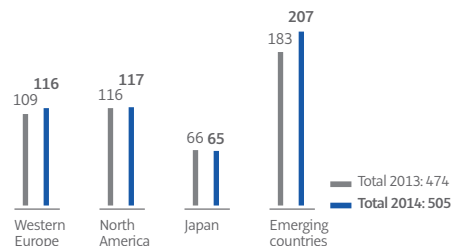
Gucci continued to reinforce its leadership as one of the most innovative digital luxury brands, with an audience of over 30 million people across its digital platforms. As a pioneer of luxury e-commerce, today Gucci operates e-commerce in 28 countries and its website attracts over 100 million visitors a year.

Meanwhile, CHIME FOR CHANGE (the girls' and women's empowerment campaign founded by Gucci in 2013) funded more than 390 projects in 86 countries through 132 non-profit partners. CHIME FOR CHANGE's founding partners include the Kering Foundation, the Bill & Melinda Gates Foundation, Facebook and Hearst Magazines.

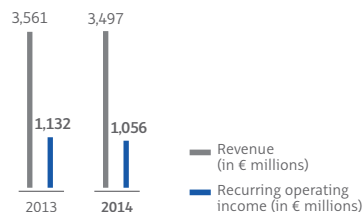
The relaunch of Richard Ginori – the leading Italian brand in porcelain and tableware acquired by Gucci in 2013 – entered its second phase, symbolised by the re-opening of its historic Florentine flagship store. The fully renovated boutique, spanning nearly 500 square meters and representing the new Ginori "home", is located in Palazzo Ginori.

In 2015, following the appointment of Marco Bizzarri and Alessandro Michele as Chief Executive Officer and Creative Director respectively, Gucci will enter the next phase of its growth with a continuing emphasis on its elevation strategy that will be driven by a new contemporary vision for the brand.

Number of directly-operated stores by region



Revenue and recurring operating income



BOTTEGA VENETA

2014 key figures

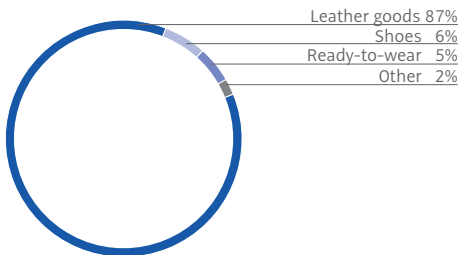
€1,131 million
in revenue

€357 million
in recurring operating income

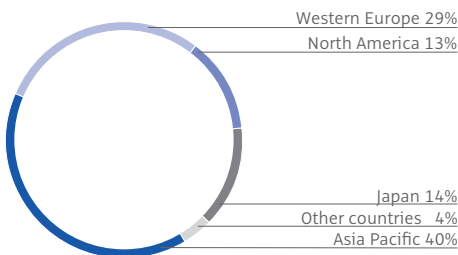
3,212
average number of employees

236
directly-operated stores

Breakdown of 2014 revenue
by product category



Breakdown of 2014 revenue
by region



business concept

Founded in 1966 in the Veneto Region of Italy, Bottega Veneta began as a leather goods House made famous through its signature *intrecciato*, a distinctive, crosshatched design developed by Bottega Veneta's artisans with luxury and understated elegance in mind. *Intrecciato* is eminently adaptable, reinterpreted each season in different colors and materials. The brand led the way in introducing soft, deconstructed handbags – as opposed to the usual rigid structure that originated with the French school – and quickly became well recognised and appreciated in the market. Bottega Veneta has evolved through the years from being a luxury leather goods House into an absolute luxury Lifestyle brand by expanding its product range, respecting both the desires of the customer and the aesthetic sensibility of the brand. The brand's famous motto, "When your own initials are enough", now applies to a range of products including leather goods (handbags, small leather goods and a complete luggage collection), women's and men's ready-to-wear, shoes, jewellery, furniture and more.

Over the years, the brand has also been engaged in collaborations with strategic partners that share the same values and commitment to quality and craftsmanship, such as Poltrona Frau (seating), KPM (porcelain), Victor Mayer (fine jewellery), Girard-Perregaux (watches), Coty Prestige (fragrances), Safilo (eyewear⁽¹⁾), and Rizzoli (books).

Bottega Veneta's products are sold exclusively through a distribution network of directly-operated stores, complemented by exclusive franchise stores and strictly-selected department and specialty stores worldwide. In addition, Bottega Veneta's products are now available through the brand's online store in 48 countries.

competitive environment

Bottega Veneta is one of the only Italian brands to offer truly handcrafted products made with the expert know-how of its master Italian artisans, and is a rare example of an absolute luxury Lifestyle brand, never compromising the quality of its products, while always providing an unsurpassed level of service to clients, which places the brand at the top of the luxury pyramid in terms of positioning, therefore competing with a very limited number of brands.

(1) Currently managed under licence, this category will be progressively internalised in Kering's eyewear platform, which will be operated by a newly created Group entity, as per the terms of the announcement made on September 2, 2014.

strategy

Bottega Veneta's strategy, implemented under the creative direction of Tomas Maier and the business leadership of Marco Bizzarri, aims to position Bottega Veneta as a high-end and exclusive luxury Lifestyle brand, for which consistency and continuity are the key elements to maintaining differentiation in the industry.

The core of the business historically lies in the leather goods product categories (87% of sales), characterised by the attention to detail and the use of the highest quality materials, progressively integrating a wider range of products appealing to a sophisticated clientele of women and men, through contemporary functionality and timeless design.

The predominant trait of exclusivity has been transferred to the distribution network. Through a significant worldwide expansion, Bottega Veneta consolidated its presence in the emerging markets, without compromising its investments in the mature markets, especially the United States, but also Europe, the origin of Bottega Veneta's tradition and craftsmanship.

In April 2014, it was announced that Mr. Bizzarri had been appointed CEO of Kering Couture & Leather Goods Division, effective on July 1, while maintaining his role of President of Bottega Veneta, awaiting the arrival in early January 2015 of a new CEO for the brand, Mr. Carlo Alberto Beretta. Business and creation have always and will continue to function firmly together as an essential part of the success of Bottega Veneta, underscoring the genuine sense of collaboration across the entire company.

2014 highlights and outlook for 2015

In 2014, the careful execution of the international development strategy, consistent with the exclusive positioning of the brand, resulted in growth recorded in all geographic areas, of which mature markets account for 56% of total sales, and for both retail and wholesale channels, which respectively account for 80% and 20% of total sales.

Iconic leather goods products, also in new seasonal variations, including plain leather ones, continued to represent a very important part of the business in 2014, while men's categories

performed exceptionally well, underlining Bottega Veneta's strategic effort to expand in this clientele segment.

Throughout the whole year 2014, Bottega Veneta focused on consolidating its existing retail network, continuing its efforts to enhance its boutiques through both refurbishments and expansions to ensure the best possible experience while pursuing selective store openings, in both emerging and mature markets, reaching 236 compared to 221 at the end of 2013. The new stores were equally distributed in emerging and mature markets (6 new stores in APAC, 6 new stores in Europe and 3 new stores in America).

In March 2014, Bottega Veneta opened its first boutique in Austria, located in the heart of Vienna's first district, increasing its reach within Europe, while ensuring the appropriate presence across the region. In addition, in October 2014 Bottega Veneta opened its first boutique in Boston, at The Heritage on the Garden on Boylston Street.

In April, during the Salone del Mobile 2014 in Milan, Bottega Veneta presented an expanded Home Collection, whose evolution has been purposefully gradual and deliberate, while introducing innovative colour, texture and material to enrich the collection's iconic styles. As always with Bottega Veneta's creations, the collection combines superb craftsmanship with modern, functional design.

Dedicated to honouring its most renowned bags and the guiding principles that never cease to inform their ongoing evolution, at the end of July, Bottega Veneta presented "When Your Own Initials Are Enough: the *Knot*". Through a range of showcases, digital platforms, locations and experiences, Bottega Veneta's heritage of superior craftsmanship was told through its iconic pieces.

Consequent to the successful introduction of its signature women's fragrance in 2011 followed by its men's signature fragrance in 2013, in June 2014 Bottega Veneta launched its new fragrance for women, Bottega Veneta *Knot*, further leveraging the Bottega Veneta brand and expanding its brand awareness.

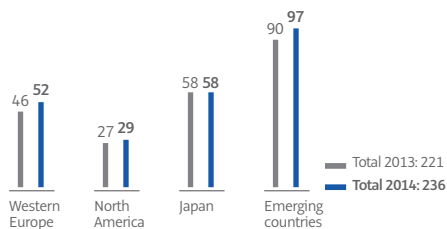
On November 3, Bottega Veneta was recognised as Best International Luxury Brand at the prestigious Walpole British Luxury Awards. Bottega Veneta was honoured as the international luxury brand with the greatest impact in terms of sales – in the UK and abroad – through innovation, business strategy and media exposure in the period 2013/2014. This is the second time Bottega Veneta is awarded such distinction.

Bottega Veneta was ranked 9th in the Italian list for the Best Workplace 2014 and it is also the first and only fashion and luxury company to enter the ranking⁽²⁾.

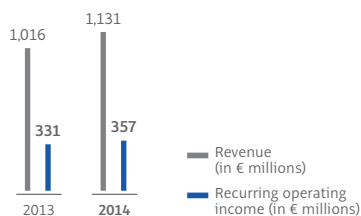
In 2015, Bottega Veneta will continue to build on its accomplishments and positioning, supported by further strategic retail openings worldwide. The company will continue to selectively enlarge its store base with a focus on Europe, the US and Japan.

Besides the expansion and further enhancements of the existing retail network, Bottega Veneta, will continue to focus on strengthening and pursuing the execution of retail excellence, through the stabilisation of the best practices already implemented at worldwide level, conscious that guaranteeing the best luxury experience in stores is key to maintaining the uniqueness of the brand and achieving its long term objectives.

Number of directly-operated stores by region



Revenue and recurring operating income



⁽²⁾ This ranking is based on the Great Place to Work model that relies on rigorous methods and state-of-the-art assessment systems to measure the real level of appreciation expressed by employees towards their working environment. Besides Italy, the award is now present in 48 countries, with 119 lists published and over 5 million employees involved.

SAINT LAURENT PARIS

2014 key figures

€707 million

in revenue

€105 million

in recurring operating income

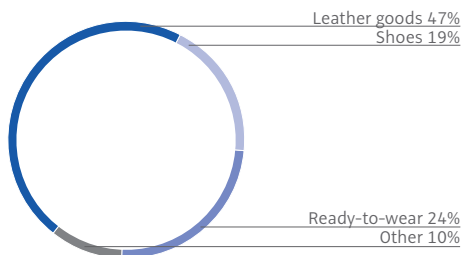
1,712

average number of employees

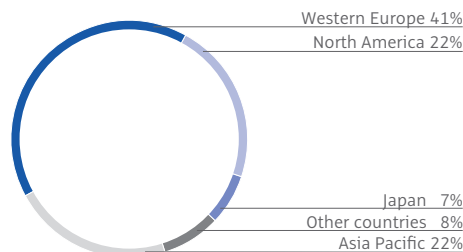
128

directly-operated stores

Breakdown of 2014 revenue
by product category



Breakdown of 2014 revenue
by region



business concept

Founded in 1961, Yves Saint Laurent is one of the most prominent fashion houses of the 20th century. Originally an haute couture House, in 1966 Yves Saint Laurent revolutionised modern fashion through the introduction of luxury ready-to-wear under the name Saint Laurent *Rive Gauche*.

Saint Laurent designs and markets a broad range of men's and women's ready-to-wear, handbags, shoes, small leather goods, jewellery, scarves, ties and eyewear. Production is mainly divided between Italy and France, where an historic workshop manufactures ready-to-wear garments. Under worldwide licence agreements, the House also produces and distributes eyewear⁽¹⁾ and fragrances and cosmetics.

In March 2012, the House of Yves Saint Laurent announced the appointment of Hedi Slimane as Creative Director. Leading Yves Saint Laurent into a new era, Hedi Slimane recaptures the impulses of "youth, freedom and modernity" that inspired the founder to launch Saint Laurent *Rive Gauche* ready-to-wear in 1966.

As of December 31, 2014, Saint Laurent retail network consists of 128 directly-operated boutiques which together generated 61% of total revenue for the year and includes flagship stores in Paris, London, New York, Hong Kong, Shanghai, Beijing and Los Angeles. The House is also present in select multi-brand boutiques and department stores around the world.

At the end of 2014, the Saint Laurent business was very well balanced in terms of both geographic markets and product categories, with leather goods and shoes accounting for 66% of business and ready-to-wear posting the fastest growth at 23% compared to last year.

(1) Currently managed under licence, this category will be progressively internalised in Kering's eyewear platform, which will be operated by a newly created Group entity, as per the terms of the announcement made on September 2, 2014.

competitive environment

Since its inception, Yves Saint Laurent has held enormous influence within and outside the fashion industry. Through the years, its founder, the couturier Yves Saint Laurent secured a reputation as one of the 20th century's foremost designers and personalities.

Saint Laurent now competes globally with other French high-end exclusive luxury brands and occupies a leading position in ready-to-wear, fashion and leather goods sectors.

strategy

Saint Laurent's primary objective is to create and market highly desirable products, which embody the core values of the brand through innovation and unparalleled quality and design.

Since his arrival, Hedi Slimane has entirely redefined the men's and women's collections and worked on new lines for all categories. The collections for men and women have been repositioned and made even in terms of the depth of the offer and product ranges, making a strong move on men's categories including ready-to-wear, shoes and luggage. This repositioning is accompanied by a rejuvenation of the style, in line with Yves Saint Laurent's original message of 1966 when creating the Saint Laurent *Rive Gauche* "Prêt-à-Porter" brand. Ready-to-wear is therefore once again a strong component of Saint Laurent's overall product offering, across both genders. At the same time, Saint Laurent aims to further strengthen the development of its leather goods, shoes and other accessories offerings.

2014 highlights and outlook for 2015

Under the leadership of Hedi Slimane and Francesca Belletini, appointed CEO in September 2013, 2014 has been another very rich year for Saint Laurent, with a particular focus on the introduction of new collections and on new store openings.

During the year, the brand's sales were fuelled by the extremely strong growth figures posted by all product categories that fully transitioned into the new brand aesthetic. Overall growth was driven by the success of both permanent lines (including the *Sac de Jour* and *Monogram* handbags and *Paris* and *Janis* shoes), and new, successful introductions across channels and categories.

Notable success and critical acclaim were also achieved for Saint Laurent advertising campaigns and fashion collections, which received significant exposure through editorials and global celebrities throughout the year.

Saint Laurent also marked a year of investment in 2014, enhancing its retail network with selective store openings worldwide, in both emerging and mature markets, and key refurbishments and relocations.

In September 2014, Saint Laurent opened its largest women's-only boutique in Los Angeles, in addition to a dedicated men's boutique, both located on Rodeo Drive. The opening of these two flagship stores marks an important milestone in the "reform" of the brand, and it has been accompanied by investments in Milan, Rome, Canton Road in Hong Kong and Sloane Street in London, demonstrating continuous development in key capital cities.

The further establishment of the ysl.com website has also played a key role in 2014. Redesigned at the end of 2012, it features rich content and is a dynamic e-commerce platform that also forms part of the overall cross channel retail strategy. Ysl.com continues to function on the Yoox platform as part of the joint venture between Kering and Yoox signed in 2012, whereby the latter provides the infrastructure for managing operations while Saint Laurent remains in full control of the image, product assortment, editorial content and art direction of the site. In 2014, ysl.com expanded its activity to Asia: the site is now available in simplified Chinese and Korean, and as of December 2014 Saint Laurent offers e-commerce in more than 60 countries.

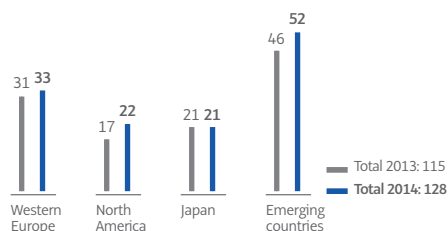
Social media initiatives were met with extraordinary success as social platforms were fully integrated into global communications practices and strategies. As of December 2014, Yves Saint Laurent had more than 2.3 million fans on Facebook and was one of the most popular luxury brands on Twitter with over 2.4 million followers.

Continuing a tradition of close relationships between the House and rock icons from its earliest days, the interplay between music, art and fashion is important to the Saint Laurent vocabulary, where collaborations are instinctive. Having been announced as an ongoing, strategic initiative in March 2013, in 2014 the Music Project continued to play a key role, with a growing portraiture campaign of musicians such as Curtis Harding and Marianne Faithfull. Further evolving in 2014, this project conveys a holistic

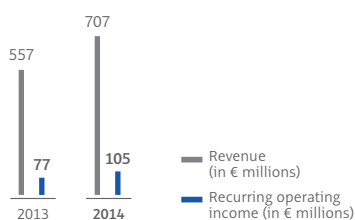
universe around the Saint Laurent brand, while generating a positive marketing halo from fashion shows down to press editorials, as well as contributing to the continual bolstering of its global brand awareness.

In terms of distribution, the company pursues an ambitious expansion of its retail network, which started in 2012 with the initial launch of its new store concept, and continues in subsequent years. In 2015, and consistent with the strategy implemented thus far, the focus will not only be on emerging markets, such as the Middle East, China or South East Asia, but also on further development in the US, Japan and Europe, with openings or refurbishments in most of the major cities. During that same year, additional investments will also be made in order to continue the development and optimisation of the website and online customer experience.

Number of directly-operated stores by region



Revenue and recurring operating income



other brands

- Alexander McQueen
- Balenciaga
- Boucheron
- Brioni
- Christopher Kane
- Girard-Perregaux and JEANRICHARD
- Pomellato and Dodo
- Qeelin
- Stella McCartney
- Ulysse Nardin

2014 key figures

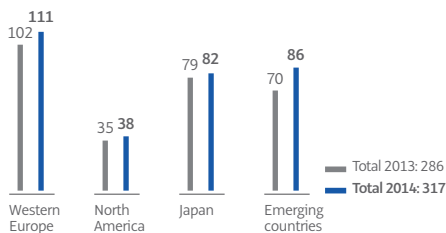
€1,424 million
in revenue

€147 million
in recurring operating income

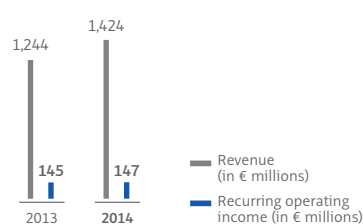
5,575
average number of employees

317
directly-operated stores

Number of directly-operated stores by region



Revenue and recurring operating income



ALEXANDER MCQUEEN

Founded in 1992 by Lee Alexander McQueen the brand quickly gained a reputation for conceptual design and a strong brand identity which led to a partnership with Kering in 2001. The brand is now fully owned by Kering since the passing of Lee Alexander McQueen in 2010.

Renowned for its unbridled creativity, Alexander McQueen – under the leadership of the CEO, Jonathan Akeroyd and the vision of Sarah Burton, Creative Director since 2010 – has strongly developed its business internationally through both wholesale and retail channels over the past decade with wholesale being a key driver of growth. In recent years there has been an escalation of retail openings which has enabled the brand to strengthen its position in the luxury arena.

Alexander McQueen and McQ currently have a total network of 35 directly-operated stores across all regions. This year there were five net store openings, including Monaco, Vienna, Chengdu, Hong Kong and the first Alexander McQueen flagship store opened in Japan in Tokyo Aoyama. All collections are also sold online in most countries, through the joint venture established with Yoox.

On the distribution side, Alexander McQueen is sold in over 50 countries and across more than 450 doors. Key partners are Saks and Neiman Marcus in the US, Harrods and Selfridges in the UK and Lane Crawford in Asia. This has enabled the brand to open numerous shop-in-shops over recent years which has helped establish a stronger brand image and business.

Franchises are also an important part of the distribution channel and there are currently 11 franchise boutiques, most of which are concentrated in the Middle East and Eastern Europe. 2014 saw additional franchise openings in Moscow, Baku and Beijing.

The main product categories are women's ready-to-wear and leather goods, although a strength of the brand is to have a good spread across all categories which gives it the opportunity to develop business further in many areas. Silks and menswear have both grown strongly in recent years and two men's only stores were opened in 2012 to support the development of this category. There are also an eyewear⁽¹⁾ licence and a fragrance⁽²⁾ licence; these two categories will give the brand an important platform

to build on in the coming years.

Marketing initiatives continued to strengthen the brand positioning and events were held in New York and Tokyo during 2014, as well as the sponsorship of the "Frieze" Art Fair in London. Sarah Burton continues to be recognised as a major talent in the Luxury industry and in 2014 received prestigious awards including Harper's Bazaar (UK) and Glamour (US) Designer of the Year. In addition, on December 1st 2014 Sarah Burton won the Red Carpet Designer at the British Fashion Awards.

The company has also successfully developed McQ, an additional brand which started as a licence in 2006 and was re-launched as an in-house brand in 2011. The McQ brand has quickly established itself in the popular contemporary market and is not only an important contributor to the overall Alexander McQueen business but is also becoming a relevant player in the contemporary sector.

McQ is distributed at a broader level and is sold primarily as a wholesale business internationally with a total of more than 500 doors. Franchises represent an important part of the business with five openings in 2014 including Dubai, Hong Kong and Bangkok, leading to a total of 16 franchise stores mainly in Asia and the Middle East. A freestanding directly-operated McQ store was opened on Dover Street in London in 2012 to support the positioning of the brand in the market. Longer-term, the development of McQ will enable the brand to push further in the growing contemporary market and also enable the Alexander McQueen brand to remain very exclusive.

In 2015 both Alexander McQueen and McQ will continue to develop further with continued focus on product development especially in the accessories categories. There will also be further retail openings for Alexander McQueen including a flagship opening in Paris. In March 2015 the V&A Museum in London will host an enhanced exhibition of "Savage Beauty" which was previously shown at the Metropolitan Museum in New York. This will enable the brand to celebrate the work of the designer Lee McQueen while reaching out to a broader audience. The fragrance launch is planned for late 2015 and this should also ensure that brand awareness is further increased throughout the coming years.

(1) Managed under licence by Safilo, this category will be progressively internalised in Kering's eyewear platform, which will be operated by a newly created Group entity, as per the terms of the announcement made on September 2, 2014.

(2) Managed under licence by Procter & Gamble since 2013.

BALENCIAGA

Founded in 1919 by Cristóbal Balenciaga and established in Paris in 1936, the brand defined many of the greatest movements in fashion from the 1930s to the 1960s. The mastery of techniques and cut, together with constant innovation in fabrics, marked out a special place for Balenciaga in the hearts and minds of its customers and followers.

In the 1990s and early 2000s, the brand experienced a re-birth, which saw an extension of its product universe to a broader range of products, with particular focus on iconic handbag launches, together with increased focus on fashion shoes as well as accessories, without compromising the core ready-to-wear segment. The brand also witnessed a significant expansion of its retail network, further contributing to bolstering its brand awareness around the globe. Reflecting this, Balenciaga is now equally distributed through directly-operated stores and e-commerce, as well as through franchisees and leading multi-brand stores.

While the brand's identity is firmly anchored on its highly symbolic ready-to-wear collections, its bag and shoe lines have also enjoyed phenomenal worldwide success. The women's and men's ready-to-wear collections span a wide price range, from the most emblematic items to more universal products, thus opening Balenciaga's style to a wider public.

In fragrance, the brand has established a solid license partnership with Coty and has released some successful perfumes: *Balenciaga Paris*, *L'Essence* and *Florabotanica*. Since the end of 2013, a similar partnership with Marcolin has been built up in eyewear with very promising first collections.

With his proven talent and cosmopolitan vision of design, Alexander Wang – appointed Creative Director in December 2012 – has embraced the heritage of this fashion House.

Over the past years, under CEO Isabelle Guichot's leadership, Balenciaga has been developing a project aimed at consolidating a directly-operated store network worldwide. Today Balenciaga has a retail network of 90 stores well developed in both mature markets (Western Europe, US and Japan) and Asia (Greater China and South Korea). In addition, Balenciaga e-commerce currently covers 91 countries and since May 2013 has been operated on the Yoox platform, as part of the joint venture created by Kering and Yoox.

In 2014, Balenciaga pursued its retail expansion strategy, using the new store concept defined under Alexander Wang's vision, with the opening of a first flagship store in Japan, Tokyo – Aoyama, a first store in Monaco and two new stores in the US. Several stores were renovated in the new concept during the year. Additionally, the brand opened its first travel retail directly-operated store in Hong Kong Airport and extended its retail presence in upscale department stores with the opening of five shop-in-shops in France, Korea, Japan and Greater China.

In 2015, the brand will continue to benefit from the surge provided by new product launches, together with a focus on further developing its retail concepts around the world. Franchise and selective distribution remain key contributors to the brand's activity, but retail and e-commerce development will continue to be a priority for the brand going forward, with new store openings planned in strategic locations in mature markets and in Asia.

BOUCHERON

PARIS

Founded in Paris in 1858 by Frédéric Boucheron, the eponymous Maison grew up under four generations of the founder's direct descendants and soon acquired fame as an expert in precious stones and as a master of *savoir-faire* in creating innovative jewellery and watches. The jeweller, which decided to move to Place Vendôme in 1893, was the first of the current neighbours to open a boutique in this iconic location. For more than 155 years Boucheron has embodied excellence in Jewellery, High Jewellery and Watchmaking.

Today, Boucheron creates and markets jewellery (bijoux, jewellery as well as high jewellery) and watches through 38 directly-operated stores across the world, including the flagship Place Vendôme store, franchise boutiques, and department stores. There is also a large network of additional points of sale in exclusive multi-brand stores.

In 2014, Boucheron continued to spread its new boutique concept launched in 2013, enhancing its high-end values of excellence and French know-how. In line with its strategy initiated in 2012 aiming to build and consolidate its business in the APAC region, Boucheron opened a third

point of sale in Seoul. Boucheron also opened a first point of sale in New York, at the Bergdorf Goodman luxury department store.

The famous jewellery collection *Quatre*, Boucheron's major icon, experienced another solid growth during 2014. In addition the *Serpent Bohème* jewellery collection, launched in 2013, contributed to revenue. Regarding the watch activity, the inter-generational timepiece *Reflète*, created in the 1940s, has been relaunched.

2014 also marked the success of the third High Jewellery collection *Rêve d'Ailleurs* designed by Claire Choisne. This line was presented during the renowned *Biennale des Antiquaires* in Paris and proved to be a great success with both media and clients. It has been an excellent showcase of Boucheron as an important player among the best international jewellery brands.

In 2015 and in the following years, Boucheron will continue to reinforce its iconic collections' development worldwide through an increased visibility and distribution.

Brioni

Brioni was founded in Rome in 1945 by two Italian visionaries – a tailor and an entrepreneur – who transformed men's clothing into men's fashion by establishing a new tailoring paradigm. Through its innovative silhouettes and fabrics, Brioni embodied *La Dolce Vita* and quickly became the first global ambassador of Italian menswear. The brand attracted the world's most charismatic and influential men by offering a means of expression for their lifestyle and personality. Over the years, Brioni earned its reputation as the international referent for contemporary, masculine elegance. In 2007 and again in 2011, the Luxury Institute of New York recognized Brioni as the most prestigious men's luxury fashion brand in America.

In 2012, Brioni became part of the Kering group. It also appointed Brendan Mullane as Creative Director, to support the company's growth ambitions and reaffirm its leadership position in the high-end menswear market. Beyond its core formalwear offering, Brioni's product range currently covers all categories in men's apparel and accessories, including leisure wear, leather goods, shoes and eyewear as well as jewellery and fragrance, both launched in 2014.

In November of 2014, Brioni appointed a new CEO, Gianluca Flore, to lead the brand's continued international expansion and consolidate its position in the industry. Today, the House stands for *True Beauty*, words that summarise not only the masculine elegance of its apparel, but also the unparalleled sartorial craftsmanship experienced by all

who wear it. Most of the brand's products are carefully crafted in Brioni's ateliers in Penne (Abruzzo), where artisans apply a unique combination of experience and expertise:

- the art of tailoring: a grand tradition which involves Brioni's highly-skilled master tailors and its own tailoring school to nurture young talent and perpetuate sartorial know-how;
- a customised approach: a Brioni garment must reflect the wearer's personality and inner style. That is why Brioni's bespoke expertise is applied to both *Su Misura* and ready-to-wear, offering customers the greatest possible level of personalisation.

While wholesale still represents Brioni's major distribution channel, the brand has developed a retail network in recent years, through the opening of new stores and the buy-back of franchise stores.

At the end of 2014, Brioni had 48 directly-operated stores, mainly located in Western Europe, North America and Japan. During the year, Brioni expanded its retail network with three net openings, notably in Western Europe and Asia. In 2015, Brioni will bring its collections to the runway for the first time in many years, and celebrate its 70th anniversary as a couture menswear House. The ambition for 2015 and for the medium to long term includes a strengthening of the company's presence in Asia and in other emerging markets, combined with further selective expansion of the retail network.

CHRISTOPHER KANE

Founded in 2006 by eponymous designer, Christopher Kane is a brand which is now widely acknowledged to have spearheaded a revival of British high fashion, through the launch of innovative ready-to-wear styles. After having completed his Master of Arts (MA) in Fashion design at Central Saint Martins College, Christopher Kane realised his ambition to start his own label, in partnership with his older sister, Tammy Kane.

In 2013, Kering acquired 51% of the company and appointed one of its managers, Alexandre de Brettes, as head of the brand to facilitate the integration of the company within the Group. In November 2014, Sarah Crook was appointed CEO of Christopher Kane with the goal of further enhancing the brand's global development. Christopher Kane has received several industry recognitions in the recent years, including the highly acclaimed

Womenswear Designer of the Year by the British Fashion Council (BFC) in 2013. The award contributed to increase brand awareness and revenue growth across all product categories in the wholesale channel. Christopher Kane was nominated again this year for the 2014 BFC fashion award for his important contribution to women's fashion.

On the distribution side, Christopher Kane's collections are distributed in over 30 countries across more than 170 wholesale accounts. The primary product category is women's ready-to-wear. The menswear category was added in 2011 while the leather goods category was successfully launched in 2014.

The first store in London, situated on Mount Street, Mayfair, will open in 2015. In addition Christopher Kane plans to launch an e-commerce business as well as to further strengthen its wholesale presence worldwide.

GP GIRARD-PERREGAUX

Based in La-Chaux-de-Fonds, Girard-Perregaux is a high-end Swiss watch manufacturer tracing its origins back to 1791. The history of the brand is marked by watches that combine sharp design with innovative technology such as the renowned *Tourbillon with three Gold Bridges* presented by Constant Girard-Perregaux in 1889 at the Paris Universal exhibition where he was awarded a gold medal.

Devoted to the creation of state-of-the-art *Haute Horlogerie*, Girard-Perregaux is one of the very few watchmakers to combine all the skills of design and in-house manufacture, including the production of movements.

Since 2011, when Kering took a majority stake in Sowind Group, owner of Girard-Perregaux, the brand has implemented a strategy aimed at creating a bridge between its rich past and its future. The collections were streamlined while the launch of two concepts (Hawk and Traveller) aimed at strengthening Girard-Perregaux's position in Western markets and the Middle-East. In the high-end segment, the presentation of the "Constant Force escapement" at Baselworld 2013 was acclaimed by the industry. As the result of more than eight years of research and development, this groundbreaking concept was awarded the Aiguille d'Or at the Grand Prix de Genève (GPHG 2013), the most prestigious award within the global watch industry. At Baselworld 2014, in keeping with its tradition of mechanical innovation, the brand introduced a captivating triple axis Tourbillon optimising its performance against the effect of "gravity".

Driven by wholesale business, Girard-Perregaux is now present in over 60 countries across more than 500 wholesale accounts (including prestigious department stores and specialty shops) as well as 15 mono brand franchise stores mainly located in Asia and Europe.

JR JEANRICHARD 1681

Also based in La Chaux-de-Fonds, JEANRICHARD was named after Daniel JEANRICHARD, who pioneered the Swiss watchmaking industry during the 17th century and invented several machines and tools that are still crucial for manufacturing timepieces. This visionary and pioneering spirit, which has been cultivated by his successors ever since, remains the soul of JEANRICHARD.

In 2012, JEANRICHARD launched its new identity and strategic development based on the communication pillars of traditional watchmaking, land, water, air, and the fire of passion. On this occasion, the overall positioning of JEANRICHARD was revisited, in order to better anchor the brand at the forefront of the accessible luxury segment. The collection – based on a common complex and innovative "chassis" industrial platform case – embodies these four pillars with the *1681* (a contemporary re-interpretation of a traditional look, using the JR1000 manufacture movement with automatic winding, created in 2004, conceived and built entirely in its workshops), the *Terrascope*, the *Aquascope* and the *Aeroscope*.

Today, JEANRICHARD is available in most regions of the world through more than 200 points of sale with key independent retailers and high-end watch chains. A roll-out of the distribution network is expected to continue in 2015, particularly in Europe and Asia, where the brand already has a strong presence in Greater China.

Besides owning the Girard-Perregaux and JEANRICHARD brands, Sowind Group incorporates a manufacturing activity that develops and produces a complete portfolio of high-end watch movements and mechanical watches for its two brands and third parties, including Kering brands.




Synonymous with creativity and character in the international jewellery scene, Pomellato was established in Milan in 1967, thanks to the intuition of its founder, Pino Rabolini, who was the first to introduce the prêt-à-porter philosophy into the world of jewellery. The brand's strong and distinctive identity enabled Pomellato to rapidly gain ground in the Italian market and subsequently in the rest of the world.

Pomellato creations – unique in their blend of colourful stones, stone cutting and setting methods – are immediately recognisable and have built a consistent, iconic style over time. Jewels are crafted by the expert hands of goldsmiths, transforming the spirit of the brand into gold.

To celebrate its 40th anniversary, in 2007 Pomellato made its debut into high-end jewellery with the *Pom Pom* collection. Every ring is created around stones that are unique in their rarity, large size or irregular shape.

2012 was the debut year for a silver line called *Pomellato 67*, while in 2013 Pomellato created *Rouge Passion*, a capsule collection dedicated to a woman's most "sensual" side with three intense red synthetic stones, backed with mother-of-pearl, epitomising the prêt-à-porter philosophy and the innovative spirit of Pomellato.

In 2014, the Pomellato brand reinforced its most important line, *Nudo*, with new more precious creations in diamonds, and has widened the range of perfumes with a unisex fragrance called *Pomellato 67* in addition to the previously launched *Nudo* perfumes.

Following its strategic international development, Pomellato brand currently has a distribution network which includes 39 directly-operated-stores, 21 franchise boutiques and over 500 wholesale points of sale.

Dodo for its part was created in 1995 as the first jewellery line to combine a decorative function with the idea of conveying a message. With a unisex and multi-generational allure, Dodo became an independent brand in 2001.

In 2014, the Dodo brand extended its key activities through the launch of a new watch in addition to a successful new jewellery line called *Sea Collection*. The Dodo distribution network currently includes 22 directly-operated stores, 13 franchise boutiques and approximately 400 wholesale partners, most of which in common with Pomellato brand. In 2014 the brand's distribution activity was focused on strengthening its European presence, and at the beginning of December the brand opened in Paris its most important flagship store, located at 350 rue Saint-Honoré.

The Pomellato group (including both the Pomellato and Dodo brands) currently employs 630 people, 100 of whom are highly qualified goldsmiths, working at the headquarters in Milan. Today the group is one of the leading European jewellery players on the international scene.

In 2015, the group is planning to further enhance its retail footprint with some new stores openings in Europe, the United States and Asia Pacific. The launch of a new product line within Pomellato brand and some product extensions of existing lines at Dodo will also be considered.

qeelin

Created in 2004 by Dennis Chan and inspired by a millennium-long Chinese cultural history, Qeelin turns mythical and superstitious Chinese symbols into timeless, meaningful and state-of-the-art contemporary jewels.

Since its launch, Qeelin has been creatively blending tradition and modernity, integrating the mythical essence of China's cultural heritage to design contemporary fine jewellery.

The brand's name reflects its identity as it refers to the "Qilin", an auspicious Chinese mythical animal and rooted symbol of love, understanding and protection. The brand's iconic *Wulu* collection revisits the legendary Chinese gourd filled with auspicious associations. Qeelin is also well known for its *Bo Bo* collection, featuring an articulated and playful diamond panda bear, China's treasured national hero.

Since the acquisition of Qeelin by Kering in December 2012, the brand has accelerated its development. The boutique network expansion initiated in 2013 continued in 2014, with Qeelin now boasting 20 stores (12 directly-operated boutiques and 8 franchise boutiques). Communication investments have been further reinforced both in Mainland China and Hong Kong, notably to support the launch of *Buckle My Love* new collection.

Qeelin also presented a new High Jewellery collection, *Mogaoku*, presented during an exhibition at the *Palais Royal* gallery in Paris in early July 2014, showcasing a total of nine sets of high-end jewellery pieces in alluring installations.

Qeelin will keep investing in its development in 2015, primarily focusing on Asian markets.

STELLA MCCARTNEY

Stella McCartney is an eponymous luxury Lifestyle brand which was launched under the designer's name in partnership with Kering in 2001.

Since the brand's foundation, women's ready-to-wear has been the core business, but during the past years the brand has been successfully extending its portfolio, adding other product categories such as handbags, shoes, and diversification in Kids. Product diversification has also been fuelled by long-lasting successful collaborations, such as the design of sportswear apparel with Adidas or lingerie with Bendon. The brand has also developed eyewear and fragrances through licence agreements, as well as initiating several one-off collaborations.

Stella McCartney, a lifelong vegetarian, has since the early days of the brand, been committed to reflecting her ethical values in the collections. The company understands and believes that its responsibility is to become a more sustainable company, responsible for all the resources it uses and for the impact they have on the environment. Therefore, the company is constantly exploring new and innovative ways to become more sustainable in every stage of its activity, from designing, to store opening and product manufacturing.

Having initially started as primarily a wholesale business, the brand now has more than 650 doors worldwide in over 50 countries, but most recently it has focused its strategy on the expansion of its retail channel. Following a significant increase in the number of stores in 2012, the brand has, over the past two years, primarily focused on consolidating and nurturing the organic growth potential

of its existing retail network, though some very selective store openings were conducted as well.

At the end of 2014, the brand owned a retail network of 30 directly-operated stores (with five new openings in the year: Madrid, Palo Alto, Itawaya-Japan, Beijing and Chengdu). The online presence, under the joint venture between Kering and Yoox framework, has contributed to enhance and reinforce the market penetration both in terms of image and revenue.

Wholesale remains a prominent part of Stella McCartney's overall business and the brand will continue to optimise the channel by skimming it and engaging with key online players. During the year, Stella McCartney also added four franchise boutiques to its franchise network-bringing the total to 20 franchise stores worldwide, which continues to represent a valuable tool to first enter specific regions where the brand awareness is not yet consolidated.

Overall, 2014 has been another very successful year in building brand image and presence, with a persistent and strong exposure to the fashion scene. The year culminated with Stella receiving a Women's Leadership Award in New York City as well as being honoured at the CFDA/Vogue Fashion Fund Awards.

In 2015, the brand will strengthen its successful product innovation and targeted communication strategy to support its development, notably through additional retail network expansion. Going forward, the brand will also look to expand revenues by enabling further synergies between the offline and online shopping experience.



Founded by Ulysse Nardin in 1846, with its roots in the nautical world, the eponymous watchmaking House was acquired and re-launched in 1983 by Rolf W. Schnyder, who transformed the brand in a highly profitable business built on outstanding tradition and innovative manufacturing expertise.

The brand benefits from a very strong and unique identity based on its historical expertise in marine chronometers and ultra-complication watches. Ulysse Nardin was a pioneer in the use of cutting edge technologies and state-of-the-art materials like silicium, and today is one of the few Swiss watchmakers to have its own production capacity for critical watch components, particularly the regulating organs.

Ulysse Nardin's coherent range of timepieces is positioned in the high-end price segments, which are growing and have strong potential. Its current distribution network includes 20 mono brand boutiques and selected watch and jewellery points of sale over the world with a strong presence in America, Russia and other CIS⁽¹⁾ countries.

In November 2014 Kering finalized the 100% acquisition of Ulysse Nardin's capital and the brand joined Kering's Luxury-Watches and Jewellery's division headed by Albert Bensoussan.

In 2015, Ulysse Nardin will continue its international expansion, especially in the Asia-Pacific region. In addition the company's technical and industrial expertise will enable the deployment of important synergies with the other Kering Luxury Watches and Jewellery brands, contributing to accelerate the growth of the whole division.

(1) Commonwealth of Independent States.

worldwide sport & lifestyle market overview

This section contains information which is derived from the “2013 Global Sport Market Report” conducted by NPD, an independent market research firm, and published in June 2014. The scope of the study includes sales of footwear, apparel and equipment intended for all types of sport usage.

The following data, including trends, market sizes and growth levels, are based on NPD estimates. Note that all growth rates are expressed in reported terms.

market overview: size, trends and main growth drivers

According to NPD, the global Sport & Lifestyle market generated revenue of €277 billion in 2013, representing a 5% increase compared with 2012, marking the fourth consecutive year of positive growth. From 2006 to 2013, the Sport & Lifestyle market grew at a compound annual growth rate of 4%.

Worldwide Sport & Lifestyle market trend
(2006-2013, in € billions)



(%): Annual change, reported data

Demand in the Sport & Lifestyle market is driven by four main factors:

- demographic trends and an increase in world GDP;
- increase in leisure time and increased awareness among the population of the positive effect of sport on health;
- globalisation and convergence of consumer habits as sport promotes universal values;
- increase in purchasing power and urbanisation in emerging countries.

Meanwhile, industry players have developed their product offering and extended their global reach through:

- **innovation:** sector players being rapid to adopt new technologies and materials that help them stay ahead of the competition and to segment their offering;
- **geographical expansion:** Sporting Goods companies are focusing on consolidating or growing their market shares in mature markets, while investing in high-growth markets where they have more potential to grow market penetration and brand awareness;
- **retail expansion:** while wholesale distribution remains the most important distribution channel for Sporting Goods, industry players have also worked on developing their network of directly-operated stores.

competitive environment

The Sport & Lifestyle market is a mass, global market. PUMA is currently one of the leading Sporting Goods brands after Nike and Adidas. In addition to these three major players, there are several smaller players that are often specialised in one specific category, or primarily targeting a specific region, such as Under Armor or Lululemon.

In Kering's Sport & Lifestyle Division, the “Other brands”, Volcom and Electric, address more niche markets, and they are inspired by the world of Action Sports and Outdoor, competing with brands such as Quiksilver and Vans.

product categories

According to NPD, the global Sport market can be divided into three main product categories – footwear, apparel and equipment (excluding the market for bicycles and accessories) – which correspond to the key product areas in which Kering Sport & Lifestyle brands operate.

Worldwide Sport & Lifestyle market: breakdown by category (2013)

	Market value (in € billions)	Reported YoY change	% of total
Footwear	76	+6%	27%
Apparel	93	+6%	34%
Equipment	72	+3%	26%
Bicycle and accessories	36	+3%	13%
Total	277	+5%	100%

When assessing industry trends in 2013, all categories grew with footwear and apparel posting the highest growth (up 6% for both). Further confirming the solid momentum

witnessed in the past few years, fitness, running and basketball were among the fastest growing categories in 2013.

In 2013, five main sports represented 40% of the Sport & Lifestyle market:

Sport	2013 value (in € billions)	Reported YoY change
Cycling	38	+3%
Fitness	31	+7%
Walking/Hiking	25	+3%
Running	20	+8%
Football/Soccer	11	+3%

distribution channels

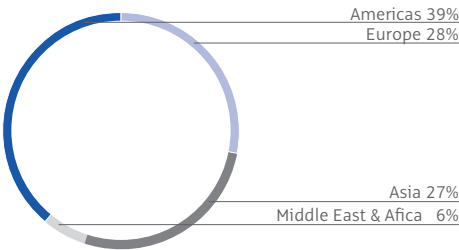
The Sport & Lifestyle industry predominantly operates through the wholesale channel. Key distributors of Sporting Goods brands include retailers such as Foot Locker and Finish Line in the United States, Intersport and Decathlon in Europe. In the United States, Action sports & Outdoor brands are primarily distributed at Pacsun, Zumiez and Tilly's, along with other independent multibrand accounts. Sporting Goods brands are also looking to upgrade the shopping experience through dedicated partnerships with the key retailers, notably by creating shop-in-shops and joint-venture agreements with the largest chains.

Along with wholesale distribution, most Sporting Goods brands, including PUMA, have selectively developed directly-operated stores operations (which represents c. 20% to 30% of sales mix across most brands) and are consistently looking to enhance over time the retail experience within their own stores.

E-commerce is also gaining momentum, yet still accounts for a fraction of total sales. Euromonitor estimates global online sales at 7% of total Sporting Goods market sales in 2013. However, in the United States, e-commerce penetration is relatively higher and thus presents positive prospects for industry players.

regional overview

Worldwide Sport & Lifestyle market:
breakdown by region (2013)



The ten largest countries in terms of global revenue in 2013 are as follows:

2013 rank	Country
1	United States
2	China
3	Japan
4	Brazil
5	Germany
6	France
7	United Kingdom
8	Canada
9	Russia
10	Italy

In 2013, United States and China remained the two largest markets, representing 27% and 9% of the global market respectively. While growth prospects continue to be captured through innovation in the United States, China benefited from the higher penetration of international brands as well as improved inventory management by local brands, following a string of tougher years characterised by excess inventories in the market place across the various tiers of distributors.

Sales in Western Europe were broadly flat mainly due to persistent macroeconomic headwinds. In Japan, sales grew 3% in 2013 as a result of yen weakness, after 6 years of almost flat growth.

Among the top 10 countries, the Brazilian market turned ahead of Germany. Brazil's new ranking is the result of several years of double-digit growth and this will likely continue moving forward (starting from 2014 with the positive effect of the World Cup). Conversely, some other emerging markets such as Russia faced more contrasted situations throughout 2013, on the back of weaker domestic consumption and fierce competition arising from the opening of several shopping malls in some key cities.

market outlook

In the long term, NPD forecasts a compound annual growth rate of 4% for 2013–2020e, in line with the period from 2006 to 2013. The Sport & Lifestyle market is therefore expected to reach sales in excess of €350 billion by 2020e, assuming continued positive global GDP growth. Therefore, the longer-term growth rate in the Sport & Lifestyle market is expected to remain closely tied to the more general trend in discretionary consumer spending across the world.

According to NPD, two trends will be equally contributing to long-term growth:

- market for casual use will be expanding through increased penetration of branded sport styled apparel and athletic footwear in daily life;
- market for sport use will be growing through increased concern for health consideration.

Meanwhile, within major sports, urbanisation will foster specifically running, basketball and all fitness activities. Paradoxically, urbanisation should also nurture a return in demand for outdoor activities and brands.

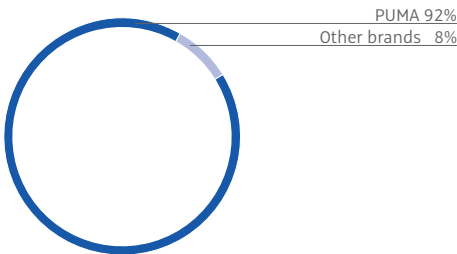
sport & lifestyle division

PUMA	50
Other brands	53
Volcom	
Electric	

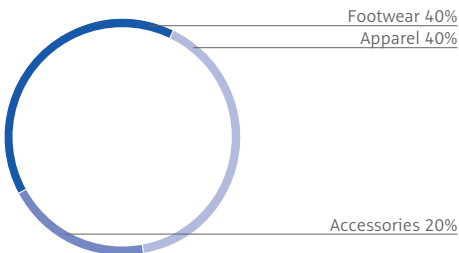
2014 key figures

€3,245 million
in revenue

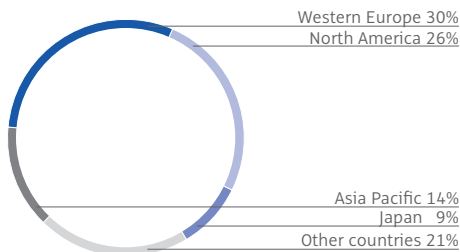
Breakdown by brand



Breakdown by product category

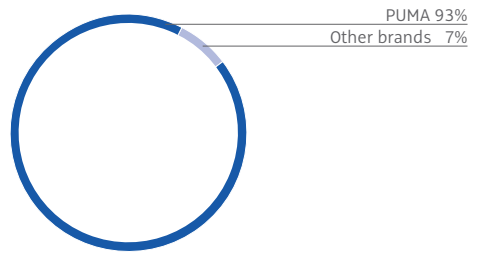


Breakdown by region

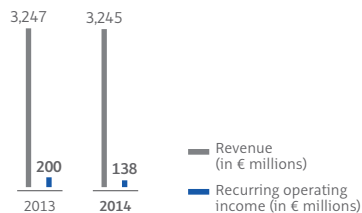


€138 million
in recurring operating income

Breakdown by brand



Revenue and recurring operating income





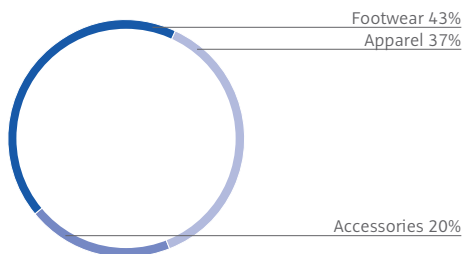
2014 key figures

€2,990 million
in revenue

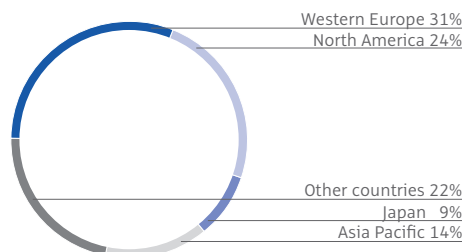
€128 million
in recurring operating income

10,830
average number of employees

Breakdown of 2014 revenue
by product category



Breakdown of 2014 revenue
by region



business concept

PUMA is one of the world's leading Sports brands, designing, developing, selling and marketing footwear, apparel and accessories. For over 65 years, PUMA has established a history of making fast products designed for the fastest athletes on the planet.

PUMA offers performance and sport-inspired Lifestyle products in categories such as Football, Running, Training and Fitness, Golf, and Motorsports. It engages in exciting collaborations with renowned design brands such as Alexander McQueen and Mihara Yasuhiro as well as urban designers such as BWGH (Brooklyn We Go Hard) and Sophia Chang in an effort to bring innovative and fast designs to the sports world. The PUMA Group owns the brands and companies PUMA, COBRA Golf, Tretorn, Dobotex and Brandon. The company distributes its products in more than 120 countries, employs more than 10,000 people worldwide, and is headquartered in Herzogenaurach in Germany.

In 2013, PUMA's CEO Bjørn Gulden introduced the company's new mission statement: To be the Fastest Sports Brand in the world. This mission not only reflects PUMA's new brand positioning of being "Forever Faster", it is also the guiding principle for the company expressed through all its actions and decisions. PUMA's objective is to be fast in reacting to new trends, fast in bringing new innovations to the market, fast in decision making and fast in providing solutions for its partners.

competitive environment

The Sporting Goods industry continues to grow and, like any growing market, it has continued to attract new market players. Established market players, such as Nike and Adidas, continue to pursue expansion plans, and more recently established brands continue to identify niches and emerging markets which they believe they can exploit. In addition, vertical retailers have started to enter the Sporting Goods market.

Currency volatility increased in 2014, particularly in emerging markets, placing renewed strain on the profitability of the Sporting Goods industry. The macro-economic environment was also placed under pressure by the ongoing tensions in eastern Ukraine and the Middle East.

strategy

PUMA's strategy encompasses five strategic priorities: the repositioning of PUMA as the World's Fastest Sports Brand, the improvement of PUMA's product engine, the optimisation of its distribution quality, as well as increasing the speed within the organisation and infrastructure, supported by the renewal of PUMA's IT infrastructure. In 2014, significant progress was made on all of these key strategic priorities that are crucial to ensuring that the year marked the start of the turnaround for PUMA.

In terms of PUMA's brand repositioning, August 2014 saw the launch of the biggest marketing campaign in the company's history. This launch marked the start of PUMA's repositioning as a true Sports Brand to its consumers and retail partners. The objective of the campaign is to demonstrate that PUMA is back in sports and that the brand has great assets and a distinctive attitude: Brave, confident, determined, and joyful. Within the first few months the campaign reached PUMA's consumers in 35 countries, generating 1 billion TV impressions in the brand's target group as well as 31 million online views. The market surveys equally reflected a very positive consumer reception.

To improve PUMA's product engine, management initiated key projects to improve PUMA's product designs, develop more innovative technologies, and increase the commerciality of PUMA's product range. The first results have already been implemented for the coming Spring/Summer 2015 season, and the feedback from PUMA's retail partners reflects that the brand is heading in the right direction. With the continued positive feedback received for the Autumn/Winter 2015 collection, PUMA is on the right path.

In order to improve the quality of PUMA's revenues and distribution, joint product and marketing programs have been developed with key retailers to showcase the brand in the right retail environment and push sell-through with its partners. In February 2014, PUMA launched the "PUMA Lab" retail concept with its partner Foot Locker which was successfully rolled out in the US market. This success has not only improved the business with Foot Locker USA but also generated a positive spill-over effect onto other key retailers in the US marketplace – both with performance and Lifestyle products. In 2015, PUMA will continue to foster its collaborations and launch further product and marketing programs with its most important key accounts in every region.

In 2014, PUMA also started to optimise its organisational structure and setup by making them faster. With the finalization of the relocation of PUMA's Global and European Retail Organisation from Oensingen, Switzerland, to its Headquarters in Herzogenaurach as of September 30, the management team finalised the last out of our three major consolidation projects in 2014. This relocation followed the closure of the PUMA Village Development Center in Vietnam as of May 2 and the relocation of the brand's Lifestyle Business Unit from London to the Headquarters in Herzogenaurach as of May 31.

These strategic priorities will be supported by the renewal and upgrade of PUMA's IT infrastructure, to create a basis for further optimisation measures. In 2015, the management team will focus on three areas: the optimisation of PUMA's basic IT foundation, the implementation of a standard ERP system to support sourcing and trading functions, and the development of platforms aimed at improving design, development, and planning processes. The investment in these areas will lay the foundations for a lean and efficient company in the future.

Sustainability remains an important value of PUMA and guides the company to work faster towards a more just and sustainable future.

2014 highlights and outlook for 2015

The year kicked off successfully with the launch of evoPOWER, PUMA's performance football boot designed to enhance a player's natural kicking ability. Inspired by the freedom of barefoot movement, evoPOWER features the most advanced PUMA technologies to date and is scientifically proven to be the world's most powerful football boot and is worn on pitch by Cesc Fàbregas, Marco Reus, Mario Balotelli, Yaya Touré, Dante and many other top players.

At the 2014 FIFA World Cup™ in Brazil, PUMA's eight partnered teams (Italy, Switzerland, Algeria, Cameroon, Ghana, Ivory Coast, Chile and Uruguay) secured a strong on-pitch visibility, participating in almost half of all games in the tournament. The World Cup proved to be a great stage for PUMA's innovative football products: both our national team jerseys featuring PUMA's apparel innovation PWR ACTV as well as PUMA's prominent pink and blue interpretation of its revolutionary evoPOWER and evoSPEED football boots "Tricks", which could be seen in three quarters of all games,

were eye-catchers, creating lots of positive headlines. Combined with high engagement rates on our social media channels, PUMA achieved its best ever sell-through of football boots.

On July 1, PUMA became the official kit partner of top English Premier League club Arsenal FC, which represents the biggest deal in both PUMA's and Arsenal's history. The company kicked off its new partnership with the iconic "Gunners" through a spectacular launch of the much-anticipated new kits for the 2014/15 season. The sales of replica jerseys, fanwear and associated accessories have been very satisfying since then.

In September, PUMA participated in the capital increase of its strategic partner Borussia Dortmund GmbH & Co. KGaA (BVB) by acquiring 4,600,000 shares of the club, representing 5.0% of the voting rights. As Borussia Dortmund's technical supplier since July 2012, PUMA looks forward to continuing its successful partnership with BVB as a close partner and shareholder. As one of the top clubs in Germany and Europe, Borussia Dortmund is a perfect fit for PUMA, increasing its brand awareness on a national and international level.

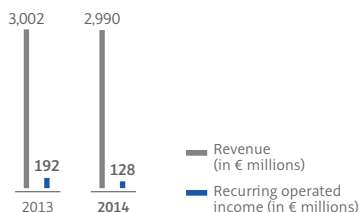
In Motorsports, Lewis Hamilton of PUMA-partnered MERCEDES AMG PETRONAS impressively won the 2014 F1 Drivers' World Championship ahead of his Mercedes teammate Nico Rosberg who secured second place in the drivers' standings. Before these victories, MERCEDES AMG PETRONAS had already sealed the 2014 Constructor's Championship with three races to go before the end of the season. In addition to announcing a new supplier partnership with the MERCEDES AMG PETRONAS Formula One Team, PUMA has also extended its partnership with BMW Motorsport as the Official Supplier of Team and Racewear for all BMW Motorsport racing operations. With a relationship dating back to 2004 when PUMA first partnered the BMW Williams Formula One team, BMW Motorsport is PUMA's longest standing partner in Motorsport and remains a core part of its Sports Marketing portfolio.

2014 has been the starting point of the turnaround at PUMA, supported by investment in marketing and sports assets to reignite the brand heat, while tight control has been maintained on other operating expenses.

Looking ahead to 2015, PUMA will continue to focus on its key strategic priorities to lay the foundations for a fast, lean and efficient company in the future. While PUMA's efforts have clearly already translated into better products, better marketing and more efficient operations, the repositioning and the turnaround of the business will still take time as the brand is being re-established in the market place and brought back to a path of profitable and sustainable growth.

PUMA's *Forever Faster* campaign will see continuous investment up to the Rio de Janeiro Olympic Games in 2016 and will be accompanied by exciting product launches as well as new partnerships with globally relevant brand ambassadors. As announced in December 2014, PUMA has sealed a long-term partnership with Global Cultural icon Rihanna. Rihanna will become PUMA's global ambassador for Women's Training and serve as the PUMA Women's Creative Director, bringing her styling sensibilities and innovation to PUMA's collections. Embodying everything that PUMA stands for, Rihanna's unstoppable spirit, creative energy and prowess both on and off the stage, make her the perfect representation of the PUMA brand. Furthermore, PUMA will continue to amaze with product innovations – for example by introducing its much anticipated Running technology Ignite which features the most responsive foam with the highest energy return in the industry.

Revenue and recurring operating income



other brands

- Volcom
- Electric

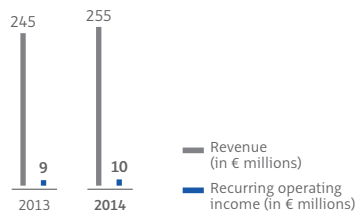
2014 key figures

€255 million
in revenue

€10 million
in recurring operating income

815
average number of employees

Revenue and recurring operating income





Founded in the early 1990s, Volcom was created on the belief that there is a higher level of consciousness to be found within one self through the internal and external journeys that board sports, music, art and film provide. These finite moments of enlightenment are referred to as "Spiritual Intoxication". Built on liberation, innovation and experimentation, Volcom provides lifestyle-enhancing apparel, outerwear, accessories and footwear to people who share their passion. It is the only company in its category founded on all three board sports: skate, surf and snow.

Volcom reinforces its brand image through the sponsorship of world-class athletes, targeted grassroots marketing events, distinctive advertising and the production of board sport and youth Lifestyle related films, art and music under the "True To This" brand mantra.

With a broad array of products for men, women and boys, Volcom's ambition is to become one of the world's premiere brands in the action Sport & Lifestyle market.

2014 was another difficult year for the action sports industry, however for Volcom it was an inflection point. Efforts made around the strengthening of products and marketing, adding top talent across the company, and implementing a global organisation structure has led to improved revenue momentum in all regions. Volcom has experienced positive sell-through in wholesale distribution and has continued to gain market share in core retail accounts. Volcom also drove significant operational improvements through streamlining business operations, implementing a PLM (Product Lifecycle Management) system, and tightening SKU counts to improve product performance. Volcom expanded the reach of its e-commerce platform by launching sites in Europe and Australia. Branded retail

was also a key focus for Volcom, with five net store openings particularly in France and the United States during the year.

Volcom continues to make significant investments in resources, marketing and operations in the Asia Pacific and Latin America regions, which are key markets for the Volcom brand and provide potential growth opportunities.

Additionally, Volcom released three feature films in 2014 that further cemented its connection to its target audience. The first one called "True to This", is a movie which re-defines the brand's philosophy and captures the energy and artistry of board-riding in its purest forms. It was complemented with a companion film called "Veeco: A Volcom Filmmaking Documentary" which takes the viewer on a journey through the Volcom film library and 21 years of living a life completely out of the ordinary. Most recently was a snowboard movie called "Mr Plant" which is based on the travels of their iconic team rider, Pat Moore, as he travels the world in search of his spiritual intoxication. To top it all off, Volcom welcomed back Ryan Shecker to its skateboarding team, who is recognised as one of the most influential athletes in action sports.

Volcom's focus in 2015 will be to deepen emotional affinity with the brand across the globe through their new strategic "True To This" brand platform. Volcom will be meticulously focused on elevating its in-store presentation and go-to-market strategies. Product drivers will be centred on Bottoms, Outerwear, Boardshorts and Women's as categories that define the Volcom brand. Operational enhancements will be concentrated on expanding its direct-to-consumer business through an improved retail and e-commerce experience.

ELECTRIC



Founded in 2000, Electric is a premium Lifestyle brand rooted in southern California's action sports, music, art and customisation culture. It designs and markets sunglasses, snow goggles, backpacks, luggage, watches and accessories through the Americas, Europe, Japan, China and Australasia. Electric sells in Lifestyle boutiques, department stores, sports shops and online, including its own e-commerce website.

Competition in the action sports eyewear market (the main category at Electric) is characterised by two main ideas. First, both young and established endemic action Sport competitors are vying for a decreasing retail footprint of core shops along with non-endemic global brands. Second, many of the brands that are entering the market target lower margins and price points.

Electric plans to leverage its newly expanded product portfolio, merchandising strategies, and re-organised sales structure to challenge the leadership positions of larger brands in the market. Geographic expansion will continue to play a key role in Electric's growth strategy, while much focus will be placed on increased service to existing distribution and expansion of retail footprint within the channel. Electric will manage its distribution expansion through an increased focus on product line segmentation. Electric's recently launched premium collection of eyewear, watches and small leather goods will be marketed to premium Lifestyle boutique and department store channels, while its technical and Sport driven products will be

targeted towards its existing action sports, premium Sporting Goods and outdoor channels.

International expansion efforts continued in 2014 supported by the relocation of the European and Australasian headquarters and re-organisation of key staff.

In 2014, Electric completed the refresh of its in-store display fixtures; delivering over 2000 displays worldwide with an immediate positive effect on sell-through. Also in 2014, Electric's e-commerce business continued to grow according to plan in the US, and launched in Canada and Europe. Electric expanded its watch product line offering to include digital and digital tide, which was nominated for SIMA⁽¹⁾ Accessory Product of the Year. Electric's restructured sunglasses offering including capsule collections developed with key ambassadors and athletes, limited edition premium Italian acetate styles and a new style featuring Electric's first mould injected hinge, all of which will feature Electric's signature melanin-injected lens technology drove sustained sales for the brand in the eyewear category.

In 2014, Electric successfully launched its inaugural line of protective snow helmets and a new patent pending snow goggle technology to the market called Press Seal, initially in the EG3 model. In 2015, Electric will expand the offering of this technology in two more goggle models.

In 2015, Electric will continue its expansion plans in new geographies and channels, working with new distribution partners.

(1) Surf Industry Manufacturers Association.

chapter 3

sustainability

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1. *sustainability at kering*

1.1. *a long-standing commitment*

For more than 15 years, Kering has pursued and improved on its sustainability strategy, with the following key milestones:

1996

- Group's first Ethics Charter.

2001

- Creation of the *SolidarCité* association, promoting solidarity-based initiatives among employees.
- First employee opinion survey.

2003

- Creation of a Group Sustainability Department.
- Establishment of an environmental reporting platform.

2004

- Signature of the Diversity Charter by PPR's Chairman and creation of the Diversity Committee and the *Mission Handicap* project.

2005

- Signature of a partnership agreement with Agefiph, a French association promoting job placement and vocational training for the disabled.
- Deployment of the Code of Business Practices and creation of the Ethics and Corporate Social Responsibility Committee (ECSRC).
- Creation of the *Télémaque Institute*.

2006

- Definition of the Group's CSR commitments.

2007

- Creation of a Group Corporate Social Responsibility Department, represented on the Executive Committee and reporting directly to the Chairman.
- Definition of the seven strategic priorities for the Group with respect to CSR for 2008-2010.
- Signature of a second agreement with Agefiph to support the employment of people with disabilities.

2008

- Membership of the *Global Compact*.
- Creation of the PPR Corporate Foundation for Women's Dignity and Rights.

2009

- Worldwide release of Yann Arthus-Bertrand's documentary HOME, coproduced by EuropaCorp and Elzévir Films, and financed primarily by PPR.
- Dissemination of the updated Code of Business Practices to all Group employees.
- Signature of a third agreement with Agefiph.

2010

- Launch of PPR's Innovation and Sustainability Awards.
- Sustainability criteria included in performance evaluations of PPR group leaders.
- Adoption of the Charter of Commitments on the quality of life at work and the prevention of work-related stress for employees of the PPR group in Europe.

2011

- Launch of PPR HOME, the new initiative and organisation dedicated to sustainability.
- Publication of the first Environmental Profit & Loss Account (EP&L) by PUMA.
- Formalisation of the strategic "Gender Equality in Leadership" programme.

2012

- Formalisation and publication of a set of ambitious and key sustainability targets to be achieved by the Group's brands by 2016.
- Creation of a Sustainability Committee within the Board of Directors.
- Launch of a mentoring programme as part of the strategic "Gender Equality in Leadership" programme.
- Third edition of the Foundation's Social Entrepreneurs Awards.

2013

- Kering was listed on the Dow Jones Sustainability World and Europe Indices (DJSI World and Europe) and qualified for the Climate Disclosure Leadership Index (CDLI) in France.
- Launch of a new Group platform devoted to internal mobility and career management.
- Creation of the Materials Innovation Lab (MIL).
- Strengthening the Group's ethics organisation and updating the Code of ethics.
- PPR Corporate Foundation for Women's Dignity and Rights becomes the Kering Corporate Foundation, with the slogan *Stop violence. Improve women's lives.*

In 2014, the Kering group stepped up initiatives introduced in previous years – and particularly in 2013 – as explained in the Progress Report published by the Group in May 2014 for Kering's Annual General Meeting. Efforts included stepping up responsible sourcing projects, particularly for gold, cashmere, silk and wool, and implementing new partnerships guaranteeing traceability and lowering the impact of sourcing solutions (leathers, python and crocodile skins, etc.); greater collaboration between the MIL (Materials Innovation Lab) and Kering's brands; strengthening initiatives to increase operational efficiency and reduce the environmental footprint of key supply chain activities (Clean by Design programme, tanning without heavy metals, policy on the use of chemical substances, etc.); deployment of the EP&L which now covers the entire Group one year early compared with the plan announced in 2012 and is used to provide all operational projects with precise and comparable figures to make it possible to prioritise initiatives.

The Group maintained its sustainability governance and organisation, and took advantage of 2014 to update its materiality analysis by asking its main internal and external stakeholders to provide their perspectives and input. The material issues highlighted support the initial

analysis conducted in 2013 and demonstrate again how important issues related to the supply chain (human rights and supplier relations, as well as for example quality and traceability of raw materials) and climate change are for the Group's stakeholders. In 2014, the Group also deployed and launched a new stronger organisation for its Ethics Committees as decided at the end of 2013 (two regional Ethics Committees created alongside the Group Ethics Committee, and an ethics hotline for all Group employees worldwide) and ran an ethics training programme, available in nine languages for all Group employees.

Kering is also strengthening its internal policy for developing and promoting talent, by creating a pool of future leaders, developing the Group's training policies, for example with regional coordination networks, or helping all employees to take an active role in their mobility within the Group. At the same time, the Group further enhanced its policy of partnerships with first-class international universities in 2014, with a three-year partnership with Tsinghua University and a five-year partnership with the London College of Fashion. These two iconic partnerships are very different, and demonstrate the Group's drive to foster collaboration, openness and sharing with creative spheres and diverse cultures.

Finally, following the renewal of its mandate in 2013, the Kering Foundation used 2014 to focus its initiatives on three key areas (sexual violence, harmful traditional practices and domestic violence) and continue its mobilisation efforts against all forms of violence against women, demonstrated by its third campaign "White Ribbon for Women".

Kering topped the 2014 Dow Jones Sustainability Indices ranking in the Textiles, Apparel & Luxury Goods category. Providing further motivation to the Group's employees to mobilise and engage in the sustainable development of its business activities.

1.2. vision and strategic challenges

Vision

The same vision that drives the Group's business strategy also drives Kering's commitment to environmental and social sustainability. The aim of "empowering imagination" is to release each brand's full potential while encouraging them to innovate by developing processes and products that improve social and environmental impacts while maintaining their identity and their values.

Sustainability plays a fundamental role in product quality while creating value and:

- differentiates Kering from its competitors and offers a long-term competitive advantage;
- provides the Company with business development opportunities;
- spurs innovation;
- offers the potential to improve efficiency;
- attracts and retains the best talent.

The Group's organisation and governance reflects this commitment. Supported by the Chairman and Chief Executive Officer, Kering's sustainability strategy is based on clear, quantified targets, and is developed at all levels of the Company, from the Sustainability Committee within the Board of Directors to the CEOs of each brand.

For Kering, sustainability does not limit itself to the traditional approach based on compliance with standards and reducing negative impacts. Above all, it represents an opportunity that the Group has seized upon for several years to strengthen its creativity and its leadership.

Targets

Kering offers its brands considerable freedom within the shared framework defined at the Group level. The Group pledged to achieve the following ambitious targets by 2016:

- the implementation of the EP&L in all the Group's Luxury and Sport & Lifestyle brands;
- evaluating our strategic suppliers at least every two years, mainly to monitor their application of the Group's Code of ethics;
- reducing our carbon emissions, waste and water usage resulting from the production of products and services by 25%, while accounting for the growth of our business;
- all remaining CO₂ emissions from Scope 1 and Scope 2 of the Greenhouse Gas Protocol will be offset thanks to programmes that contribute to the welfare of the community and the conservation of biodiversity in the Group's regions of operations;
- 100% of paper and packaging for Kering will be sourced from certified sustainably managed forests with a minimum of 50% recycled content;
- all our collections will be PVC-free;
- ensuring all hazardous chemicals have been phased out and eliminated from our production by 2020;
- 100% of gold and diamonds in Kering's products will be sourced from verified operations that do not have a harmful impact on local communities, wildlife or the ecosystems which support them;
- 100% of leather from domestic livestock within Kering's products will be from responsible and verified sources that do not result in converting sensitive ecosystems into grazing lands or agricultural lands for food production for livestock;
- 100% of precious skins and furs in Kering's products will come from verified captive breeding operations or from wild, sustainably managed populations. Additionally suppliers will employ accepted animal welfare practices and humane treatment in sourcing.

In May 2014, Kering published a Progress Report for its Annual General Meeting that presents the Group's progress on each key target and its efforts to achieve them. It is available on Kering's website.

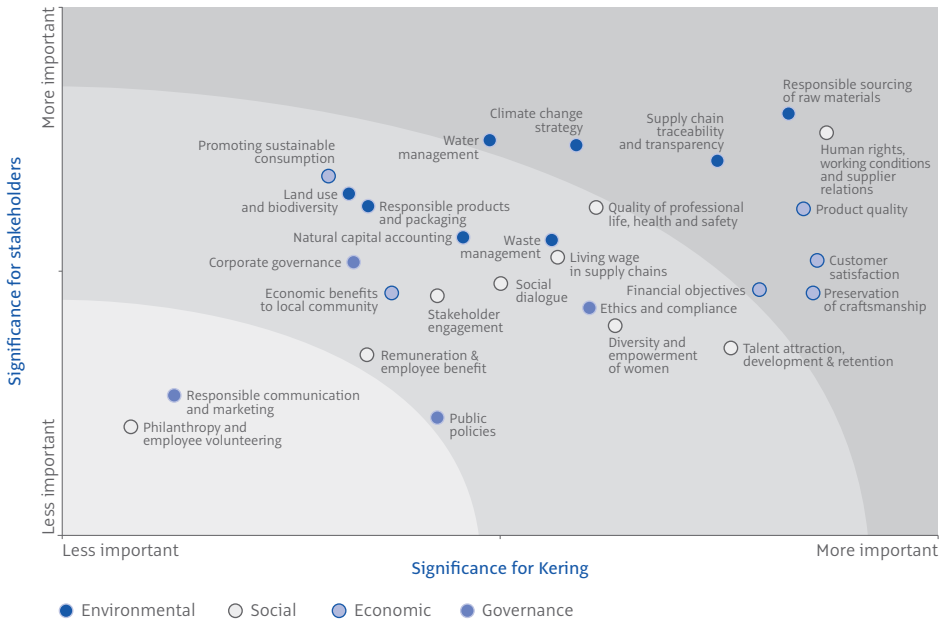
Materiality

In line with the principles defined by the Global Reporting Initiative (GRI) guidelines, Kering updated the materiality analysis of its sustainability issues in 2014. This approach allows Kering to identify its key issues (based on their economic, environmental and social impacts) and governance issues, and to the Company's key stakeholders' evaluation of them. During the year, Kering worked with the firm BSR (Business for Social Responsibility) to further strengthen this approach by taking advantage of its stakeholder dialogue expertise.

Twelve interviews were carried out internally with senior executives of Kering and its brands to update the materiality matrix. Kering also sent a questionnaire to over 100 external stakeholders (universities, NGOs, consumer groups, trade unions, investors and rating agencies, suppliers and business federations).

Updating the materiality analysis provided confirmation of the Group's key priorities, related to both environmental (quality, traceability, use of sustainably produced raw materials, etc.) and social (respect for human rights, working conditions, etc.) supply chain issues. Furthermore, Kering's climate change strategy gives the Group the opportunity to demonstrate its leadership, as exemplified by the Environmental Profit & Loss account.

MATERIALITY MATRIX



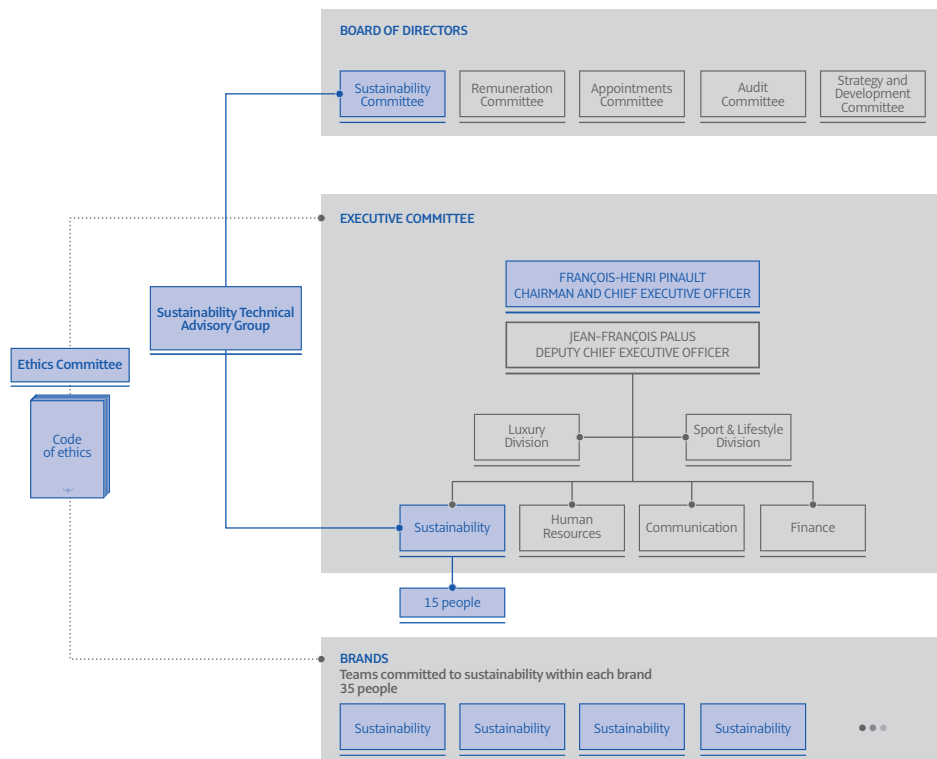
Governance and organisation

Kering's Sustainability Department operates as a resource platform to set out and complete the initiatives implemented individually by each brand. More than 15 specialists, who answer to the Group's Chief Sustainability Officer, a member of the Executive Committee, assist the brands with the implementation of the sustainability strategy by systematically looking for possible synergies with a view to continuous improvement. In addition, each brand has at least one Sustainability Director or, for the larger brands, entire sustainability teams. As a result, there are more than 50 people working on sustainability at Kering.

As concerns governance, a Sustainability Committee, established in 2012 at Board level, provides advice on and guides the Group's sustainability strategy. The Committee is chaired by Jochen Zeitz and is composed of

the Group Directors, François-Henri Pinault, Jean-François Palus, Patricia Barbizet and Luca Cordero di Montezemolo. The Committee met twice in 2014 to review the detailed action plan of the Group and its brands to reach sustainability targets. The Committee's members thus worked on the targets in place for 2016 as well as key challenges and large-scale projects led by Kering (the Python Conservation Partnership, ethical gold, Material Innovation Lab, EP&L, etc.).

In addition, the Sustainability Technical Advisory Group (STAG) provides the Committee with technical expertise on the challenges faced by Kering in its sustainability initiatives. This group is composed of members of Kering (Jean-François Palus, Group Managing Director, Jochen Zeitz, Director and Chairman of the Sustainability Committee, and a Chief Executive Officer from a brand on a rotating basis) as well as external advisors.



Environmental Profit & Loss Account (EP&L)

The rollout of the Group's sustainability strategy is chiefly based on the EP&L, which is the cornerstone to the Group's targets and allows the Group to assess the impacts of manufacturing and distribution of products throughout the supply chain, including raw materials. It also assigns a monetary value to these impacts so as to more effectively assess environmental issues in financial terms, thereby guiding Kering to better business decisions. This is the first time that an international group like Kering has made a commitment to undertaking such an analysis, which covers all of its Luxury and Sport & Lifestyle brands by 2016. EP&L is designed to help Kering to establish new business models and innovative solutions based on natural capital accounting.

Violence against women

In line with the Group's new identity and to increase its impact internationally, the Kering Foundation refocused its initiatives in 2014 on three main regions targeting one specific issue in each:

- sexual violence in the Americas (the United States, Brazil and Argentina);
- harmful traditional practices in Western Europe (France, Italy and the United Kingdom);
- domestic violence in Asia (China).

Three types of action are used to fight these forms of violence:

- supporting local and international NGOs;
- offering social entrepreneur grants;
- organising awareness campaigns.

1.3. reporting, recognition and sri⁽¹⁾ ratings

In recognition of its sustainability strategy and its main achievements, Kering received several distinctions in 2014:

- **DJSI (Dow Jones Sustainability Indices):** a year after its listing on the DJSI World and Europe, Kering topped the 2014 ranking in the Textiles, Apparel & Luxury Goods category.
- **CDP (Carbon Disclosure Project):** Kering joined the CDP Climate Performance Leadership Index 2014 A list in recognition of the Group's initiatives to reduce carbon emissions and the impact of its activities on climate change. Kering became one of the ten French companies to receive the highest "A" rating, for their climate performance.
- **GRI (Global Reporting Initiative):** for the third year running, Kering's Reference Document earned an A+ rating, the highest rating awarded by the GRI guidelines which define a methodology for the disclosure of data on governance and a company's performance on economic, environmental and social indicators as well as responsible practice as regards human rights, products and society.
- **FIR (the French Social Investment Forum):** Kering was awarded the 2014 FIR SRI Analysts' Award for putting in place and deploying its Environmental Profit & Loss Account (EP&L). This award is for the best corporate social responsibility policy initiative by a private company or French publicly traded company.
- **GLASA (Global Leadership Award in Sustainable Apparel):** Kering received the 2014 Global Leadership Award in Sustainable Apparel for the Group's EP&L approach. This award is the result of an initiative launched by the Sustainable Fashion Academy in 2013 with particular support from the Association of Swedish Fashion Brands (ASFB) and the Prince of Wales International Sustainability Unit.
- **Newsweek Green Ranking:** Kering ranked number four in the 2014 Green Ranking published by Newsweek magazine (first in the Consumer Discretionary category), recognising the Group as one of the most environmentally-friendly companies in the world. The 2014 Newsweek Green Ranking is the result of a global research process led by Corporate Knights Capital and overseen by a panel of experts. It ranks the 500 largest publicly-traded companies in the United States and the 500 largest publicly-traded companies globally on overall environmental performance.
- **Other SRI indices:** Kering has been included in the main benchmark indices: *FTSE4Good*, Euronext Vigeo Eurozone 120 Ethibel Sustainability Index Excellence, MSCI Global Sustainability Indexes and STOXX Global ESG leaders indices.

1.4. 2014 highlights

Kering topped the DJSI in its category and joined the CDP A List of Climate Performance Leaders

One year after its listing on the DJSI World and Europe indices, Kering topped the 2014 ranking in the Textiles, Apparel & Luxury Goods category. Kering was named industry leader in recognition of its intensified sustainable development efforts over the last few years. The DJSI is a globally recognised index that assesses the sustainability performance of the world's top 2,500 stocks by market capitalisation of the Dow Jones Global Total Stock Market Index. Each year, participating companies are assessed based on a specific questionnaire for each business sector covering economic, environmental and social criteria. Only the top 10%, in terms of sustainability performance according to defined criteria, are listed in the ranking.

At the same time, Kering joined the CDP Climate Performance Leadership Index 2014 A List with a score of 95 A, in recognition of the Group's initiatives to reduce carbon emissions and the impact of its activities on climate

change. The CDP ranking takes into account all aspects of climate change when assessing company policies. With 767 institutional investors representing USD 92,000 billion in assets, the CDP aims to better assess through its study the climate change related risk in the investment portfolios. As part of its 2014 study, nearly 2,000 businesses completed a CDP questionnaire and undertook to publicly disclose their carbon footprint.

Stepping up initiatives to meet the Group's sustainability targets for 2016 and publishing a dedicated Progress Report

2014 stands out as a year in which Kering stepped up its initiatives to meet its sustainability targets, which was also made possible by the insights provided through the ongoing development of the first consolidated Group-wide EP&L. These initiatives were published in a Progress Report and presented during the Annual General Meeting. The Progress Report marked an important step for the Group: it presented an overview of initiatives undertaken

(1) Socially Responsible Investing.

to date and set out the challenges that lay ahead. Of particular note are the initiatives implemented in the field of responsible sourcing:

- the purchase of 55 kg of Fairmined certified gold from the Sotrami mine in southern Peru represents the largest ever purchase of Fairmined gold;
- the launch of the Python Conservation Partnership with the International Trade Centre (ITC) and the International Union for Conservation of Nature's (IUCN/SSC) Boa and Python Specialist Group to contribute to the improved sustainability of the python trade;
- the launch of a long-term programme in collaboration with the International Trade Centre (ITC) to support the monitoring and sustainable management of the trade in Nile crocodiles from Madagascar;
- the introduction of new responsible sources of wool (Patagonia wool), cashmere and cotton.

Signing a five-year strategic partnership with the London College of Fashion's (LCF) Centre for Sustainable Fashion (CSF) to promote sustainable design and innovation in the fashion industry

Kering and LCF signed a five-year partnership to promote sustainable design and innovation in the fashion industry built on the shared belief that sustainability will play an increasingly crucial role in fashion in the years to come. This partnership focuses on three main areas:

- Kering Talks: each year in October, experts and leaders from the fashion industry will come together to talk about the latest trends in sustainable fashion, share their vision of the industry and discuss the most innovative steps seen in the field. The inaugural address of the Kering Talks was given by François-Henri Pinault, Chairman and Chief Executive Officer of Kering;
- the Kering Award for Sustainable Fashion: every year, students in the third year of their BA (Bachelor of Arts) or completing their MA (Master of Arts) can take part in a competition. The two winners who will each receive a stipend and have the opportunity to complete a work placement in one of Kering's brands;
- the joint development of teaching modules for the Sustainable Design programme: Kering and the CSF, in collaboration with a community of experts, researchers and professors, will pool their entrepreneurial and academic skills to create a module of classes dedicated to sustainability taught each year at the LCF.

The EP&L now covers the entire Kering group

Kering's EP&L (Environmental Profit and Loss Account) approach expanded in 2014. While six brands were covered in 2013, today the entire Group benefits from the

deployment of the project (99.7% of the Group's revenue is covered). In 2014, the EP&L (on 2013 data) allowed the Group to confirm its main insights: the far greater environmental impacts of the brands' supply chains compared with their own activities (more specifically the production and initial raw material transformation stages); over 60% of impacts concern CO₂ emissions and changes in land use; and over 55% of impacts are related to two major categories of materials: leathers and plant-based fibres used in textiles. These findings confirm the consistency and relevance of Kering's environmental approach whose pillars and flagship projects specifically target the issues underscored by the EP&L.

The Mobility and Training policy is using new networks and methods to allow the brands to benefit from the "Kering effect"

After focusing on introducing and implementing the Group's Internal Mobility platform in 2013, 2014 was devoted to its deployment across every brand in every country. Over 2,500 job openings were posted, and over 100 employees took advantage of internal mobility directly through the platform. All brands are now on the platform and all positions, including openings in stores, are posted.

At the same time, enhanced training initiatives in the regions (new employee programmes in Asia-Pacific) make it possible to complement the synergies offered by the Group which benefit the brands and strengthen the skills and talent development policies.

These Group initiatives demonstrate the networks, processes and methods that assist the human resources teams in supporting sustainable growth and change within the organisation and promoting a shared management culture.

The Kering Corporate Foundation raises awareness on violence against women among customers and the Group's employees with third white ribbon campaign

November 25 was the International Day for the eradication of violence against women. To promote awareness and engagement, Stella McCartney, a member of the Kering Foundation's Board of Directors, designed a White Ribbon for Women badge in reference to the White Ribbon movement of men working to end violence against women.

The campaign, which was launched on social media sites in 2012, brought in a number of celebrities in 2014 and potentially touched more than 325 million internet users.

A total of 198,600 badges were distributed to Kering employees and customers from eight Luxury brands in 38 countries who share the Group's commitment to the prevention of violence against women.

1.5. *key figures*

- 37,441 employees as of December 31, 2014, 57.47% of whom are women;
- 89.3% of employees on permanent contracts;
- 49.2% of Group managers are women;
- 12.3% of permanent employees work part time;
- 34.8 years is the average age of permanent employees;
- 5.4 years is the average length of service of permanent employees;
- 337 workers with disabilities;
- 375,960 hours of training, or 19,338 employees trained;
- 11,249 permanent employees hired;
- Over 198,000 badges distributed by the Kering Foundation for its third campaign "White Ribbon for Women" to promote awareness about violence against women;
- 99.7% of Group revenue was covered by an EP&L in 2014 (on 2013 data);
- Over 75% of the environmental impacts generated by the Group's activities are related to production and the initial transformation of raw materials used;
- 3,283 social audits carried out among the Group's suppliers (up 20.6%), including those carried out as part of SA 8000 certification procedures;
- 297,776 tonnes of CO₂ emitted by the Group in 2014 attributable to energy consumption and transport;
- The share of electricity purchased from renewable sources reached 22.3% in 2014;
- 88% of the paper consumed by the Group is PEFC or FSC certified or recycled;
- 98% of the Group's reference products contain no PVC.

2. *supporting our employees*

Kering provides its brands with the support they need for their growth, and also the autonomy and responsibility needed to foster creativity within its teams. The priority of the human resources policy is to help employees express their full potential by developing their skills and performance for the long term with as much imagination possible.

In today's world of fast-changing markets, competition and customer needs, finding and retaining the best talent is a strategic issue.

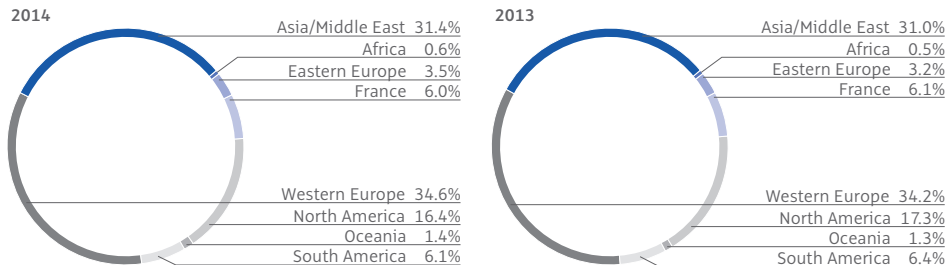
Kering's human resources policy continues to cultivate human and cultural diversity to offer the Group an economic and competitive advantage. It is designed to offer each employee opportunities for personal and professional development, and thereby contribute to the success of the Group's strategic priorities.

2.1. *the group's human resources profile⁽¹⁾*

2.1.1. Breakdown of the workforce⁽²⁾

The total workforce as of December 31, 2014 was 37,441 employees, an increase of 6.3% or 2,207 employees. Changes primarily related to the development of business, particularly establishing rapidly expanding brands in new markets, opening new stores and integrating new companies in the Group.

Change in the regional breakdown of the workforce as of December 31, 2014 and December 31, 2013 (non-proforma data)



(1) For each social indicator presented, 2013 data has been restated to take into account the change in the Group's scope of consolidation in 2014. Furthermore, the rate of coverage calculated as a percentage of the Group's workforce as of December 31, 2014 is 100% for all indicators, with the exception of the number of workers with disabilities, which is 81.7% (excluding the United Kingdom and the United States).

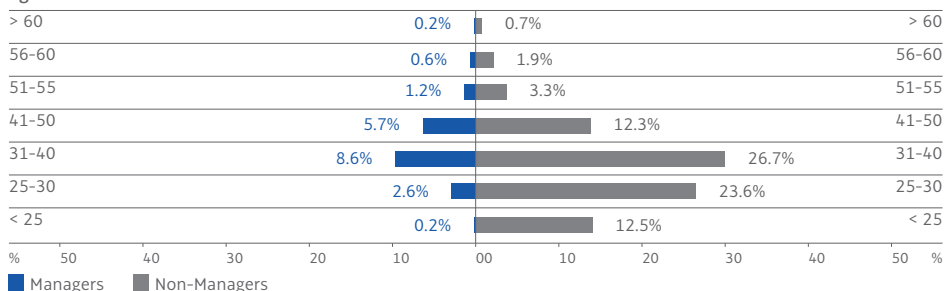
(2) Only the workforce breakdown information as of December 31, 2014 Men-Women/Managers - Non Managers/By region includes the employees from the brand Ulysse Nardin, which joined the Group at the end of 2014. Ulysse Nardin had 401 employees as of December 31, 2014.

Breakdown of the workforce as of December 31, 2014 (men/women managers, men/women non-managers) by region ⁽¹⁾

	Managers				Non-Managers			
	Women		Men		Women		Men	
	2014	2013	2014	2013	2014	2013	2014	2013
Africa	31	26	36	38	88	79	71	49
Asia/Middle East	980	895	911	775	6,554	6,330	3,293	2,924
Eastern Europe	111	83	71	68	626	522	518	461
France	555	527	332	317	873	807	486	488
North America	587	562	559	547	2,590	2,551	2,411	2,427
Oceania	32	31	36	33	263	232	199	159
South America	110	112	218	214	673	650	1,279	1,282
Western Europe	819	748	1,156	994	6,625	6,304	4,348	3,999
Total	3,225	2,984	3,319	2,986	18,292	17,475	12,605	11,789

AGE STRUCTURE OF THE PERMANENT WORKFORCE IN 2014: MANAGERS & NON-MANAGERS

Age



2.1.2. Establishing a long-term hiring policy through international partnerships

In 2014, Kering continued to attract new talent.

Of the 11,249 employees hired in 2014, 56.9% were women and 89.6% were non-managers.

In addition, the Kering group had a monthly average of 1,272 temporary employees across all of its brands in 2014.

Kering continues to develop its partnerships with first-class universities worldwide (HEC Luxury Research Chair, ESSEC in France, Tsinghua University in Beijing, and Bocconi University in Italy) in order to hire the best talent in all key areas within the Company: marketing, communications, merchandising, design, management, human resources, etc. The goal is to increase awareness of our businesses, by highlighting what particularly characterises Kering's vision – creativity and sustainability.

Kering also establishes special relationships with the best schools and universities (Stanford, Wharton and the Polytechnic University of Milan) and institutes specialised in fashion (*Institut Français de la Mode*, London College of Fashion, *Istituto Marangoni* and Parsons). This involves taking part in academic curricula and inviting students into Kering's teams on a regular basis. All these schools, universities and institutes are extremely demanding, recruit students internationally and have ties with partner schools in the regions where the Group is expanding, particularly in Asia.

As an example, in 2014, a total of 57 students benefited from the partnership with the HEC Luxury Research Chair; Gucci sponsored the International Master in Luxury Management with the MIP Polytechnic University of Milan and Neoma Business School; Kering took part in the Executive Master of Luxury Management Sole 24 ORE business school as a member of the Steering Committee.

(1) The table by region includes the following countries and territories: **Africa:** South Africa; **Asia/Middle East:** United Arab Emirates, China, Guam, Hong Kong, India, Japan, Korea, Israel, Kuwait, Macao, Malaysia, Qatar, Singapore, Turkey, Taiwan, Vietnam; **Eastern Europe:** Czech Republic, Estonia, Croatia, Hungary, Lithuania, Poland, Romania, Russia, Serbia, Slovakia, Ukraine; **France:** France; **North America:** Canada, United States; **Oceania:** Australia, New Zealand; **South America:** Aruba, Argentina, Brazil, Chile, Mexico, Peru, Uruguay; **Western Europe:** Austria, Belgium, Germany, Switzerland, Cyprus, Denmark, Spain, Finland, United Kingdom, Greece, Ireland, Italy, Monaco, Malta, Netherlands, Norway, Portugal, Sweden.

In 2014, François-Henri Pinault, Kering's Chairman and Chief Executive Officer and the Tsinghua University entered a new phase in the partnership started in 2009, by creating the three-year *Tsinghua and Kering Art Education Fund*, demonstrating Kering's commitment to creative young talent in China and to supporting the best female talent. The fund will support two projects: the *Artistic Innovation Studio* to help five particularly remarkable artists in their training and the creation of their own studio, and the *Female Support Programme* to provide financial support to ten talented women, helping them continue their studies or bring their projects – in the arts, the economy, architecture or the environment – to life.

The "Empower Talents" project is another example of the Group's support for creative young talent. Conducted with the magazine *Vogue Italy*, this project was successfully launched for the first time in October 2013 and organised

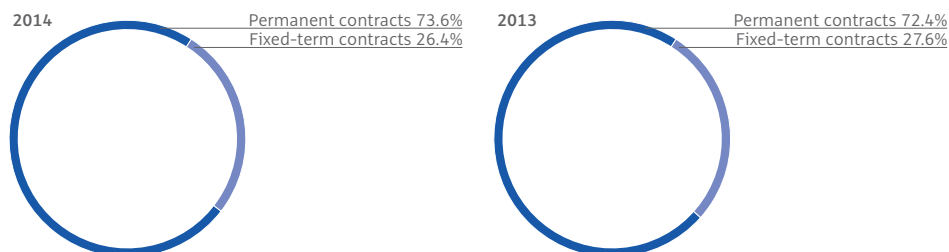
again in 2014. It called on the Luxury brands based in Italy and the Timepieces/Jewellery brands to offer trainee programmes in all the business' key areas. One-quarter of the 2013 trainees were offered a second work placement opportunity.

In addition, in 2014, Kering and the London College of Fashion's (LCF) Centre for Sustainable Fashion (CSF) created a five-year partnership to support the role of sustainable development in tomorrow's fashion by bringing together leaders from the Company, sustainability and academia. One of the initiatives involves a competition with an award of future financial support for the winners.

These initiatives also involve a large number of training and apprenticeship programmes offered by Kering's brands.

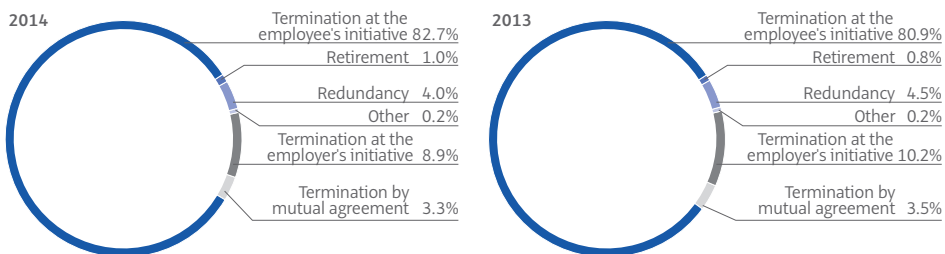
Hires

BREAKDOWN OF FIXED-TERM AND PERMANENT CONTRACTS AMONG NEW HIRES



Departures of permanent employees, on all grounds, totalled 9,656 in 2014, of which 7,988 at the employee's initiative (82.7% of departures) and 854 dismissals (8.9% of departures).

BREAKDOWN OF PERMANENT EMPLOYEE DEPARTURES BY CATEGORY



2.1.3. Supporting responsible change within the organisation

In 2014, Kering pursued its policy to support and redeploy employees, by striving to help find employees other positions within the Group. In France, this policy involves support from Job Coordination, a body of HR representatives from the brands, led by Kering's Human Resources Department, to propose individual redeployment solutions between brands. It aims to assist employees, beyond what is required by law, when an organizational

change (for example a store transfer or closure) is likely to have an impact on jobs.

In all countries and for all brands, when departures are being considered following reorganisations (for example a store closure or transfer), efforts are made that go beyond what is required by law to find employees another position.

Kering also completed the disposal of the remaining entities in its retail Division, while focusing special attention on its social responsibilities.

2.2. remuneration and employee benefits

Remuneration and employee benefits

- Total Group payroll in 2014: €1.37 billion;
- €64,874 million in employer contributions from the brands in Metropolitan France in 2014.

Kering's remuneration policy

Remuneration is a key component that managers can use to recognise the commitment and individual and collective performance of employees.

Remuneration is structured around the strategies set by the Group, for example including variable remuneration starting at a certain level of responsibility. The amount of individual remuneration for each employee strives to be fair internally and competitive within the market.

Nearly 90% of Group employees have variable remuneration in their pay packages.

In 2014, the brands continued their work to adapt the policy for short-term variable remuneration (bonus), to adjust the mechanism for triggering bonuses in their remuneration packages based on the performances and trends of the business. The goal is to make the policy more consistent and effective.

Certain brands also paid particular attention to ensuring consistency for their remuneration packages and will include certain variable components in the packages of all their employees. For example, in 2014, PUMA worked on putting in place a bonus for all its employees in Europe, and several brands in the Luxury Division (Saint Laurent, Balenciaga, Brioni, etc.) have implemented projects to harmonise their profit-sharing schemes for retail employees worldwide.

Executive pay

The remuneration of the Group's 300 senior executives is monitored by the Group's Human Resources Department, in order to ensure consistency and fairness internally, and be competitive given the industry best practices.

The structure of remuneration for senior executives (base pay, short-term variable remuneration, long-term profit-sharing) is set out by the Group based on their level of responsibility.

The policy for short-term variable remuneration (annual bonus) aims to reward senior executives for meeting objectives – in part financial and in part individual – set in line with the strategy of the Group and the brands. Two indicators that show performance in terms of the brands' profitability and cash flow management (EBIT and free cash flow) are used to assess financial objectives. Some individual objectives set for senior executives are also related to the Group's sustainability strategy.

Long-term profit-sharing granted to the Group's senior executives in 2014 draws on the new system put in place in 2013. The goal is two-fold: to compensate them for their performance over time and reward them for their loyalty.

The amounts granted and the means used (Kering Monetary Units) are directly linked to the position and level of responsibility of the beneficiary within the Group.

At the end of a three-year vesting period, the senior executives who are part of a cash plan receive their financial compensation, provided they have reached the three-year EBIT and free cash flow objectives set when the profit-sharing was initially granted.

In addition, for two years after the vesting period, senior executives who were granted Kering Monetary Units can request their financial compensation.

As regards the remuneration of executive corporate officers, for the Annual General Meeting on May 6, 2014, the Board of Directors met the requirements set out in the revised AFEP-MEDEF Code on say-on-pay.

Employee benefits within the Group

In addition to monetary remuneration, the Kering group has always valued the social benefits offered to its employees through healthcare, disability/life and pension benefits. Therefore, virtually all employees have supplementary insurance coverage in addition to coverage provided by law through the various schemes put in place by the Group's brands.

Certain brands are also working on implementing more comprehensive systems for employee benefits.

For example, in 2014, Pomellato put in place the *Pomellato For You* programme that gives its Italian employees additional benefits, for example for education, leisure activities, transport and family support.

Gucci also continued to roll out its Corporate Welfare Plan

created in 2013. Access to benefits under this plan was extended to all retail employees in 2014 as well as certain Operations teams in Italy. At the end of the year, over 2,700 Italian employees had social benefits through this plan.

These initiatives demonstrate how the brands embody the Group's commitment to sustainability.

Profit-sharing, incentive and employee savings agreements

In accordance with national legislation, almost all of the Group's employees in France benefit from a profit-sharing and incentive scheme governed by an agreement for their legal entity. Tax and payroll deductions may apply to the amounts derived from these schemes in accordance with the applicable regulations.

2.3. *promotion and respect of ethics within the group*

Kering's Code of ethics, the foundation for ethics within the Group and for all employees

Set out since 1996 in the Group's first Ethics Charter, Kering's ethical principles apply to everyone within the Group and reflect the Group's strong convictions about business practices. Kering's Code of ethics, which was established in 2005 and first updated in 2009, was overhauled again in 2013. It fits in firmly with the major international reference texts (United Nations Universal Declaration of Human Rights, European Convention on Human Rights, the main conventions of the International Labour Organization, OECD Guidelines for Multinational Enterprises, United Nations Convention on the Rights of the Child, United Nations *Global Compact*) and demonstrates how the Group continually strengthens its commitments and the systems in place to ensure compliance. Sustainability for Kering is not attainable without the Code of ethics, which is used as the sole set of standards implemented by all throughout the Group, regardless of their level of responsibility, position held or location. The Code of ethics is available in the 12 most widely spoken languages in the Group on the Group's intranet, and on Kering's website for readers from outside the Group.

Stronger ethics organisation at the end of 2013

From a single committee (ECSRC – Ethics and Corporate Social Responsibility Committee, set up in 2005), since the end of 2013 the ethics organisation has drawn on three Ethics Committees: a Group committee and two regional Committees (Asia Pacific and the Americas), which are involved in the policy to delegate responsibility applicable within the Group that makes it possible to have bodies that are able to act effectively in light of actual operating conditions, within a shared reference framework applied throughout the Group.

Each of the three Committees is made up of representatives from Kering and representatives from the Group's brands to ensure greater diversity.

Employees are able to call on these Committee's to request clarification or ask a question regarding the interpretation of the Code, if they are unsure how to behave in a specific situation or if they wish to submit a complaint (claim) to the Committee for alleged non-compliance with one of the principles of the Code for examination.

An ethics hotline was also set up for all Group employees in their country or area of operation. The hotline assists the Ethics Committees in reporting information, questions and complaints from employees and can be called by anyone in the Group who prefers this system over contacting one of the three Committees directly.

2014: a year dedicated to informing and training employees, and implementing new ethics measures

Kering focused on updating the Code and adapting the Group's ethics framework in 2013, and then implemented the new framework in 2014 concentrating on three key areas:

- **Promoting awareness of the Code throughout the Group**

Kering understands that employees must first understand and adhere to the Code to ensure that ethical business practices and the Group's principles are adhered to. The Group has thus introduced a number of initiatives to promote, share and explain the Code of ethics. The Code is available in an electronic version in 12 languages and in a paper version in the five most widely used languages within the Group, and it was circulated in the different regions where the Group operates. A detailed presentation was also provided on the content of the Code and how to use it to ensure that all managers can draw on the Code as a teaching tool for their teams. At local level, initiatives were taken to bolster the communication of information, for example by printing posters for the brands' main sites in the languages of the countries concerned. Given the natural turnover within the Group and the scope of its regional operations, Kering will focus its efforts again in 2015 on initiatives to promote even greater awareness of the Code and its principles among all employees.

- **Training employees on ethics and asking the right questions when dealing with situations and dilemmas they may face at work**

In 2013, the Group decided to put in place a training programme on ethics and the Code for all Group employees worldwide. The programme was developed in 2013 and introduced throughout Kering in February 2014.

Available in nine languages, the programme presents case studies and ethical dilemmas that help employees ask themselves the right questions and set out the

fundamentals of ethics at Kering. It will be updated annually and will cover all the major ethics principles upheld by the Group's Code of ethics. The topics covered in 2014 included corruption, fraud, conflicts of interest and the confidentiality of information on social media. In 2015, the second year of the programme will cover topics related to diversity, corruption, human rights and environmental protection.

- **Putting in place the three Ethics Committees and handling issues raised by employees**

In January 2014, the Group began implementing the new ethics organisation set out in 2013. The Group's Ethics Committee provided the regional Committees with the main documents that will serve as a framework for the Committees' practices and to harmonise procedures to ensure that requests from employees are dealt with in the same way wherever they are worldwide. These include:

- the Committee's Internal rules, which set out the main operating principles of these bodies and the commitments of its members – first and foremost confidentiality and exemplary behaviour;
- the claims handling procedure which explains how to deal with employee claims and the key steps to follow when doing so, from maintaining the confidentiality of the person filing the claim, to conducting an enquiry to establish whether or not the allegations are true. Then providing a response and sharing findings with the person filing the claim and the organisation or person concerned if applicable.

Over the course of the various meetings held in 2014, Kering's three Ethics Committees handled 16 requests (13 complaints and three questions from employees who wanted to make sure that they had properly understood what the Code says on a specific topic), of which three were still being examined at the end of 2014. These issues were either brought to the attention of the Committees directly or through the ethics hotline that the Group also introduced in 2014.

Source	Topic/Reason	Conclusion
12 claims from Group employees	1. Harassment/Wrongful dismissal 2. Harassment/Unfair treatment 3. Discrimination 4. Harassment 5. Harassment 6. Theft 7. Insults on social media 8. Gift policy 9. Poor use of resources 10. Fraud used for sales commissions 11. Favouritism 12. Discrimination	No violation of the Code found after enquiry No violation of the Code found after enquiry No violation of the Code found after enquiry No violation of the Code found after enquiry No violation of the Code found after enquiry One violation of the Code No violation of the Code found after enquiry No violation of the Code found after enquiry No violation of the Code found after enquiry Enquiry under way at the end of 2014 Enquiry under way at the end of 2014 Enquiry under way at the end of 2014
1 complaint from one of the Group's suppliers that was not selected during a call for tenders ⁽¹⁾	1. Unfair competition	No violation of the Code found after enquiry
3 questions from Group employees	1. Gift policy 2. Gift policy 3. Conflict of interest	

(1) Although the Ethics Committee can only be called on by Group employees and not external stakeholders, the Ethics Committee received this complaint directly and decided to handle it.

For each of the 13 complaints, an enquiry involving both sides was conducted under the responsibility of the Committee contacted and only one violation of the Code was found. The other enquiries did not show a failure to comply with the Code of ethics, but rather in most cases, management issues or differences in assessments between an employee and his or her manager, without constituting an ethics violation of any sort.

Lastly, the Committees also fulfilled their two other objectives over the course of 2014 which, in addition to the main goal of reviewing and handling complaints from employees, also involves being responsible for circulating the Code throughout the Group and ensuring that Group

employees adopt it. This also means being proactive in helping the Group move forward with its work on ethics and sustainability by generating ideas regarding the topics that the Committees find to be priorities. In 2014, the Committee's work primarily focused on the charters being developed for the management and security of private data, the use of IT resources available to employees, and stakeholder dialogue. In 2015, the Committee will focus on topics such as the policy for handling conflicts of interest, the Group's gift policy and handling relations with third parties.

2.4. *enhancement of talent and skills*

Developing talent and skills is a key part of Kering's human resources policy, which focuses on two main areas:

- promoting mobility and professional development within the Group;
- developing a structured training policy for all employees.

2.4.1. **Promoting mobility and professional development within the Group**

As a more integrated Group, Kering develops processes and tools to help employees to constantly expand their career prospects and strengthen their skills through internal mobility and career opportunities.

Promoting mobility within the Group and its brands

Professional mobility has always been encouraged to help to develop skills, offer career prospects and give everyone the opportunity to develop within the Group.

After it was launched in July 2013, the internal mobility platform on the 360° Group intranet was rolled out in 2014 for all brands and gradually in all countries. This ambitious project allows employees to view job opportunities within the Group, published by each brand. This platform allows employees to be active players in their professional development by writing and posting their CV, sharing their career projects and promoting their skills.

It also helps HR professionals to be more proactive and closer to managers in order to manage talent and job mobility. This makes it possible to offer the Group's brands a shared pool of talent and expertise, and to promote synergy and the sharing of best practices.

In 2014, over 2,500 job openings were posted on the platform, and over 100 employees took advantage of internal mobility opportunities made possible directly through the platform. All the brands are present on the platform and post job offers to provide greater visibility for their organisation and possibilities for career development. All positions are now posted, including jobs available in stores.

Identifying and developing talent to support future leaders and organise succession plans

Throughout the Group, identifying and individually developing talent is a priority aim. The Group develops tools and processes that are implemented initially for leaders and then deploys them for all employees. The brands work with the Group to roll out these solutions, ensuring that the initiatives are adapted to their means and their needs.

In 2014, Gucci continued to implement its programme to identify and develop talent. Talent mapping was carried out for the upper two echelons of the organisation and all stores worldwide (over 3,500 employees). The process is designed to establish succession plans, identify needs and implement the hiring and development initiatives required.

PUMA continued its *People@PUMA* programme, to evaluate talent. An International Leadership Programme (ILP) has been developed to help monitor fast-tracked employees. This programme aims to develop leadership skills to support the business strategy, both globally and regionally.

The 360° feedback project: developing senior executives

The work undertaken in 2012 on 360° feedback was continued in 2014 with brand and corporate senior executives to help to support their development. This process aims to gather information on the perception of a person's skills from several sources (supervisors, colleagues, employees, customers, etc.), with a view to enhancing these skills and promoting progress. At the end of the process, each leader has a one-on-one coaching session to analyse the results and define an action plan for personal and professional development.

2.4.2. **Developing a structured training policy for all employees**

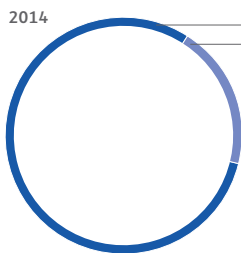
In 2014, the Kering group devoted a budget of €15.6 million to employee training, corresponding to 1.1% of the total Group payroll. On this basis, 375,960 hours of training (excluding safety training) were provided across the Kering group brands, and 19,338 employees took at least one training course in 2014. One in two employees received training in 2014.

Women accounted for 58.7% of the workforce trained in 2014 (excluding safety training). Furthermore, 80.1% of employees trained in 2014 were non-managers.

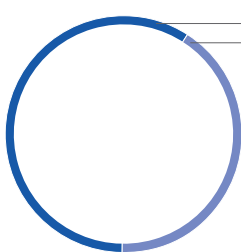
Given the brands' new operations and Kering's new projects, the increase in the number of people trained illustrates the Group's desire to give employees the means to develop and help new employees.

TRAINING (EXCLUDING HEALTH AND SAFETY), PERMANENT CONTRACTS, FIXED-TERM CONTRACTS

2014
Managers 19.9%
Non-managers 80.1%

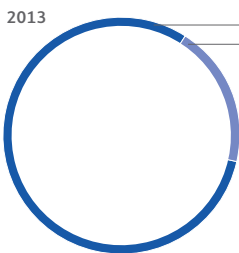


Men 41.3%
Women 58.7%

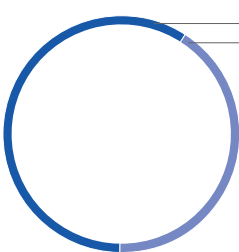


19,338 people received training,
52.2% of the workforce

2013
Managers 19.6%
Non-managers 80.4%



Men 41.2%
Women 58.8%



17,873 people received training,
50.7% of the workforce

For many years, Kering has organised training programmes for senior executives, senior managers and future leaders through its University, thus promoting a shared management culture. Kering seeks to strengthen its management training offering in the regions (Asia, the United States and Europe) to offer a structured training path marking the various stages in the individual development of managers. Performance culture, innovation, digitisation and entrepreneurship are central to these programmes every year. Each year, hundreds of leaders and managers within the Group benefit from the "Kering effect" and Group synergies. At the same time, the brands strive to offer employees training that is adapted to their codes and their needs.

Kering University

In 2014, Kering University continued its development programmes for the Group's fast-track employees (Leadership Development Program) with three classes currently receiving training, representing more than 30 participants from Luxury and Sport & Lifestyle brands. This training involves 360° feedback, a learning expedition in the Group's key growth areas as well as finance and performance seminars held at the IMD Business School in Lausanne. It is designed to allow participants to strengthen personal development, share professional experience and improve their understanding of the Group's strategic issues.

One of the classes which took place over 18 months, ended with a concrete community and solidarity project in Nepal. The project was carried out within a set time frame and provided assistance to a non-profit that helps women who are victims of violence to enter the workforce.

International Talent Development Programme seminars were also put in place, helping the Company's managers to bolster their strengths and develop their skills. Each session begins with 360° feedback allowing participants to better understand how they are perceived by their colleagues. The seminar continues with role plays and the drafting of a personal development plan. Two sessions took place in 2014: one in Europe and another one for the first time in the United States, bringing together a total of 24 people from all the brands.

In light of Kering's transformation, the Group felt it needed to strengthen its management training offering in all regions worldwide, particularly to support its high-growth brands. Kering has been working with HEC and Tsinghua for several years to offer tailor-made programmes to Asia's most promising talents. This year alone, over 30 managers have benefited from this initiative. Besides this programme destined for today's and tomorrow's leaders, Kering Asia-Pacific developed a management programme in response to short-term needs and to train and retain young talent in the region. This programme offers training

prior to the programmes at global level through the Talent Development Programme and the Leadership Development Programme. Initiated in 2013, these training programmes were put in place in 2014 in the APAC region, with more than 90 people receiving training during inter-brand courses.

Kering University continued to roll out leading business across cultures seminars to grasp multicultural differences and work better together internationally by taking them into account. In 2014, over 70 people were able to take advantage of these sessions led by INSEAD.

Kering Digital Academy in 2014

2014 marked the third year of the Kering *Digital Academy* programme. The *Digital Academy* – an integral part of Kering's digital strategy since 2011 – is a development path for managers from the Luxury and Sport & Lifestyle brands that is designed to instil a digital culture within the Group, support the brands' business performance and get Kering recognised as a major digital player.

The Kering *Digital Academy* put together training workshops for the Group's managers. Six sessions were organised in 2014 for some 100 managers from Retail, eCommerce, Marketing, Communications and CRM. The sessions were customised to meet the specific needs of each brand. Participants were able to work on the topics of Customer centricity and how to manage brand image online.

In June 2014, the *Digital Academy* launched the *Digital Academy* eCampus, a virtual platform for all Kering employees that is accessible through the Group's Intranet. The *Digital Academy* eCampus presents daily news, digital initiatives put in place by the brands, and eLearning courses, and it seeks to become the go-to place to discover, learn and share all types of content related to digital – while fostering collaborative behaviour.

2.4.3. Training by the brands

To accelerate the Group's transformation and growth, the Group has put in place training in each of its brands on topics that are important for the growth of Kering's employees and its sales. This involves both integrating a number of new talented employees and strengthening business skills.

Integrating new talent

In order to improve the retention of new employees, the brands have put in place training and programmes for new hires. This involves offering training on the values and heritage of the brands and initial development training to foster integration and develop brand culture.

For example, Gucci harmonised its Retail training strategy by focusing on four main areas: sales techniques, integration and Gucci's DNA, product training and leadership. Gucci France launched a workshop tour programme in Casellina near Florence to help employees to learn how craftsmen work.

Balenciaga created an integration programme run by the HR and Retail Training departments for all employees in France before they are sent abroad. The programme includes the history of Balenciaga, its values and its know-how.

Pomellato also launched integration sessions with tours of production sites and presentations for new employees.

Developing the managerial skills of teams and store managers

In addition to the Group's training sessions for talented employees and senior managers, the brands organise training for Retail and/or corporate managers within the regions. The goal is to train these managers so they can be better integrated and to enable them to move ahead, and thus support the growth of the brands in the markets in a spirit of retail excellence.

Gucci developed a Management Essentials programme for managers in 2014 to help them to gain a better understanding of Gucci's talent management strategy and strengthen their HR development skills: hiring, employee development and fostering employee loyalty. Over 350 international managers took advantage of this training.

Bottega Veneta put in place six new modules as part of the Retail Management Programme to help to develop management skills in stores. The people in the CORE Programme were selected, and the managers were involved in providing support and monitoring the progress of the participants in this training course. In principle, 50% of the people in the programme should be promoted to a higher-level position at the end of the programme.

Saint Laurent decided to focus on aspects of training and development by creating a global training strategy, putting in place dedicated teams, appropriate tools and processes at global and local levels.

Pomellato created a session called "high performance leadership lab" on topics related to sales development, collaboration, team motivation and change management. A total of 19 employees were able to take advantage of this training. In the United States, Pomellato launched two "VIP" sessions, in reference to the acronym for Very Important Person and Voyage Inside the Product. The goal of this training is to underscore the importance of the role of each employee within the organisation and highlight the core part of the brand's activity, i.e., production and stonework.

PUMA, in Latin America, focuses on employee development through training courses dedicated to specific groups (evaluations for team managers, and sales techniques or management for store teams).

Strengthening business skills

The brands also implement training with a view to continuing to develop craftsmanship and knowledge to support their businesses and address specific issues.

Gucci started a two-year programme with the *Scuola dei Mestieri* that aims to train some 20 talented young people a year. The goal of the programme is to promote craftsmanship and strengthen Gucci's commitment to local environmental and social issues.

Bottega Veneta continues to support the next generation of designers and craftsmen with the *Scuola dei Maestri Pellettieri*, created in 2006. The goal is threefold: to maintain the technical excellence, culture, passion and skills needed by the brand for its craftsmen and designers; to develop techniques and product sensitivities amongst the next generation of craftsmen; and to promote through the company and its employees, a culture of excellence in craftsmanship which is at the heart of Bottega Veneta's identity. The activities organised with the *Scuola dei Maestri Pellettieri* take place at Bottega Veneta's offices, at the Atelier in Montebello Vicentino. In 2014, some

600 people from inside and outside the brand took part in the school's various projects.

At its school, Brioni is preparing to renew employees' skills. In 2014, the brand put in place high-level training and support for tailors who receive six months of training in stores working directly with customers in all regions worldwide.

Training is also offered in other areas.

For example, Gucci created a global Human Resources community to develop business skills and share best HR practices among peers. Thirty HR departments are part of the community and 60 people have joined the online virtual community. The HR Academy prepares and also runs programmes to improve the professional skills of the Group's HR employees: nine sessions have been held for 120 participants.

2.5. *promotion of diversity*

Kering has long been committed to diversity and was among the first to sign up to the French Corporate Diversity Charter in 2004. Equivalent charters were also signed in 2010 by PUMA in Germany and in 2011 by Gucci in Italy.

This commitment goes beyond social responsibility and compliance, and the Group believes that diversity is a source of creativity and innovation, and as such of economic performance. The Code of ethics, implemented in 2005 and whose third version was made available to all employees at the end of 2013, demonstrates the Group's commitment to ethics.

2.5.1. **Establishing a culture of gender equality within the Group**

While Kering addresses the issue of diversity in all its aspects, particular emphasis has been placed on equal opportunities. In 2010, the Group was one of the first companies in France to sign the Women's Empowerment Principles, drafted by UN Women and the United Nations *Global Compact*. These Principles offer guidance on how to empower women in the Company, and more generally, in the community.

The same year, Kering launched the Gender Equality in Leadership programme, the aim of which is to stem the loss of female talent at all levels of authority and more generally establish a culture of equality within the Group. This strategic programme focuses on three key priorities:

- ensuring transparency and equal opportunity throughout men's and women's careers, thanks to human resources policies and processes that treat all employees fairly;

- promoting the advancement of talented women in the organisation through special development and networking programmes;
- having managers take an active role in this commitment to gender equality during their day-to-day team management, particularly regarding the issue of work/life balance.

In 2014, with 30% women on its Executive Committee and 36% on its Board of Directors, Kering is poised as one of the CAC 40 companies with the highest level of women. For the second year running, the Group came in 10th place in the annual survey on the Presence of women on governing boards conducted by Ethics & Boards, the leading independent international observatory on the governance of listed companies.

Ensuring transparency and equal opportunity throughout men and women's careers

In order to foster a culture of equality, it is important to be aware of the stereotypes which can inhibit real diversity. This is why Kering launched an in-house "Hunting Down Stereotypes" campaign at the beginning of 2014 to combat gender stereotypes. The goal of the campaign is to get the Group's employees to work together to think about the representation of women and men, look at how gender stereotypes limit people in their social roles and how they hamper gender equality in unseen ways.

Over the course of three weeks, employees had access to a gallery of images posted on the Group's digital platform. Everyone was asked to take part and comment on the images proposed and/or post other images. This campaign was a success with an average of 250 visits a day. Kering

Corporate France also started organising a series of quarterly conferences on "Kering on the feminine/masculine" to promote awareness of gender issues within the Group and society in general.

At the same time, the Group strives to ensure that the objective of equal opportunities is fully integrated into its human resources processes. The principle quantitative data is reported and broken down by gender to monitor this commitment over time. In 2014, women represented 56.9% of new hires and 49.3% of managers.

Kering Corporate France conducted a comprehensive diagnostic review on gender equality in the workplace. Quantitative analysis, group meetings with a dozen employees – both men and women – with different levels of responsibility, and exploratory interviews with female managers made it possible to verify that there was no inequality in terms of pay and also to clearly identify employees' expectations and find new ideas for initiatives for the coming year.

Promoting the advancement of talented women in the organisation through development and networking programmes

In 2013, Kering launched a pilot session of inter-brand and inter-business mentoring in France for talented women, putting them in contact with male and female senior executives. The programme was organised again in 2014 for 14 women and opened up to some men. At the end of October 2014, the 18 mentors and 18 mentees from this second round of Kering Mentoring met for one day, assisted by a special project team and external coaches.

In 2015, the programme will be rolled out internationally in its pilot form, i.e., dedicated solely to female talent.

In France, the Group regularly invites female talent to take part in events promoting gender equality (*Printemps des Femmes*, Jump Forum, *aufeminin.com*) in order to support their personal development through assertiveness and leadership training, seminars and networking opportunities.

Promoting a better work/life balance

The brands and Kering Corporate put in place initiatives to ensure Group policy directly benefits employees, both men and women, by promoting work/life balance. Kering also made this commitment official in 2014 by signing the 15 commitments for work/life balance introduced by the French Ministry of Social Affairs, Health and Women's Rights in order to promote a management culture that is more respectful of the private life of all employees.

Ongoing brand initiatives to promote better work/life balance have been in place for several years, and new initiatives are added regularly.

Through its Wellbeing@PUMA programme, PUMA has worked to promote the well-being of employees by

helping parents who work at the head office in Germany: providing reserved places in daycare centres and creating special areas (with children's furniture, nursery equipment and IT equipment for parents) for employees and their children in the event of a temporary childcare problem. Employees also have access to a network of specialists to help them find childcare or personal care services for those with dependent parents. Similarly, PUMA signed a company-level agreement on tele-working in 2014 to offer employees greater job flexibility and thereby improve work/life balance.

In the United Kingdom, Stella McCartney and Alexander McQueen offer female employees greater opportunity to take parental leave than provided by law, by maintaining their full salary for three to six months of leave. Both brands help young parents and employees with dependent parents through a partnership with My Family Care, which offers support and advice.

In the United States, Bottega Veneta also introduced a new family and sick leave policy, which is particularly advantageous in light of practices in the North American market. Employees can (if they have at least one year of service) take twelve weeks of paid leave for the arrival of a child (birth or adoption), to take care of a sick family member or if a spouse in the branch military reserves is called to duty.

In Italy, since 2013, children aged between six and ten of Pomellato employees have the opportunity to attend a summer camp for one or two weeks that is organised by a school that gives English classes near Pomellato's head office. In 2014, 11 children took advantage of this offer, which was completely paid for by Pomellato.

2.5.2. Promoting the integration of people with disabilities

As of December 31, 2014, the Kering group employed 337 workers with disabilities (rate of coverage: 81.7% – excluding the UK and the United States).

Kering's *Mission Handicap* project was launched in 2004 and every year since it has reaffirmed the Group's ongoing commitment to the integration of people with disabilities by conducting an internal awareness campaign marking the national week for the employment of people with disabilities.

To celebrate the 10th anniversary of the *Mission Handicap* project, Kering joined forces with the non-profit organisation *Créative Handicap* that uses art to help people with disabilities. Four artists with disabilities worked together to create five works of art demonstrating how people's differences spur creativity. The Group's employees then voted on these works. At the end of the awareness campaign entitled "All different. All creative" in January 2015 a poster was sent to the Group's main sites along with the portraits of the four artists and a video showing the poster's production by a company employing people with disabilities.

During the national week for the employment of people with disabilities in France, the brands also supported this Group campaign with special disability events.

For example, Kering Corporate and Boucheron organised humorous events to promote employee awareness on the many facets of disabilities. Gucci France arranged a three-hour training session on the subject of disabilities to its store managers who then received a special kit to help them to promote awareness amongst their employees.

The Group's brands in France and Italy continue to outsource to the disadvantaged to promote the employment of people with disabilities. Special service providers can be used for services such as printing, data entry, archiving, catering, preparing mailshots and responding to mail.

Kering Corporate outsources to the protected sector replies to unsolicited job applications as well as paper/cardboard recycling (16.66 tonnes as of December 31, 2014).

Volcom's logistics warehouse in France is continuing its partnership with the adapted and socially responsible company, Facilities Multi Services (FMS) to encourage the professional integration of people with disabilities who work mainly in logistical activities such as repackaging or reverse picking. The partnership aims to increase the employability of FMS employees, in particular through training provided by Volcom employees in the use of office software.

In Florence (Italy), Gucci Logistica was awarded the *Lavora diversamente* prize for its commitment to helping people with disabilities in October 2014. Since 2012, Gucci Logistica has hired 18 people with disabilities in its Shoes and Operations & Worldwide Supply Chain departments.

2.5.3. Supporting young people from disadvantaged backgrounds and those struggling at school

In France, the Group is a founding partner of *Télémaque Institute* (created in 2005) which, through a dual programme of academic and business tutoring, helps talented and motivated young people from underprivileged backgrounds complete their secondary schooling. In 2014, 12 Group employees in France – twice as many as the previous year – now tutor young middle school or high school students who attend *Télémaque*. Their role is to help their tutees – through feedback, meetings, events, etc. – to expand their sociocultural horizons and feel confident and ambitious about their studies. At the end of October 2014, the Kering tutors and their tutees had the opportunity to visit Boucheron to learn about its history and heritage.

The brands are also actively involved in social responsibility initiatives. Boucheron has developed relationships with associations that help young people, providing financial support and also involving employees who participated in a sporting competition for example, as part of the "Sport in the City" initiative.

2.6. quality of professional life

Providing its employees with a quality of life ensuring the health and safety of all is a fundamental duty performed by all of Kering's brands. In keeping with this commitment, and as part of the commitments negotiated under Kering's 2010 European Works Council Charter on the quality of life at work and the prevention of work-related stress, the brands have ushered in procedures and programmes aimed at identifying, assessing, mitigating and preventing the main risks arising from their activities.

To do this, they implement tools and mechanisms to improve the quality of life at work. In 2014, the action plans set out following the in-house opinion survey "What's the weather like where you are?" highlight the Group's commitment to the quality of life at work (see 2.6.3. "In-house opinion survey: 'What's the weather like where you are?'").

2.6.1. Health and safety in the workplace, a Group priority

Health and safety are priorities for all the Group's entities.

For Gucci, health and safety risk prevention is a key part of its integrated management system. An Environmental, Health and Safety Committee was established that handles issues related to these topics.

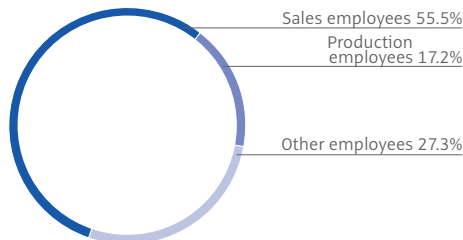
In terms of risk prevention, 31,985 hours of safety training were provided to 10,346 Group employees in 2014.

In 2014, 303 lost-time accidents were recorded across all Group brands, compared with 290 in 2013. The frequency rate of work-related accidents is down.

The types of risks corresponds to the Group's areas of activity:

- sales: handling, falls, etc.;
- production: cuts, bites/stings, etc.;
- other: handling (logistics), etc.

**PROFILES OF WORKFORCE AS OF DECEMBER 31, 2014
BY AREA OF ACTIVITY⁽¹⁾**



Frequency rate and severity of work-related accidents in 2014 and 2013

	2014	2013
Frequency of work-related accidents (Number of accidents per million hours worked)	4.88%	4.93%
Severity rate of work-related accidents (Number of days lost per thousand hours worked)	0.08%	0.07%

Across all of the Group's brands, 27 employees were recognised as suffering from a work-related illness in 2014.

Overall lost time and sick leave (%)

	2014	2013
Overall absenteeism rate	4.19%	4.32%
Rate of absenteeism due to illness	2.09%	2.06%

The absenteeism rate decreased slightly in 2014.

The total figure for absenteeism due to illness includes sick-leave, work-related illness, work-related accidents and commute-related accidents. The overall absenteeism rate includes absenteeism due to illness and every other kind of absence (maternity leave, paternity leave, unjustified absences, etc.), calculated from the first day of absence.

2.6.2. Organisation of work

Kering strives to put in place an organised and shared structure, methods and know-how that allow employees to work together, in the interest of the organisation and based on set objectives.

The average working time of the Group's full-time employees was 39.3 hours per week. In 2014, 24,363 overtime hours were recorded in France.

In 2014, 4,079 employees had contractual weekly working hours below the standard number in effect within their company. Staff working part time accounted for 12.3% of permanent employees and were located mainly in the United States and Western Europe. Contractual working hours are spread out on the basis of the specific business and organisation of each brand, either over certain days of the week, or over small slots on all working days.

The organisation of working time in the Group's brands varies according to the countries, sites and employees concerned. In France, work is most commonly organised on the basis of a fixed number of hours or days, with annualised working time and the possibility of flexitime.

Beyond these legal aspects, the brands try to find and offer more flexible ways to organise working time to meet the needs of the organisation and also the employees in both head offices and production, as part of their policy on the quality of life at work (flexi-time in several brands, tele-working at PUMA Germany, leave to care for sick children at Boucheron, part-time work at Pomellato).

2.6.3. In-house social climate survey: "What's the weather like where you are?"

Every two years since 2001, Kering has conducted its in-house social climate survey, "What's the weather like where you are?" of all Group brand employees to assess, on an international scale, perceptions of life at work.

Kering and all the brands ensure that answers are completely anonymous. They also promise to publish the results and to put action plans in place based on the analysis of the responses.

⁽¹⁾ Sales: employees working in wholesale, stores and e-commerce/Production: employees working in the areas of production (workshops, tanneries, etc.)/Other areas: employees working in support or logistics functions.

The results of the study show that the Group draws on a solid base: 79% of employees are still proud of and motivated by their brand; this level of engagement goes hand-in-hand with confidence in the Group's strategy and objectives (81% of answers were positive or very positive); lastly, performance management is progressing significantly (84% of respondents indicated that their brand expected a high level of performance).

After the survey was completed, the brands shared the results with management, employees and employee representatives in all regions. Several brands and Kering Corporate organised workshops with employees to further analyse the results, better understand the causes of the identified issues and discuss areas for improvement. A summary of these action plans by brand was presented to the Kering European Works Council in November 2014.

2.6.4. Initiatives promoting the quality of professional life that are clear for all employees

Following the survey, the brands worked on setting out and implementing action plans on four main topics: communication, customer focus and training, organisation and operating efficiency, and finally quality of life at work.

Several initiatives address internal communication to improve the understanding of the context, issues and changes underway or to be put in place: new internal communication measures have been developed, such as information and discussion meetings at Brioni or Gucci, or Stella McCartney's interactive quarterly magazine.

The second area of action involves customer focus and training. Bottega Veneta introduced sales training programmes and meetings between store managers worldwide to

ensure Retail Excellence continuity. In North America, PUMA head office employees work for short periods of time in a store as part of the new Retail Store Experience programme, in order to improve their awareness and understanding of key objectives.

In terms of operating efficiency, Kering Corporate identified flexi-time and the organisation of working time (tele-working project) as areas for improvement.

Lastly, the brands are focusing on service and welfare programmes and the working environment to improve the quality of life at work, recently prompting Alexander McQueen's teams in the United States and Asia-Pacific to relocate to new offices.

PUMA established a well-being programme that promotes physical health (sport), mental health (stress prevention training), social benefits (medical insurance for employees who travel, discount pricing) and social interaction (social events, induction of new hires). All employees from all regions worldwide benefit from these initiatives (Happiness programme in Taiwan, agreement on tele-working for the head office in Germany, sport programmes in Canada and the United States, etc.).

In 2013, Bottega Veneta put in place the Bottega Veneta For Me programme for over 500 employees in Italy. Initially this programme reimbursed up to €500 for school tuition, summer camps, or cultural and leisure activities. In 2014, For Me expanded to offer employees in-house facilities such as concierge-type services, and will be rolled out to more than 200 store workers in 2015. In recognition of the success of Bottega Veneta's initiatives, for the second year running the brand has been ranked in the top ten Italian companies by the American Great Place to Work institute.

2.7 social dialogue

The Kering group strives to ensure ongoing social dialogue specific to each of its bodies. 2014 marked the first full year for the new members appointed in 2013 to Kering's social dialogue bodies, working under the Group's new Luxury and Sport & Lifestyle scope.

2.7.1. Listen to and engage with employees: a new European agreement

By promoting free expression within the Group and ongoing social dialogue with employee representatives, Kering has long made clear its determination to forge sustainable and constructive relationships with all of its employees and their representatives.

At Group level, social dialogue involves regular and wide-ranging ongoing discussions with employee representative bodies, and the social climate survey "What's the weather like where you are?" presented above.

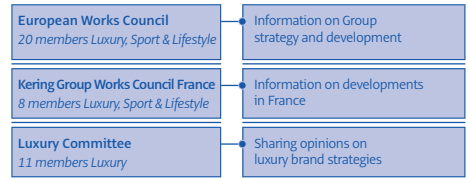
In 2014, the Human Resources Department and the Select Committee of the European Works Council decided to negotiate a new European agreement to develop the commitments already undertaken to promote diversity and the quality of life at work, by including them in a broader framework. Management and representatives from the EWC met for four two-day sessions between September and December 2014 to discuss and sign Kering's European Agreement on behalf of the European Works Council. The goal of this agreement is to underscore the priorities of Kering's human resources policy for all employees following the Group's transformation. It will be deployed in 2015.

The commitment has also been adopted within each Group brand. In 2014, 84 collective bargaining agreements were concluded within the Group, chiefly in Western Europe and Asia, which mainly concerned pay and benefits (salary, variable remuneration, profit-sharing and incentives, etc.), working hours and the organisation of working time (teleworking, flexi-time, generational agreements, donating leave, etc.).

In this context, the number of working hours of industrial action totalled 652 in 2014, compared with 1,609 in 2013, representing 0.01% of theoretical working hours. Strikes mainly took place in Italy in response to nationwide calls for action.

2.7.2. The Group's forums for dialogue

SOCIAL DIALOGUE



The Kering European Works Council

Created pursuant to the agreement of September 27, 2000, the Kering European Works Council (EWC) provides a Europe-wide forum for information, consultation, the exchange of views and dialogue.

The EWC is a cross-border institution and operates alongside existing national employee representative bodies in accordance with specific prerogatives. The membership of Kering's EWC was renewed in November 2013. Upon taking office in 2014, all members received three days of training on economic fundamentals provided by *École Supérieure de Commerce* in Paris.

The EWC holds two three-day plenary sessions per year, at which it is informed and, where applicable, consulted on cross-border issues affecting the Group's employees in a manner defined in precise terms by the agreement governing implementation signed on September 3, 2008.

The EWC's ordinary plenary meetings took place in Milan on June 24, 2014 and Paris on November 27, 2014. The main information provided to its members included the Group's economic and financial situation, its outlook and strategy, cross-business projects and in terms of social issues, an overview of the initiatives undertaken within the scope of the Charters in place for example regarding quality of life at work, and action plans in response to the "What's the weather like where you are?" survey.

The EWC also has a select Committee composed of five members, elected by their peers, who meet at least five times a year to prepare and analyse the two annual plenary sessions and to discuss various issues with Group management.

The Kering group Works Council

Created in 1993 and renewed most recently in 2013, the Kering group Works Council represents workers in France and operates under French law. Its members, who meet in plenary sessions twice a year, are kept informed of and exchange views on the Group's strategies, economic and financial imperatives, and human resources management policy. Each plenary session is preceded by two preparatory meetings of members, one of which is held on the eve of the plenary session.

In 2014, the Group Works Council's plenary meetings took place on May 14 and October 7.

The Kering Luxury Works Council

Successor of the European Committee of the former Gucci Group, this re-established body now known as the Kering Luxury Works Council held its annual meeting in September 2014 in Florence. This governing body does not take the place of the European and Group bodies. The Luxury Works Council is a forum for information, dialogue and exchanges with the unions in Kering's Luxury Division in Italy and France. A new agreement was signed for a period of three years on September 25, 2014.

3. *reducing our environmental impact*

Every year, the Kering group and its brands renew their efforts to encourage responsible practices across all the Group's businesses, with proactive measures to control and reduce direct and indirect impacts on the environment. Concrete examples of this commitment include the

publication in 2014 of a consolidated EP&L, one year ahead of the original commitment, the adoption of ambitious, quantified targets, and the development of new supply chains for more sustainable resource management.

3.1. *environmental management*

Strategy and objectives

In April 2012, Kering announced a set of ambitious targets for 2016 for its Luxury and Sport & Lifestyle brands, focusing primarily on the following areas: CO₂ emissions, waste production and water consumption; supply of raw materials; use of hazardous chemicals; paper and packaging consumption; and social compliance in supply chains.

Since the publication of these objectives in 2012, the Group's brands have adopted roadmaps to track their progress relative to each target and it uses this ongoing, collaborative process to prepare an inventory of all projects currently in progress and identify their contribution to the objectives. The brands' progress in relation to the roadmaps is measured against milestones at regular intervals by the Group's Chief Sustainability Officer and the brand CEOs.

Internal organisation for environmental management

The Kering Sustainability Department comprises around 15 specialists tasked with devising Group environmental policy, and helping the brands identify priority focuses and implement the action plans necessary for achieving the targets set by the Group for 2016. In addition to centralised tools created and managed by Kering and made available to the brands, such as the environmental profit and loss, the Group has developed a set of policies and practical guidelines that provide a framework and methodologies to help the brands manage their environmental impact. This is the case, for example, for energy and water consumption, waste treatment and raw material supplies. In 2014, Kering reinforced its Idea Labs, which are working groups involving experts and operational staff from several brands aimed at nurturing new ideas and implementing practical solutions, notably to improve the environmental and social footprints of raw material supplies and to control the use of harmful

chemicals. Six specific Idea Labs promote the sharing of solutions within the Group:

- leather;
- fur;
- plastics;
- gold;
- diamonds;
- chemicals.

In 2015, four new Idea Labs will be added to the list, covering cotton, cashmere, silk and precious skins.

The Group also offers its brands tools to help them adopt the best environmental management practices. The Smart Sustainable Store, aimed at stores, provides a guide to best management practice in respect of energy, waste, paper, water and other resource consumption, packaging and shipping, and maintenance and servicing. It is available in six languages: English, French, Italian, Japanese, simplified Chinese and traditional Chinese. A more detailed version is also available, focused on the life cycles of stores and their fittings. A similar best practice guide, entitled Smart Sustainable Office, is being prepared for offices and is scheduled for release in 2015.

Group-brand coordination is ensured through a network of managers dedicated to sustainability issues, and each brand has a Sustainability Lead to spearhead the drive towards sustainability. The Sustainability Leads and the Kering Sustainability Department meet regularly to coordinate deployment of the sustainability strategy and to share best practices developed at brand level. In addition to sharing experiences, these meetings enable participants to draw up action plans to deal with cross-company issues within the Group, as well as more specific issues affecting individual brands.

This structure is a catalyst for the Group's sustainable development, and illustrates the Kering effect. In all, over 50 people work on implementing sustainability policy at both Group and brand level.

The brands have also set up in-house structures – known as Green Teams – to coordinate their sustainability policies and work towards achieving their targets. Most of them have a Green Team representing the Company's main functions and regions. Highlights of 2014 included:

- Brioni appointed a Sustainability Lead and laid down specific sustainability goals for 2025, in line with the Group's policy;
- Pomellato established a Green Team composed of twelve individuals representing almost all of the Company's departments: production, quality, product environment, human resources, communications, supply chain, retail, IT, general services, etc. A person was recruited internally to monitor the development of the brand's sustainability projects;
- Girard-Perregaux and JEANRICHARD expanded their Green Team from six to ten members, representing industrial management, production methods, human resources and corporate services, supply chain, marketing and communication, product environment, product development and quality development;
- Gucci bolstered its sustainability team by recruiting an additional project leader;
- Balenciaga strengthened its approach by creating a sustainability position, which reports to the Finance Department, and has set out an international action plan to achieve Kering's 2016 objectives. This plan, the implementation of which is based on a new ten-person Green Team, is structured around five main themes: responsible sourcing; supplier involvement; reducing environmental impacts; eliminating hazardous materials; and collective engagements.

In 2014, to enable the groups measurement of our environmental performance mobilised a network of more than 450 contributors worldwide across the Group's brands, providing even more accuracy and information to enable the Group to monitor its environmental impacts and performance ever more closely.

Informing and raising awareness among employees

As part of Kering's policy of engaging all employees around its sustainability policies and making it part of the Group's corporate culture, Kering regularly organises awareness initiatives and training.

The sustainability team gathers news on sustainability within the Group and circulates it through a variety of media. Since 2013, employees have had access to a new communication application, Intranet 360°, containing a dedicated sustainability space where employees of all brands

can exchange information on multi-brand initiatives like the EP&L or individual brand roadmaps.

Two sustainability newsletters are also issued twice a month: Sustainability Watch, sent in English to over 1,000 employees, and Regulatory Watch, available in English, French and Italian to a more limited readership since it focuses more on regulatory issues. The organisation of specific events is another way of raising employees' awareness. Events include Caring Day, held at Kering's headquarters in Paris on June 5, 2014. This event, held to coincide with World Environment Day, raised the awareness of all employees at headquarters, and allowed them to learn about Kering's main actions in the field of sustainability. On this occasion, Kering's new institutional video dedicated to sustainability was unveiled. It is now regularly screened internally and externally.

Four webinars were organised this year by the Kering team to train and inform nearly 220 people through a detailed presentation of Group-wide environmental reporting objectives, guidelines and applications.

Finally, four webinar training sessions dealing with issues of responsible sourcing of cowhide, gold, furs and precious skins were also organised.

On the same principle, two webinars were held with all brands in order to share the EP&L methodology in detail and ensure the correct use of calculation and valuation methods by all. These webinars brought together 35 people, mainly the brands' Sustainability Leads and their teams as appropriate.

The brands also use a wide range of activities to rally employees around sustainability initiatives. Pomellato and Volcom are each preparing a film to raise the awareness of the teams in respect of sustainability and the responsible management of water, energy and waste in the workplace. It will be released in 2015. Saint Laurent uses various communication channels to raise employee awareness on sustainability issues: dedicated newsletters, talks by outside experts as part of events, and one-hour training modules now a part of new store openings in Europe. For its second annual sustainability conference, Saint Laurent invited Livia Firth, founder of the Green Carpet Challenge and Creative Director of EcoAge, to share her experience with 150 employees on the integration of sustainability in fashion. Balenciaga organised its first sustainability breakfast, in the presence of its CEO. The event brought together more than 50 employees and Balenciaga intends to regularly organise similar events to raise employee sustainability awareness. Small committee awareness meetings have also been organised with the design, product development and merchandising teams to ensure that sustainability criteria are incorporated into raw material selection and product design.

At Gucci, an operational guide has been prepared for regional General Services managers to assist them in the implementation of good environmental practices. The brand also offers its employees specific training on topics

such as RJC (Responsible Jewellery Council) certification and environmental reporting.

Volcom, through the 2014 *Earth Day* campaign, held an internal competition to educate its employees on the impact of companies on the planet. Every hour, questions and tips were sent to challenge and inform employees on environmental issues. In 2014, Stella McCartney organised an internal competition, calling on employees to propose ideas on ways to use leftover textile products stored in warehouses. The brand awarded prizes to two employees, and is now seeking to implement the proposed solutions.

The Kering Sustainability Awards are another ideal way of raising awareness. Since 2010, they have allowed Group employees to showcase their sense of initiative, their creativity and their values. Launched in November 2014, the fifth edition of the Awards – complete with a dedicated website – allowed the Group's employees to submit and vote for projects in the following categories:

- product innovation;
- efficiency enhancement;
- communication with stakeholders;
- support for communities.

The 2014 prize was awarded to Gucci's sustainable cashmere project, which aims to contribute to the development of sustainable cashmere fibre that can be used throughout Gucci's ready-to-wear collection, and which offers development potential for all Luxury brands across the Group. The project involves the use of "regenerated" cashmere fibres produced from fabric offcuts. These offcuts are collected and sorted. They then go through a process known as *sfilacciatura* to collect fibres, which are then rewoven into coils. This mechanical process requires no water or chemicals. Upstream sorting also makes it possible to select the desired colours to avoid an additional dyeing process.

Certification

The prevalence of retail activities within the Group limits the number of sites for which ISO 14001 certification is relevant, so the process is primarily considered for sites with the most significant environmental impacts, such as large logistics centres and tanneries. ISO 14001 certification acknowledges the implementation of a system to manage environmental impact. In 2014, a new Gucci site (Tigerflex), which produces shoes, obtained ISO 14001 certification. Bottega Veneta renewed the certification of its Altavilla site and its new Montebello Vicentino atelier.

Brand	Site name	Activity	Year of ISO 14001 certification
Gucci	LGL platform (Bioggio and Stabio)	Distribution	2006
	Casellina Warehouse	Distribution	2010
	Casellina head office	Offices	2010
	Caravel	Tanning	2011
	Blutonic	Tanning	2011
	Tigerflex	Production	2014
Bottega Veneta	Altavilla Vicentina	Distribution	2010
	New Montebello Vicentino Atelier	Production	2013

Reporting process and indicators

To accurately track the environmental footprint of its activities, Kering has undertaken environmental reporting based on around a hundred indicators every year since 2004. Representative of the environmental imperatives of the Group's brands, these indicators fall into eight categories: waste production, energy consumption, water consumption, water pollution, management of environmental risks, goods transport, business travel and use of raw materials.

Following the introduction of new indicators to improve the reporting of industrial sites as part of the 2013 campaign, 2014 was an opportunity to reinforce the accuracy of the disclosures regarding stores' energy consumption. The electricity and gas consumption of more than 450 stores is currently monitored on a monthly basis through the NUS Consulting system, and included directly in the end-of-year environmental reporting, reducing the risk of data entry

errors and the use of estimates. Twenty-three percent of electricity consumption is measured using this system.

In order to track its actual environmental performance as closely as possible, Kering's environmental reporting system is designed to cover all the Group's businesses, with the aim of collecting actual data from the 1,630 sites located around the globe. The methodology set out in the reporting protocol, however, allows the Group to estimate some data.

These efforts enabled the Group to extend the environmental reporting scope, which already covered all of its physical sites (over 1,600 worldwide), revenue and employees in 2013, to the 130 new sites opened in 2014.

To track changes reliably from one year to the next, several consolidated indicators are presented on a proforma basis in this report. This method eliminates changes in scope by only taking into account sites present over two consecutive years.

A methodological note provides all necessary information regarding the environmental reporting protocol, emission

factors and rules for using estimated/extrapolated data. It is available on Kering's website, under Sustainability.

3.2. *environmental profit & loss account*

Since 2012, Kering has been working on the creation and deployment of its Environmental Profit and Loss account (EP&L), the stated objective given in 2012 being to cover 100% of the Group's activities by 2015. In 2013, six brands were covered (on the basis of their 2012 data), which allowed the Group to report the findings of the project in relation to 73% of the Group's 2012 revenue. Kering successfully covered all its activities in 2014⁽¹⁾.

Kering Environmental P&L established in 2014 on 2013 data

What is an EP&L?

The EP&L is an innovative tool designed to assess impacts and reliance on natural resources. It makes it possible to attribute a monetary value to the Company's environmental impacts throughout its supply chain. All human activities depend on these resources and at the same time have an impact on the environment. Kering developed the EP&L approach so as to gain a clear understanding of and to accurately measure its impact, whether from its own operations, its supply chains, the production of its raw materials, its transport or its sales outlets. The use of a single unit for all types of impact makes it possible to compare, and as such prioritise them. By contributing to the growing body of international thinking on the concept of natural capital accounting, the Group also wishes to inspire and encourage other companies to recognise and manage their impacts on natural resources by adopting a similar approach. It is a vital tool in reducing impact by efficiently prioritising action in areas where the prospective return on investment is most promising.

The results of the EP&L, presented in financial terms, allow the Group to:

- translate its environmental impacts into a language of business;
- compare different environmental impacts with each other, which was not directly possible previously;
- compare the magnitude of impact of production or sourcing of raw materials from one location vs another;
- facilitate comparisons between its brands and business units.

Although the process is conducted in a world where companies do not have to bear the cost of their negative externalities, Kering believes that responsible businesses need to minimise their impact on natural resources. Moreover, many of the lessons provided by the EP&L foster a better understanding and improved management by Kering of difficulties in the supply of essential raw materials for its products, taking into account their region of origin.

The results should not be seen as a liability or a cost for Kering. Rather, they represent a new way of assessing the cost for society of environmental changes stemming from the activities of the Group and its suppliers. As this field of accounting is very new, it is important to note no official standards have been proposed to estimate these values.

Why develop an EP&L?

For Kering and its brands, the EP&L represents a new way of looking at its activities. It reveals the areas for improvement where the Group can deploy solutions, using innovative new technologies and materials that significantly reduce the environmental impact caused by the way in which raw materials are processed and goods manufactured. It helps to show:

- **the source of key environmental impacts:** the EP&L deepens the understanding of comparisons between environmental impacts. Quantifying and valuing all environmental impacts in financial terms can help shape decisions between different types of impacts and their location, and ultimately the choice of materials and technologies;
- **the variety and complexity of the Group's operations and its supply chains:** the Group has used its EP&L approach to survey over a thousand key suppliers on five continents, ranging from product assembly to suppliers of raw materials, including notably silkworm farms in China, textile workshops in Asia, sheep farms in Argentina and tanneries in Italy. Working with suppliers and helping them better manage their own environmental challenges has strengthened the Group's relationships with key suppliers and contributed to securing its supply of key raw materials;

⁽¹⁾ Excluding the Bottega Veneta furniture and Brandon activities (0.3% of consolidated revenue).

- **the impact of the Group's decisions:** sharing the results and lessons learned with the Group's various departments has fostered awareness of the potential impact and consequences a single decision can have on the other side of the planet. The EP&L also provides a straightforward methodology for assessing the environmental performance of the Group's projects and investments, and for setting the Group's priorities.

Summary of the methodology

The EP&L approach goes beyond standard environmental reporting, producing a much fuller picture of the impacts of Kering's activities. This means:

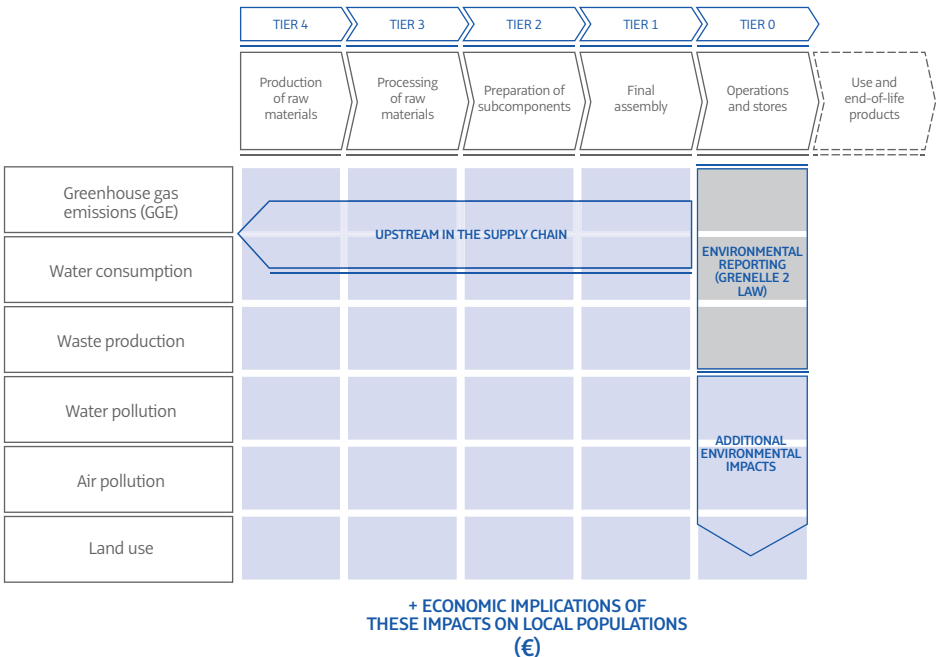
- coverage of more types of environmental impacts compared with standard reporting. The main environmental

impacts of the Group's activities are taken into consideration, including water consumption, greenhouse gas emissions and waste production, as well as water pollution, air pollution and change in land use;

- analysis further up the value chain: the impact of the Group's supply chains is taken fully into account, and not just its own operations;
- analysis further down the value chain: the Group is also looking into the possibility of factoring in impacts attributable to its products' use and end of life. A survey is under way to assess complex topics such as the diversity of customers' consumption habits.

It is important to note that the results presented in this chapter do not include the products' use phase and end of life.

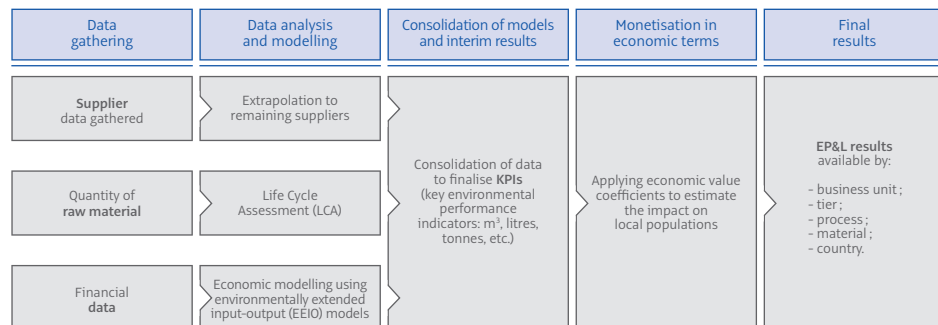
Scope covered by the EP&L approach:



An EP&L is deployed in four stages:

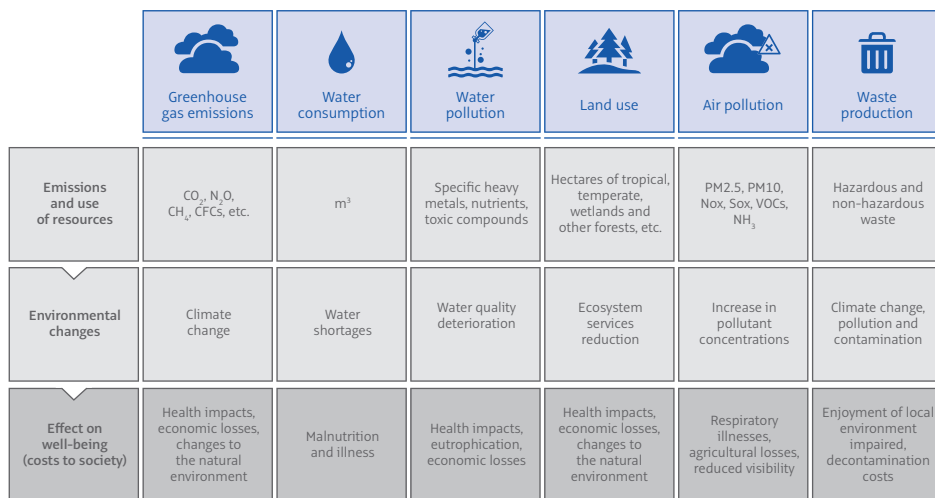
1. Mapping all processes and suppliers, from the extraction of raw materials to the manufacturing of products;
2. Gathering as much environmental information as possible;
3. Extrapolating and estimating impacts not covered in the data-gathering phase;
4. Valuing these impacts in financial terms, taking into account their location.

Key stages in building the EP&L:



More than 70 emissions and resource consumption indicators were measured or estimated for all activities across the Group's entire supply chain. Kering gathered information on site wherever this was possible. When primary data were not available, the Group used studies derived chiefly from life cycle analysis, reviewed by panels of experts. The data are then adapted to the specific countries where the impact occurs.

Environmental change resulting from the relevant emissions or use of resources is translated into economic terms, taking into account local contexts and the effects on the welfare of local populations. This valuation approach is consistent with the recommendations of the European Commission⁽¹⁾, and is also increasingly used by French policymakers⁽²⁾. The EP&L approach values the impact of emissions and resource consumption in a given local context.



In the interests of transparency and information, so as to encourage all stakeholders to adopt a natural capital accounting approach, Kering has pledged to make its EP&L methodology public. It will be available on the Group's website in May 2015.

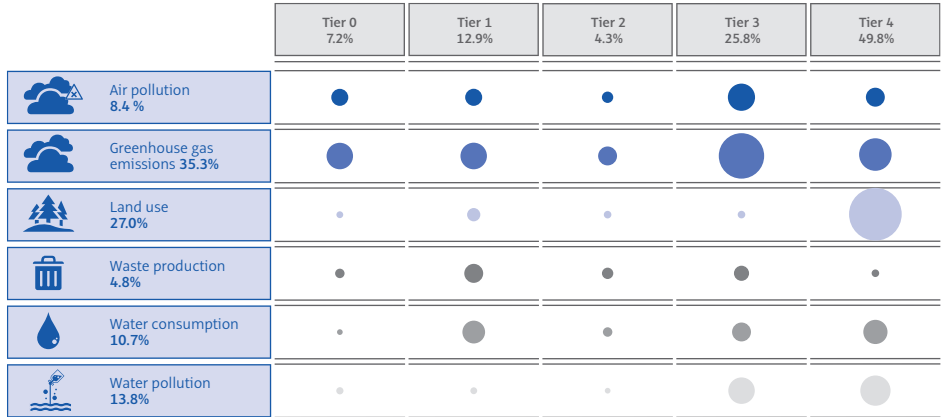
(1) See The economics of environmental policy; http://ec.europa.eu/environment/enveco/economics_policy/.

(2) See « Quelle évaluation économique pour les services écosystémiques rendus par les prairies en France métropolitaine? » French Ministry of Agriculture, Agri-Food and Forestry, Centre for Studies and Strategic Foresight, Office of Statistics and Foresight.

The findings of the EP&L

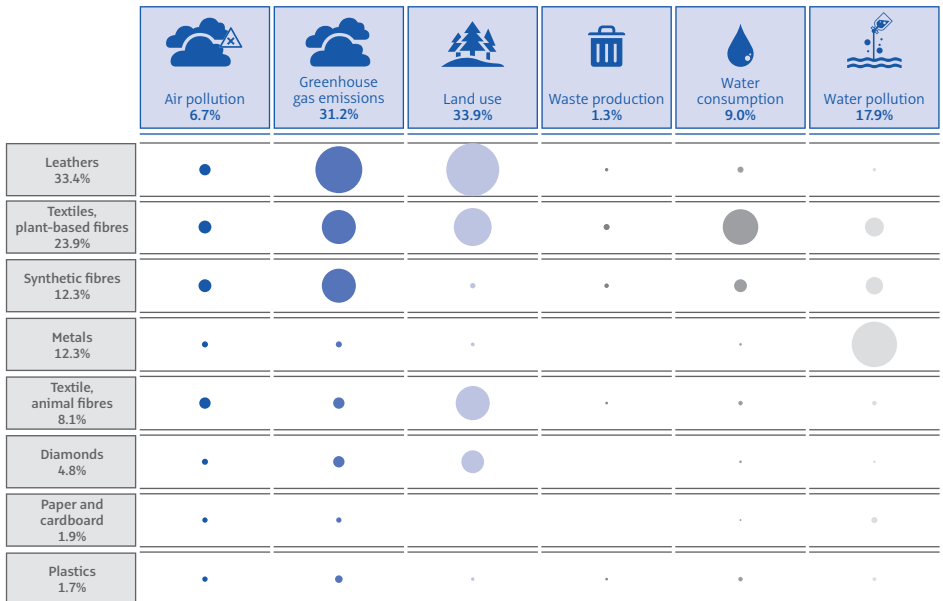
In 2014, the EP&L approach for the first time covered the Group in its entirety.

A first reading of the results allowed impacts to be mapped.



The production of raw materials (T4) and their processing (T3) generate the biggest impacts in Kering's EP&L, together representing more than 75% of total impacts. Similarly, water pollution, greenhouse gas emissions and land use also account for 75% of the Group's impacts.

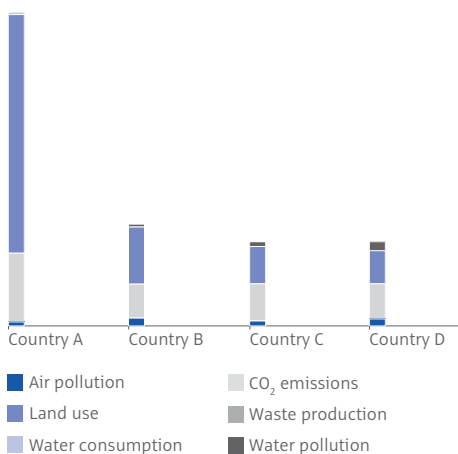
The details of the environmental impacts of raw materials shed particular light on the Group's activities generating the biggest Tier 3 and Tier 4 impacts.



Leather products have a strong impact in terms of greenhouse effect and change in land use, while textile fibres consume energy and water, which explains their air pollution, climate change and water impacts. Moreover, the use of metals, especially precious metals, has a significant impact on water pollution because of the chemicals used in extraction and in the refining process.

Note that precious and semi-precious stones (excluding diamonds) have not been included in this analysis due to a lack of available data and research. A specific study will be carried out in 2015 so that they can be included in the valuation parameters.

Lastly, for illustrative purposes, the EP&L can be used to compare supply scenarios for a given material. The following chart shows the impact for cowhide.



Kering's response

These findings reinforce the Group's sustainability strategy, which relies heavily on a responsible sourcing policy and a quest to improve the environmental efficiency

of industrial processes. While at the same time Kering is aiming to achieve optimal management of the Group's sites and activities:

- 1. Development of more robust internal procedures:** a better understanding of the Group's risks and opportunities has helped in the process of adapting and optimising internal procedures, especially as regards the sourcing of raw materials such as plastics, leather, gold, diamonds, cashmere, wool and cotton (see in particular section 3.4);
- 2. Implementation of targeted projects:** the Group has prioritised its sustainability actions in response to the findings of the EP&L, in particular around:
 - a. the choice of materials, both the material itself and its country of production,
 - b. production processes such as chrome-free tanning technology and improvements in suppliers' environmental performance,
 - c. cooperation between brands and their various departments (the Kering effect): by encouraging the brands to work together, they share the wealth of knowledge and expertise present within the Group, helping to generate synergies and to provide a response to the issues facing the Group, such as the impact of plastics, leather, gold, diamonds and cotton, while naturally respecting requirements in terms of confidentiality and each brand's own specific image;
- 3. Sharing and communication:** the Group can use the EP&L approach to nurture its dialogue with peers and stakeholders by sharing its findings and by fostering a better understanding of the concept of natural capital and a common language in which to address it. The Group has been able to discuss the EP&L with investors, NGOs and extra-financial analysts, and within bodies of professionals from different sectors (Natural Capital Coalition, WBCSD, etc.).

A summary of some of the projects carried out in response to Kering's EP&L is provided below. Further details are given later in this section.

TIER4	TIER3	TIER2	TIER1	TIER 0
Smart Sourcing Materials Innovation Lab (MIL) Encouraging brands to integrate more sustainable raw materials into their collections (see Chapter 3.4). Idea Labs An inter-brand working group meeting to consider specific issues (see Chapter 3.1). Leather Traceability and low-impact sourcing solutions (see Chapter 3.4). Wool and cashmere High-quality sustainable wool contributing to ecosystem conservation (Patagonia wool) (see Chapters 3.4 and 4.4). Synthetic fibres R&D investment to set up polyester and cellulose fibre recycling loops. Securing new sources of organic cotton (see Chapter 3.4). Identifying new sources of organic silk (see Chapter 3.4). Access to sustainable sourcing (for example, low-impact python sourcing). Developing and securing new sources of sustainable skins (for example, high-quality sustainable crocodile skins) (see Chapter 3.6).		Smart Suppliers Clean by Design Programme to work with suppliers to reduce their environmental footprint (see Chapter 4.3). Production process innovations Tanning without heavy metals, water-free dyeing, etc. (see Chapter 3.4). Financing suppliers' ecological solutions Study made available to suppliers proposing local financing mechanisms (see Chapter 4.3).		Smart Operations Guidelines and best practices Two guides, for shops and offices (see Chapter 3.1). Pooled purchasing of electricity from renewable energy sources A renewable electricity monitoring and purchasing programme available to the brands (see Chapter 3.3). Smart meters Installed in a selection of Group stores (see Chapter 3.3).

Support the development of a global framework for natural capital accounting

Since the pilot project conducted by PUMA in 2011, Kering has significantly improved the EP&L methodology with the help of PwC, a consulting firm, making it an operational internal decision support system. This has made Kering better equipped to meet environmental challenges that could affect its short- and medium-term development.

Through its partnership with the WBCSD (World Business Council for Sustainability), Kering has shared their experience to the Natural Capital Coalition to help shape the Natural Capital Protocol. This work aims to build a global framework for natural capital accounting. Kering's aim in sharing its experience is to encourage other companies to take these issues into consideration and to engage in a similar process, thereby uniting efforts across the board to build a more sustainable economy.

3.3. *measurement and reduction of our carbon footprint*

The Kering group helps address the impacts of climate change in two ways: by directly reducing the carbon footprint associated with its energy consumption and the transport of people and goods, but also, from a longer-term perspective, by evaluating and reducing emissions of greenhouse gases in its supply chain, especially by using the EP&L analysis implemented by the Group for all its brands. This approach has become a key component in Kering's climate change strategy. In addition, Kering now can utilise, via an external service provider, an application for mapping and analysing its global risks, divided into several broad categories, including:

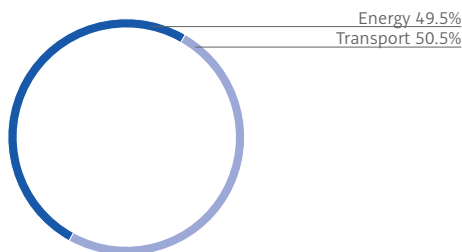
- human rights;
- climate change;
- the environment;
- environmental regulatory changes.

Energy consumption and the transport of goods and people are the two main sources of the Group's CO₂ emissions (excluding emissions related to the supply chain). Total emissions for 2014 came in at 297,776 tonnes of CO₂.

Note: for the calculation of CO₂ emissions, the emission factors used in 2014 are the same as those used in 2013. The objective is to track the direct impact of changes in energy consumption and actions taken by the Group and the brands on CO₂ emissions. The choice has accordingly been made not to allow factors such as the energy mix used to generate electricity in the different countries where the Group operates to distort the results.

Details of the emission factors used are available in the methodological note to Kering's 2014 environmental reporting on the Group's website.

BREAKDOWN OF TOTAL TRANSPORT- AND ENERGY-RELATED CO₂ EMISSIONS IN 2014



Total: 297,776 tonnes of CO₂

The share represented by energy-related CO₂ emissions in relation to transport-related CO₂ emissions fell from 54.4% in 2013 to 49.5% in 2014. There are two main reasons for this: first, the increased use of renewable electricity in several of the Group's brands; and second, the inclusion of new transport flows in the reporting scope and an increase in air transport.

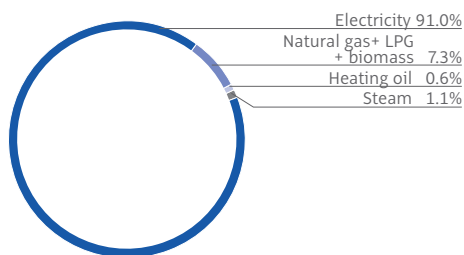
Energy consumption and related CO₂ emissions

The energy-consumption indicators below enable the Group to assess its energy use, together with the related greenhouse gas emissions, both direct (Scope 1 of the GHG Protocol: burning of natural gas, heating oil and LPG) and indirect (Scopes 2 and 3 of the GHG Protocol: electricity and steam production, line losses, upstream production phase of energy fuels and treatment of nuclear waste).

Energy consumption and related CO₂ emissions in 2014

	Energy consumption (MWh)	Related CO ₂ emissions (tonnes of CO ₂)
Electricity	250,930	134,225
Natural gas	46,497	10,693
Heating oil	2,964	881
Steam	6,946	1,569
LPG	143	45
Biomass	222	-
Total energy	307,702	147,413

BREAKDOWN OF ENERGY-RELATED CO₂ EMISSIONS IN 2014 (%)



Total: 147,413 tonnes of CO₂

Proforma year-on-year change in energy consumption (MWh) and related CO₂ emissions (tonnes)

	2014-2013 proforma scope		Year-on-year change
	2014	2013	
Electricity (MWh)	218,681	215,554	+1.5%
Natural gas (MWh)	43,638	44,565	-2.1%
Heating oil (MWh)	2,955	3,208	-7.9%
Steam (MWh)	5,878	8,192	-28.2%
LPG (MWh)	143	160	-10.5%
Biomass (MWh)	222	-	-
Total energy (MWh)	271,517	271,679	-0.001%
Direct emissions (Scope 1) (tonnes of CO ₂)	9,192	9,440	-2.6%
Indirect emissions (Scopes 2 and 3) (tonnes of CO ₂)	118,140	124,249	-4.9%
Total energy-related emissions (tonnes of CO₂)	127,332	133,689	-4.8%

On a proforma basis, the Group's energy consumption was stable at 271 GWh in 2014. This breaks down as an increase in electricity consumption offset by a decrease in fuel and steam consumption. Since September 2014, the C. Mendès ready-to-wear atelier in Angers, which belongs to Saint Laurent, has used biomass rather than gas to meet its heating requirements.

The share of CO₂ emissions related to energy consumption fell by 4.8%, thanks notably to an increase in the share of renewable energy contracts in the Group's energy mix, which explains the decline in CO₂ emissions despite overall energy consumption being stable.

Measures to improve the energy efficiency of stores and infrastructure

In 2011, the Sustainability Department and the Indirect Purchasing Department – in partnership with NUS Consulting – launched a major energy management project intended for all Group brands. In 2012, a system for closer monitoring of energy consumption was introduced, and 464 sites in Europe and the US have now signed up to the project, 83 more than in 2013. It focuses on streamlining the energy procurement process by pooling and consolidating energy consumption, increasing the use of renewable

The Kering group's energy consumption relates mainly to the heating, lighting and air conditioning of stores, warehouses and offices. In 2014, it amounted to almost 308 GWh. Electricity is the Group's main source of power, representing 82% of total energy consumption.

CO₂ emissions related to the Group's energy consumption in 2014 totalled 147,413 tonnes. Ninety-one percent stemmed from the generation of electricity, and were therefore indirect emissions relating to the amount of electricity consumed, but also to its mode of generation (coal, hydrocarbon, nuclear, renewable, etc.).

energy and centralising energy procurement management. The project has generated tangible energy savings and cost reductions for the Group, and there are plans to expand the initiative to new countries in 2015. A module that trains people how to use this energy management tool has been deployed in most of the brands, and is set to become mandatory for all brand facility managers.

Taking things even further, a pilot scheme has been launched to gain a better understanding of how consumption breaks down at the various points of sale. Sub-metering of different types of consumption (lighting, air conditioning, etc.) was implemented at the end of 2013 in six Parisian pilot stores in partnership with Schneider Electric and has been closely and continuously monitored since. The flagship Paris stores of Saint Laurent, Bottega Veneta, Boucheron, PUMA, Balenciaga and Stella McCartney were chosen for the project. The initial analysis of energy consumption monitored in real time at points of sale has highlighted the most energy-intensive items and areas and identified store management best practices to optimise both energy performance and comfort. The study has identified a potential 5% to 20% reduction in energy costs, depending on the site, which can be implemented immediately without changing existing equipment. Bottega Veneta is already considering installing similar equipment in other stores.

In the Luxury Division, LEED certification (Leadership in Energy and Environmental Design) for new buildings and major renovation work is a concrete example of what is being done to cut energy consumption. The certification programme is based on six evaluation criteria, of which energy is the most important (optimising energy performance, using renewable energies, etc.). Gucci pursued the certification of its sites, adding one store in Shanghai and one in Tianjin; at the end of 2014, a total of nine stores had been certified. Bottega Veneta's new Montebello site also obtained platinum level LEED certification in March 2014 in the new building and major renovation category; a first for a luxury fashion house. The Group's brands are working to come up with environmental performance solutions that go beyond certification processes. At the end of 2014, Gucci accordingly had 240 stores equipped with systems that turn lights off automatically, and 100 stores equipped with motion sensors for lighting. In 2014, Stella McCartney updated its Green Guide, which helps stores manage their energy consumption sustainably. An energy-consulting firm has also been commissioned to develop an action plan to reduce CO₂ emissions by 25% by 2016. Saint Laurent has deployed its ten best environmental management practices in all regions, with an implementation rate of 83% at the end of 2014 (excluding shopping centres and department stores). The brand has also prepared a guide containing architectural best practices, based on the LEED standard. Among other aspects, it covers lighting and air conditioning systems. These actions enabled Saint Laurent to improve the energy efficiency of its stores by 27% between 2012 and 2014. Girard-Perregaux and JEANRICHARD became official members of Switzerland's *Agence de l'Énergie pour l'Économie* in January 2014, and have established a ten-year energy efficiency improvement programme.

The stores of the various brands continue to be equipped with LED (light emitting diodes) lighting to reduce energy consumption (up to 90% on lighting). Gucci continues to replace lighting: in 2014, 65 stores were 100% LED-lit, and 60 stores partially LED-lit. All new Stella McCartney stores are 100% LED-lit, and the new equipment was installed in the Paris store and the New York showroom in 2014. Saint Laurent is following the same approach for the new Hedi Slimane store concept, and all new or renovated stores are 100% LED-lit, cutting energy consumption by an average of 30%. At end-2014, around 60% of Saint Laurent's directly owned stores were 100% LED-lit. At Balenciaga, working sessions have been organised with store sales managers to raise awareness and define the golden rules for a sustainable store. Balenciaga also is looking to incorporate sustainability criteria into the architects' design and refurbishment of its stores by installing 100% LED lighting systems for example. Moves to switch lighting over to LED systems are also under way in Boucheron and Bottega Veneta stores.

The gradual shift towards renewable energy

The proportion of renewable electricity used by the Group is growing thanks to numerous changes in supply within the brands. It amounted to 22.3% in 2014, compared with 15.4% in 2013.

Numerous initiatives are afoot to boost the Group's use of renewable energy, including the renewable electricity project being developed in partnership with NUS Consulting described above. With the support of Kering, for instance, Saint Laurent is gradually switching all of its French energy contracts over to green electricity. This is also the case for Bottega Veneta, which now derives almost 24% of the electricity used across its various sites from renewable sources, particularly in Europe, where renewables account for 80% of the electricity mix.

In 2014, the proportion of green electricity used by Girard-Perregaux and JEANRICHARD rose to 84% of total requirements. The figure is 46% for Stella McCartney – and 100% at its London-based sites. Twenty-six percent of Gucci's electricity needs come from this source, thanks to the brand's almost exclusive use of green electricity in Italy.

In 2014, the share of electricity derived from renewable sources rose to 18% of PUMA's total electricity consumption, thanks notably to initiatives in this area carried out since 2012 by Germany, the United Kingdom, Austria and the Benelux countries, and more recently Vietnam. In Italy, the share of green electricity has reached 100%.

Aside from supplies, the brands have been boosting their reliance on renewable energies, for instance by installing photovoltaic panels. Some brands have already installed panels on the roofs of certain buildings, such as PUMA's head office in Germany, a warehouse operated by the Luxury Division in the US and the headquarters of Bottega Veneta.

Since September 2014, the C. Mendès ready-to-wear atelier in Angers which belongs to Saint Laurent has used biomass rather than gas to meet its heating requirements. The use of renewable energy will significantly reduce the site's environmental impact, saving 200 tonnes of CO₂ each year and reducing the site's CO₂ emissions four-fold.

Transport-related impacts and emissions

Methodology

Data on transport are divided into three main categories:

- B2B transport: this includes all transport of goods paid for by the brands between suppliers and logistics platforms or industrial sites, and between logistics centres and points of sale. The transport of goods between logistics centres also falls into this category. B2B transport includes road freight, rail freight, shipping and air freight.

NB: Note that express delivery is now recognised in the B2B segment as opposed to the B2C segment. This type of transport is mainly used for B2B shipments, rather than for deliveries to customers, as was the case before the sale of the distribution activities;

- B2C transport: this covers all deliveries of finished products between logistics platforms or points of sale and customers. These deliveries can be carried out either by the brands' own fleets or by subcontractors' vehicles. As with B2B, only transport that is paid for by the brands is taken into account. B2C transport includes road freight;

- business travel: this covers business air travel and the use of company cars.

All the emission factors used in the reporting process are derived from internationally recognised public sources, i.e., internationally recognised academic establishments or institutions. These emission factors are also aligned with those used in the EP&L. Details of the methodology used are available in the methodological note to Kering's environmental reporting on the Group's website.

Emissions related to transport and travel

Transport and business travel-related CO₂ emissions in 2014 (in tonnes of CO₂)

	2014
B2B transport	117,596
B2C transport	110
Business travel	32,658
Total	150,364

In 2014, the Group's transport- and business travel-related CO₂ emissions totalled 150,363 tonnes. B2B transport accounted for 78% of these emissions.

B2B transport volumes in 2014 and related CO₂ emissions

	Total 2014 (in t/km or teu/km for shipping)	Related CO ₂ emissions (tonnes)
Road freight	69,599,450	10,661
Shipping	311,575,456	26,232
Air freight	87,162,598	58,699
Rail freight	19,642,806	548
Express air delivery	20,504,759	17,714
Express road delivery	24,293,201	3,742
Total emissions		117,596

Within the Group, the most frequently used means of transport for goods in volume terms is shipping. Air transport is also frequently used to move goods manufactured in Europe to faraway destinations quickly. It accounts for 65% of CO₂

emissions from B2B transport. Note that new flows of express delivery in Asia and the United States were included in the reporting scope in 2014.

Proforma year-on-year change in CO₂ emissions from B2B transport (in tonnes of CO₂)

	2014-2013 proforma scope		Year-on-year change
	2014	2013	
Road freight	10,655	11,494	-7.3%
Shipping	26,232	26,345	-0.4%
Air freight	58,492	49,246	+18.8%
Rail freight	548	535	+2.4%
Express air delivery	4,090	5,337	-23.4%
Express road delivery	662	408	+62.3%
Total emissions	100,679	93,365	+7.8%

The Group's proforma B2B transport emissions increased by 7.8% in 2014. This trend can be explained by the increase in air transport to high-growth markets for Kering brands in Asia and the Middle East.

Emissions related to express deliveries fell by 17% due to a transfer of short-haul air transport to road transport.

B2C transport-related CO₂ emissions in 2014 and proforma year-on-year change (in tonnes)

	Related CO ₂ emissions (tonnes of CO ₂)	2014-2013 proforma scope		Year-on-year change
		2014	2013	
B2C – own vehicle fleets	1.9	1.9	7.2	-74.3%
B2C – subcontractors' vehicles	108	108	97	+11.5%
Total	110	110	104	+5.6%

CO₂ emissions from B2C transport totalled 110 tonnes in 2014. On a proforma basis, B2C transport emissions increased by 5.6%.

Optimising logistics flows and switching to alternative means of transport

Goods transport has a significant impact on the Group's CO₂ emissions, and the brands have been working to reduce the distances covered during the supply and delivery of goods, to improve truck load factors and the performance of truck fleets, and to develop alternative means of transport.

In 2013, Kering launched a review of all modes of transport and flows of goods throughout the Group in order to analyse the current situation and compile best practices being used by the brands. It was conducted worldwide and involved PUMA, Volcom, LGI (Luxury Goods International, the Luxury Division's logistics platform), Gucci, Bottega Veneta, Saint Laurent and Stella McCartney, and covered all means of transport used for all flows. Over 100 best practices were identified, together with the main obstacles to implementing environmental projects aimed at reducing the impact of transport and logistics operations. Several brands are working on reducing packaging, which can result in an improvement in the load

factor of trucks, and ultimately a reduction in the number of trucks on the roads. The optimisation of deliveries is also an important focus, particularly as part of the pooling of deliveries to the stores of the various Group brands in major urban centres. Another source of improvement is to change the mode of transport wherever possible. PUMA and Volcom accordingly redirect some deliveries to rail rather than road transport. The substitution of air transport for sea transport is also a critical issue, especially when there is no obvious urgency as is the case with non-market products such as point-of-sale advertising, packaging and merchandising items. The Luxury Division boutiques in the Middle East already apply this policy by routing all packaging by sea. When air freight is required, the Group's brands favour direct connections.

Gucci continued its "High Street Fashion" partnership with TNT and ND Logistics to deploy sustainable delivery strategies in major European shopping districts using electric cars. Launched in 2012 in Amsterdam, Milan, Florence and the entire distribution chain in Switzerland, the project has now been extended to most major European cities. The brand is now examining the possibility of extending the service outside Europe. Similarly, Stella McCartney is involved in the programme in Italy.

Business travel

CO₂ emissions from business travel in 2014 and proforma year-on-year change (in tonnes of CO₂)

	Related CO ₂ emissions (tonnes)	2014-2013 proforma scope		Year-on-year change
		2014	2013	
Business air travel	24,094	20,642	19,156	+7.8%
Company cars	8,564	8,166	8,932	-8.6%
Total	32,658	28,808	28,088	+2.6%

CO₂ emissions associated with employee business travel amounted to 32,658 tonnes in 2014. On a proforma basis, emissions increased slightly by 2.6%.

As part of its environmental reporting process, since 2008 Kering has calculated CO₂ emissions for the majority of employees who take business flights. Each year, the scope of this coverage is broadened, and in 2014 it covered flights taken by employees based in 19 different countries (up from 17 different countries in 2013). Moreover, CO₂ emissions of company vehicles averaged 140.4g/km in 2013.

Some brands took the Group's policy even further by factoring environmental criteria into the selection of company vehicles: Bottega Veneta, for example, continued the renewal of its fleet with the inclusion of 39 new hybrid vehicles out of its total fleet of 112, and Stella McCartney only uses companies offering hybrid vehicles for taxi journeys in Britain. A similar policy is followed by Saint Laurent in Paris.

Emissions testing in accordance with Scopes 1, 2 and 3

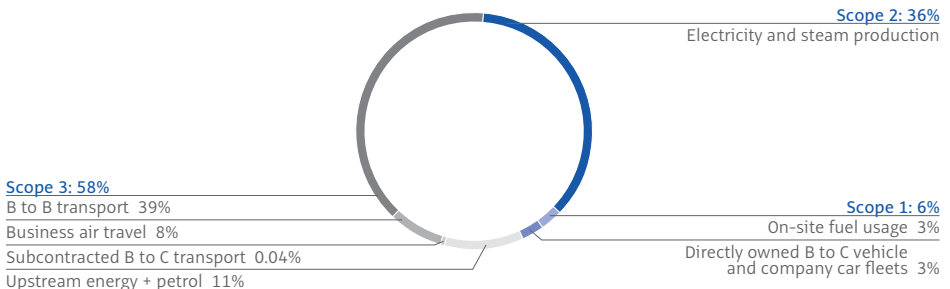
CO₂ emissions by scope as per the GHG protocol in 2014 (in tonnes of CO₂)

	2014
Scope 1	17,502
Scope 2	106,058
Scope 3	174,216
Total	297,776

The GHG Protocol defines three operational scopes in respect to greenhouse gas emissions. To facilitate clarity, Kering publishes its emissions as follows:

- scope 1 refers to direct emissions attributable to on-site fuel usage and the fuel burnt by Kering group's directly owned B2C vehicle and company car fleets;
- scope 2 refers to indirect emissions resulting from electricity and steam production;
- scope 3 refers to emissions resulting from goods transported by subcontractors (all B2B deliveries and nearly all B2C deliveries) and from most employee air travel, the production of energy fuels (upstream energy + petrol) and line losses. Emissions attributable to the production of raw materials by suppliers or to employee business travel other than by air (by car, train, etc.) are not taken into account.

BREAKDOWN OF CO₂ EMISSIONS IN 2014 (%)



Total: 297,776 tonnes of CO₂

In 2014, 94% of the Kering group's CO₂ emissions were not under its direct control. Reducing electricity consumption, switching to renewable energy sources, optimising

transport and opting for alternative forms of transport that emit less CO₂ all constitute effective ways of reducing the Group's carbon footprint.

Proforma year-on-year change in CO₂ emissions (in tonnes)

	2014-2013 proforma scope		Year-on-year change
	2014	2013	
Total	256,929	255,246	+0.7%

On a proforma basis, the Group's total emissions were stable. The increase related to B2B transport was offset by a decrease in emissions from energy consumption through the greater use of electricity from renewable sources.

Details of the calculations used can be found in the environmental reporting methodology note, which is available on Kering's website, under "Sustainability".

The carbon-offset programme

Aligned with its targets announced in spring 2012, Kering offsets its residual greenhouse gas emissions annually. Consequently, in early 2014, it offset the 123,388 tonnes of CO₂ corresponding to the residual 2013 emissions of the Luxury and Sport & Lifestyle Divisions and its registered office, thereby achieving the carbon neutrality target set in Scopes 1 and 2 of the Greenhouse Gas Protocol. Eighty-one percent of its carbon credits were

purchased from Wildlife Works Carbon, of which Kering has been a shareholder since spring 2012, to support REDD⁺ (Reducing Emissions from Deforestation and forest Degradation) offset projects. The remaining 19% of carbon credits were purchased from the Madagascar Wildlife Conservation Society, for the REDD⁺ offset project of the Makira forest.

The brands also develop their own carbon-offset initiatives. In 2014, Volcom's most widely publicised event in Hawaii, the Volcom Pipe Pro, was a certified Deep Blue Surf Event[™]. Emissions at all events covered by this label – which has the backing of Sustainable Surf, an NGO – are offset in full. Bottega Veneta also offsets all of the GHG emissions from its Milan head office, i.e., 908 tonnes, of which 378 were offset by Kering and 458 by the brand. Bottega Veneta also plans to offset the emissions of the new Montebello workshop in 2015, via Wildlife Works.

3.4. *sustainable use of resources*

Manufacturing leather products and textiles represents a major part of the Group's activity. The main materials used are leather, precious skins, cotton, wool, and rubber. The Group also uses gold and precious stones, and although the quantities involved are much smaller, their use has a considerable potential impact on the environment. The Group is committed to reducing its environmental footprint in the pre-operations phase, starting with the production of its raw materials. This involves assessing environmental impacts using techniques such as the EP&L, focusing on product design and materials used, in addition to impacting the supply side to improve practices and identify opportunities to reduce the environmental impacts of products.

In 2013, the Sustainability Department launched "Smart Sourcing" to encourage the brands to incorporate sustainably produced raw materials in their product design and manufacturing processes. This project involves experts in supply-chain management, R&D and sustainability working closely with the Group and its brands to come up with responsible sourcing solutions tailored to the specific needs of the different brands.

Within this framework, a set of policies and guidelines has since 2013 set out the underlying principles of responsible sourcing practices, in line with the Group's overall sustainability policy, objectives and existing best practices. These documents are regularly extended and updated. In 2014, they covered:

- leather and precious skins;
- precious skins;
- cotton;
- wool;
- fur;
- gold;
- diamonds and precious stones;
- plastics;
- paper and wood (including cellulose-based materials);
- rubber.

All of these policies and guidelines have been circulated and explained to the brands, notably via dedicated webinars.

Leather

Leather is one of the key raw materials used by Kering brands. Cattle and sheep farming and leather processing operations (including tanning) represent one of the most significant environmental impacts across the Group's supply chains. A specific working group (Idea Lab) on leather, involving many Group brands, met four times during the year to explore options for reducing the environmental impact of the production of leather (recycling of offcuts, tanning without heavy metals, traceability, etc.). Through this policy, Kering aims to work with suppliers to avoid the conversion of sensitive ecosystems into grazing lands or agricultural lands for food production for livestock. Given the significance of the impact of raw material production, Kering is dedicated to identifying low-impact leather supply sources. In 2014, Kering partnered with Origem, a consulting firm specialising in responsible sourcing, to achieve its responsible leather objectives. For the main leather supply countries (for Luxury and Sport & Lifestyle), the Group conducted a strategic analysis of sustainability challenges in the cattle industry: population trends, animal and skin trade, climate change, biodiversity, animal welfare, traceability, etc. This overview will allow the Group and its brands to assess the risks and opportunities stemming from leather supply in each of its supplier countries. The Group also explored the possibilities for responsible leather sourcing in Brazil, which currently has the world's biggest commercial cattle herd and is the largest exporter of beef worldwide. It is a major player in the global push towards a more sustainable beef industry. Following three months of fieldwork alongside many stakeholders in the meat and leather industry (breeders, slaughterhouses, tanneries, civil society bodies), the Group identified and evaluated leather sourcing opportunities that are respectful of ecosystems and local populations in several regions in Brazil. Kering has also joined the Leather Working Group and is working with the Rainforest Alliance and the National Wildlife Federation to improve the traceability and certification of sustainable supply sources.

Many brands also have projects to reduce the environmental impact of leather tanning. In 2014, Bottega Veneta purchased more than 54,000 sq.m of leather tanned using a process free of heavy metals. Gucci also uses a tanning process that eliminates the use of heavy metals for three of its bags and three of its iconic wallets. The new process reduces water consumption by about 30% and energy requirements by about 20%. Stella McCartney does not use leather or fur in its products, in keeping with the commitments of the brand and its Creative Director. Stella McCartney has selected an alternative bioplastic leather with a coating created from 50% non-edible vegetable oil to produce shoes, bags and accessories.

PUMA is also striving to reduce the environmental footprint of its leather production by leveraging the findings of its EP&L. It encourages its footwear suppliers to work with tanneries that belong to the Leather Working Group,

which brings together a wide range of stakeholders committed to improving environmental stewardship in the Leather Goods industry. The Leather Working Group has developed a dual rating system for member tanneries: Gold, Silver or Bronze to describe environmental performance; and A, B or C for the quality of the traceability of skins. More than 90% of leather used by PUMA comes from certified tanneries. In 2014, for PUMA suppliers that are members of the working group, 58% of leather came from Gold-rated tanneries, while 41% and 1% respectively came from Silver- and Bronze-rated tanneries.

Textile fibres

As part of the Smart Sourcing programme, in 2013 Kering set up a new structure – Materials Innovation Lab (MIL) – to assist the brands. MIL is based in Italy, and is tasked with encouraging the brands to incorporate more sustainably produced raw materials into their textile collections. Its members work closely with Kering's Sustainability Department and the Group's key strategic suppliers to identify and source such materials. It has compiled a library of alternative fabrics and fibres, which currently contains more than 1,500 samples. MIL currently assists the ready-to-wear brands of the Group's Luxury Division. Kering plans to extend this service to its Sport & Lifestyle brands in 2015. Lastly, MIL has at its disposal a tool to assess fabrics' impact, building on the results of the EP&L.

The Group undertook various projects in the area of cotton (key material for the Group) and in particular of organic cotton in 2014, in a joint effort conducted with Textile Exchange. Kering took part, with other companies, in the development of an international life cycle assessment launched by Textile Exchange, which showed very promising results for organic cotton, with the prospect of reductions in global warming, potential acidification, eutrophication, water consumption and primary energy demand associated with cotton growing. Also in partnership with Textile Exchange, Kering took part in the creation of the Organic Cotton Accelerator (OCA), a body bringing together several companies in the sector, with the aim of identifying and funding solutions for the development of organic cotton growing and the market for the fibre. Companies joining the OCA undertake to comply with a number of guiding principles, such as promoting organic cotton and improving the environmental, social and economic aspects of production conditions. Other brand initiatives focusing on the use of organic cotton were implemented or ramped up in 2014: 54% of all cotton jersey and 73% of denim used in Stella McCartney's collections are produced organically. In 2014, Bottega Veneta produced over 1,000 ready-to-wear accessories containing organic cotton. In the same vein, the brand continues to make efforts to source eco-fabrics that comply with the GOTS (Global Organic Textile Standard), recognised as the reference standard in this domain. A production trial using GOTS-certified fabric is already up and running. Other projects have emerged at Gucci, with the continued introduction

of organic cotton in the men's collection, and at Alexander McQueen, with the 2014 launch of t-shirts, sweatshirts and polo shirts made from organic fibre (27,639 units in total).

In wool, Stella McCartney began using wool produced in Patagonia (Argentina) as part of The Nature Conservancy certification programme in 2013. Producers work closely with Ovis 21, and have committed to sustainable farming practices that protect and restore endangered Patagonian ecosystems. The programme currently covers over one million hectares. In 2014, 23% of the brand's Autumn/Winter knitwear collection was made using this wool. In addition to this initiative, Stella McCartney has founded a workshop in Argentina, on the UNESCO World Heritage listed Valdes Peninsula, to promote the OVIS 21 initiative across the region. Gucci also used sustainable wool from Patagonia in its Autumn 2015 collection and for the clothing worn by its store employees.

A fabric synonymous with luxury, cashmere has been the subject of research and experimentation to improve the environmental impact of its production. Gucci won a Kering Sustainability Award in 2014 for its "Sustainable Cashmere" project, which uses "regenerated" cashmere fibres produced from fabric offcuts. These offcuts are collected and sorted. They then go through a process designed to fray and collect fibres, which are then rewoven into coils. This mechanical process requires no water or chemicals. The project has real development potential given that cashmere is widely used by the other Group brands.

Gold, and precious metals and stones

Illegal or unregulated mining for diamonds leads to devastating social conflict and corruption, and poses a serious threat to local biodiversity. This is why Kering pledged in 2012 that by 2016 it would only use gold and diamonds sourced from verified operations that do not have a harmful impact on local communities, wildlife or the ecosystems that support them.

All brands strive to ensure the traceability of the diamonds they use and to guarantee their origin, notably in accordance with the Kimberley process, which aims to certify the source of diamonds sold on the international market so as to ensure that they are not used to finance armed conflict. To go further, some brands have joined the RJC (Responsible Jewellery Council), an organisation that promotes responsible and transparent social and environmental practices throughout the jewellery sector, from the mine to the point of sale. They include Boucheron, Gucci, Bottega Veneta, Girard-Perregaux and JEANRICHARD. In 2012, Bottega Veneta, Girard-Perregaux and JEANRICHARD also obtained RJC certification for their gold and diamond activities, following Gucci and Boucheron in 2011.

Furthermore, Gucci, Boucheron, Girard-Perregaux and JEANRICHARD in 2014 made their first purchase of Fairmined gold sourced from artisanal mines in Peru. These purchases of a total volume of 55kg of Fairmined gold is the largest ever made by a group in the Luxury industry, and marked the first step towards the achievement of the 2016 objectives.

Fairmined gold is extracted by artisanal miners in accordance with the standards developed by the Alliance for Responsible Mining. These standards are stringent. They cover the social and economic development of communities, working conditions and best practices for handling chemical substances.

Gucci is currently looking at a number of ways of using recycled metals. For example, it is working on incorporating recycled copper and zinc into the brass used to produce its watches and jewellery. It is also carrying out studies to identify alternative metals that it could use to make handbags and to find new ways of using lead-free zamak to manufacture men's and women's accessories in addition to its existing use in manufacturing children's accessories. Lastly, starting with the Autumn 2015 collection, all accessories sold by the brand will be free of nickel.

Plastic

A working group on alternative plastics was set up in March 2013 to help the brands pool their research and share their needs in terms of sustainable plastics. The nine Kering brands involved in this working group hold regular meetings in the field with members of the plastics industry, such as the supplier DuPont in Geneva in 2014. At the same time, Kering has developed with the Fraunhofer Institute an innovative tool, called SAM Plastic, comparing the environmental performance of different types of plastics. This tool is based on a simplified life cycle analysis of environmental impacts (CO₂ emissions, discharges into water, water consumption and waste production) consistent with the methodology applied in the EP&L and backed up by qualitative analysis (average fossil fuel content, food competition, essential ingredients, etc.). The results obtained using this tool show that bioplastics are a credible alternative to fossil-based plastics, and that the industry still has significant scope for improvement in terms of the optimisation of its production processes. Five types of plastics used in the shoes made by the Group's various brands have already undergone a comparative environmental impact assessment using this method.

Furthermore, consistent with the Group's objective of eliminating PVC by 2016, the brands are working to substitute this material where it is still used. As such, Gucci has replaced PVC with plastics offering a reduced environmental impact, and in 2014 began encouraging the use of recycled plastic for shoe heels. Bottega Veneta uses an increasing amount of bioplastics for shoe soles. More than 20% of soles used in 2014 were made using this material.

Paper consumption

Group consumption

Paper consumed by the Kering group and its subsidiaries comes from two main sources:

- indirect purchases of paper ordered by service providers outside the Group (printers and agencies) for printing

communication media such as reports, posters, mail-shots and point-of-sale advertising;

- office paper.

In 2014, Kering's overall paper consumption totalled 2,185 tonnes. A breakdown by category is presented below.

Paper consumption in 2014 and proforma year-on-year change (tonnes)

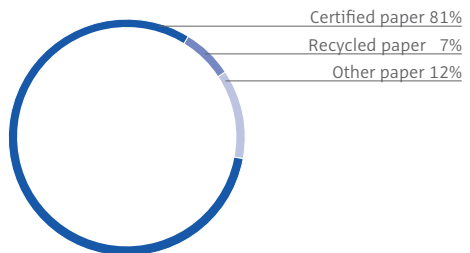
	Consumption in 2014	2014-2013 proforma scope		Year-on-year change
		2014	2013	
Paper – indirect purchases	1,383	1,280	875	+46.4%
Office paper	802	729	965	-24.5%
Total paper	2,185	2,009	1,840	+9.2%

Between 2013 and 2014, the Group's paper consumption increased by roughly 9%. This increase stemmed chiefly from the fact that one of the Group's brands prints a significant number of catalogues every two to three years. Office paper consumption fell by 24.5%, reflecting the Group's efforts to reduce paper consumption and to promote paperless alternatives. Group employees are encouraged to use the double-sided print option, to favour paperless alternatives (e-mails, press reviews, scanned documents, etc.) and to reuse the reverse side of printed sheets.

In 2014, the portion of certified (FSC or PEFC) or recycled paper was 88% across the Group, breaking down as 81% certified paper and 7% recycled paper. The proportion exceeds 90% in several Kering brands, including Gucci, Bottega Veneta, Saint Laurent, Stella McCartney, Brioni, Boucheron, Girard-Perregaux and JEANRICHARD.

Furthermore, various initiatives were added in 2014 to the extensive list of measures already in place at the Group's brands. For example, all Volcom's B2B catalogues were printed on FSC-certified paper, and all of the paper used in-house by Boucheron is now certified FSC or PEFC, including the paper used for its in-house publications. Lastly, the emblematic herringbone parquet flooring fitted in all Stella McCartney stores is sourced from FSC-certified wood.

TYPE OF PAPER USED IN 2014 (%)



Packaging consumption

The Group still uses significant volumes of cardboard and plastic for the protection and transport of goods sold in stores or online. For reporting purposes, plastic bags and paper bags are distinguished from other types of packaging.

In 2014, Kering consumed approximately 13,781 tonnes of packaging, 72% of which was cardboard and 17% paper bags. Paper bag consumption is more than ten times higher than plastic bag consumption, as the brands of the Luxury Division use this type of bag almost exclusively. Moreover, some brands have introduced reusable bags.

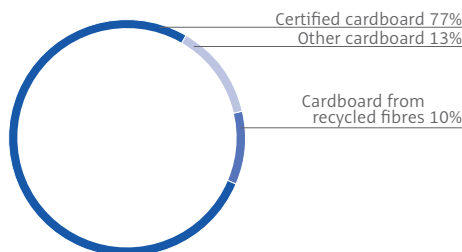
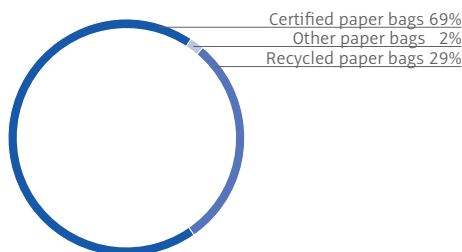
Packaging consumption in 2014 and proforma year-on-year change (tonnes)

	Consumption in 2014	2014-2013 proforma scope		Year-on-year change
		2014	2013	
Plastic bags	150	149	204	-27%
Paper bags and gift-wrapping paper	2,392	2,214	2,078	+7%
Total shopping bags and gift-wrapping paper	2,542	2,363	2,282	+4%
Plastic packaging	545	534	956	-44%
Cardboard	9,963	9,359	9,236	+1%
Paper for packaging	329	329	182	+81%
Flannel bags	402	325	144	+126%
Total non-bag packaging	11,239	10,547	10,518	+0.3%
Total packaging	13,781	12,910	12,800	+0.9%

On a proforma basis, total packaging consumption was stable, with a slight increase of 0.9%. For shopping bags, the use of plastic continued to fall sharply (down 27%), partly offset by an increase in the use of paper bags (up 7%). For packaging, total consumption was also stable (up 0.3%), the reduction in plastic packaging going hand-in-hand with an increase in the use of paper and flannel for packaging.

In the same vein, Balenciaga is conducting research in partnership with LGI to significantly reduce cardboard consumption for store deliveries. Protective packaging for deliveries of small items is fully organic and biodegradable, made using cornstarch.

In line with the Group's objective of only using certified or recycled packaging by 2016, 98% of paper bags and 87% of cardboard boxes used across the Group in 2014 came from sustainably managed forests (FSC-certified, for example), or were made from recycled fibres.



Many brands also promote the use of certified or recycled materials for packaging. All Stella McCartney packaging is made from FSC-certified cardboard and paper. A new type of packaging, fully FSC-certified and containing 50% recycled materials, was developed by Bottega Veneta in 2014. This packaging will be widely distributed from 2015 onward. In the outlets, the new Saint Laurent bags are also fully FSC-certified, and contain 65% recycled materials. The Brioni, Gucci, Pomellato and Balenciaga brands also all use substantial quantities of FSC-certified materials in their packaging.

In a similar approach, PUMA decided in 2014 to redesign its shoeboxes, in the wake of feedback on the difficulty of handling the current packaging. The brand has accordingly opted for a more traditional box, but one that still meets the highest environmental standards. It will contain 95% recycled materials, and will be FSC-certified.

Lastly, in late 2013, a major global review was launched with the Luxury Division logistics platform for the purpose of reducing the volume of packaging used to transport goods (see "Optimising logistics flows and switching to alternative means of transport"). In 2014, several box sizes were introduced, primarily to optimise the transport of smaller products and reduce paper volumes.

Water consumption

Given the nature of the Group's operations, the bulk of its industrial water consumption concerns tanneries, which are not located in water-stressed zones. Nevertheless, the brands are tirelessly working to come up with innovative tanning processes that eliminate heavy metals and use less water.

Across the Group, 66% of water consumed is used for sanitation (store cleaning, lavatories, air conditioning, etc.).

Consequently, the direct environmental impact of the Group's water consumption is low.

Kering is, however, using its groundbreaking EP&L approach to conduct a review of responsible water management across its entire production chain. Indirect water consumption linked to the use of agricultural raw materials like cotton constitutes an environmental issue that Kering is striving to quantify and address.

Water consumption in 2014 and proforma year-on-year change (cu.m)

	Consumption in 2014	2014-2013 proforma scope		Year-on-year change
		2014	2013	
Industrial water	257,565	194,667	178,689	+8.9%
Non-industrial water	504,782	440,538	462,346	-4.7%
Total water	762,347	635,205	641,035	-0.9%

In 2014, Kering's water consumption amounted to approximately 760,000 cu.m. On a proforma basis, it was down 0.9% because less water was used for sanitation

purposes. The increase in industrial water consumption stemmed from increased production on several Group sites.

3.5. waste management

Hazardous and non-hazardous waste

As is the case for consumption of packaging, the production of waste in Kering's operations stems mainly from the extent of its retail activities. The repackaging of goods and the use of pallets for transport mainly generate

non-hazardous waste. Kering mainly generates packaging waste and also small quantities of hazardous waste, corresponding to specific items of waste on production sites and other waste produced mainly in stores and offices (lighting, ink cartridges, etc.).

Total waste produced in 2014 and proforma year-on-year change (tonnes)

	Production in 2014	2014-2013 proforma scope		Year-on-year change
		2014	2013	
Non-hazardous waste	11,984	8,820	9,921	-11.1%
Hazardous waste ⁽¹⁾	221	210	161	+30.6%
Total waste	12,205	9,030	10,082	-10.4%

In 2014, the Kering group's total waste production amounted to around 12,205 tonnes, 98% of which was non-hazardous.

On a proforma basis, total waste production fell by 10%. The increase in hazardous waste is attributable to the return to a volume more closely in line with normal production

volumes at a Gucci tannery following repair work during part of 2013. Wastewater was treated externally during that period, meaning that the tannery's sludge volumes were therefore exceptionally low in 2013.

(1) Hazardous waste includes batteries, neon lights, waste electrical and electronic equipment, used oil, paint, aerosols, soiled packaging and ink cartridges.

Waste recycling

Rate of recycling and reuse of waste as energy in 2014 (%)

	% recycled in 2014
Non-hazardous waste	57.3%
Hazardous waste	30.1%
Total waste	56.8%

The Kering group recycled or reused as a source of energy 30.1% of its hazardous waste and 57.3% of its non-hazardous waste in 2013, giving an overall recycling rate of approximately 57%.

PUMA, Volcom and Stella McCartney, which for several years have been working with I: CO, continued their efforts in 2014 through the Bring Me Back programme, which allows consumers to deposit their used clothes, shoes and accessories, whatever the brand, in dedicated recycling bins to be reused or recycled, depending on their state of wear. For example, the programme now covers half of PUMA stores worldwide, and will continue its expansion in 2015.

Volcom is promoting styrofoam recycling through its Waste to Wave programme. In partnership with Sustainable Surf, an NGO, polystyrene is sent to Marko Foam, a recycling company, to be remelted and reused in the manufacture of new products, including foam rolls.

At the beginning of 2011, Balenciaga adopted waste sorting at its main sites in Paris. The brand works with Greenwishes, an external company specialising in the recovery and recycling of conventional office waste (paper, envelopes, flyers, etc.), as well as cardboard, plastic, cans and above all fabric. Every month, Greenwishes sends Balenciaga a set of indicators allowing it to monitor the effectiveness of measures implemented and to communicate with staff in an instructive manner on the benefits of daily sorting. Since the launch of the operation, 7 tonnes of paper, 35 tonnes of cardboard, 3.2 tonnes of plastic and 2.9 tonnes of fabric have been recycled. In 2014, Balenciaga's ready-to-wear division launched an innovative recycling programme by making the Shopping Bags sold within the Group from unused stocks of fabrics. Production is outsourced to workshops employing people in reinsertion programmes. The production of nearly 2,000 bags in 2014 reused approximately 1,000 metres of fabric.

Stella McCartney continued its fabric recycling efforts in 2014. Through the establishment of a partnership with Soex in 2012, textile offcuts produced at the brand's London head office are collected, recycled and processed into insulation or plastic. In 2014, Stella McCartney also undertook an internal project to guarantee a second life to unused printed fabrics stored at Novara.

In April 2013, Bottega Veneta entered into a partnership with the ILSA corporation to transform leather offcuts into organic fertiliser. ILSA collects waste leather from the brand's workshops and applies a specific process that breaks it down into a new biodegradable product. The Bottega

Veneta sites participating in this project generated a total of almost 140 tonnes of leather offcuts in 2014, nearly 90% of which has been transformed into organic fertiliser.

As part of the Fertiland campaign launched in the leather industry hub of Santa Croce in Tuscany, Gucci set up a similar programme in 2012 to turn leather offcuts into organic fertiliser. The waste leather is collected, shredded and then processed by a specialised company. In 2014, 225 tonnes of fertiliser were produced from 450 tonnes of Gucci leather offcuts. The brand is also examining the possibility of implementing a similar system with its Italian fabric suppliers in 2015.

Saint Laurent continued its efforts to recycle waste and unused materials in 2014. Partnerships were established with two French NGOs to give a second life to fabrics used in old collections. Some fabrics are transformed into insulation for buildings or cars by the *Relais Emmaus*. Others are reused by *Tissons la Solidarité* to create new clothes.

Saint Laurent's *Règles d'Or* – its ten golden rules for good environmental practice throughout its stores – also have a waste management focus: managers must ensure that all waste paper, cardboard packaging, glass, plastic bottles, tins and ink cartridges are sorted and then recycled. Moreover, through pooling arrangements with Bottega Veneta, Gucci and Stella McCartney, Saint Laurent recycles all waste cardboard from its Parisian stores.

It has also deployed a proactive waste management policy outside its stores, and waste paper is sorted at its head offices worldwide. It also recycles IT equipment with the help of *Les Ateliers du Bocage*, a social reinsertion structure; at the end of 2014, 723kg of IT equipment had been collected and recycled. Since January 2014, all packaging waste in showrooms has routinely been recycled.

In 2014, Girard-Perregaux and JEANRICHARD set up an internal "Waste Workshops" committee, which meets every two weeks to examine production waste. The purpose of the Committee is to offer solutions to minimise waste production and ensure the most effective treatment possible for all categories of waste identified, especially scrap metal.

Water discharge and odour pollution

Water discharge does not represent a significant direct impact for Kering. The brands concerned have nonetheless introduced specific measures that go further than regulatory requirements.

Having obtained ISO 14001 certification for its two tanneries in Italy, Gucci installed new water treatment plants in France and Serbia in 2014 to reduce emissions and optimise water consumption. The first real improvements are expected in 2015. Both tanneries also have modern equipment to ensure that they do not emit any unpleasant odours.

As water discharges during textile and leather processing or mining can potentially have considerable environmental impacts, they are subject to specific, targeted questionnaires during the data-gathering phase of the EP&L approach.

In 2011, PUMA publicly committed to removing all hazardous chemicals from its entire production chain by 2020, under the Detox campaign launched by Greenpeace, an NGO, especially as regards water discharge.

To achieve this, PUMA has actively participated in the Zero Discharge of Hazardous Chemicals Group (ZDHC), a body committed to communicating regularly and publicly on the progress of its member brands (around 20 major international textile brands). 2014 was further marked by the collaboration between PUMA and the Institute of Public and Environmental Affairs (IPE), a Chinese NGO, to communicate transparently with all local stakeholders on the chemicals used and released into the environment by the brand's suppliers and subcontractors. At the end of 2014, 80% of PUMA suppliers with significant impacts in terms of water discharge (dyeing, tanning, etc.) reported information on its use and discharges of chemicals on IPE's online platform. Over the last ten years, PUMA has also performed environmental audits of suppliers, using the ZDHC protocol. Several of the brand's other suppliers have already undergone similar environmental audits conducted by bluesign or by the Leather Working Group.

Management of chemicals

In addition to compliance with core local and international regulations such as REACH, Kering has set itself the target of completely eliminating hazardous chemicals in the production of all its brands by 2020, covering both production processes and the products themselves. To do so, the Group has established two types of lists of substances subject to restrictions: one for production processes, the Manufacturing Restricted Substance List (MRSL), and one for products, the Restricted Substance List (RSL). There is a single MRSL covering the entire Group, and several RSLs, one for the Luxury Division and one for each Sport & Lifestyle brand.

The MRSL is focused on discontinuing the use of the toxic chemicals, first to ensure that workers in the supply chain of the Group's brands are not exposed to hazardous substances such as endocrine disruptors, and second to stop toxic discharges into the water.

2014 saw the start of the operational implementation of the MRSL through an initial series of projects with tanneries: analysis of chemical inputs in manufacturing, comparison with the MRSL, search for alternative substances and elimination of substances identified as dangerous. The process will be extended to Luxury Division textile suppliers.

In a very similar move in the Sport & Lifestyle Division, PUMA enhanced its chemical management system by committing in 2014 to work with bluesign, a multi-party body founded in 2009 that aims to limit the chemical footprint of the textile industry, and which has more than 300 partners (chemical companies, manufacturers and brands).

3.6. *protection of biodiversity*

Biodiversity is one of the Group's key priorities. Kering strives to protect and respect it in three major ways: by understanding the sustainable origin and assuring traceability of raw materials, promoting nature-conservation and raising awareness among its employees and consumers.

Use of precious skins, leather and fur

Kering works on the sustainable origin and the traceability of raw materials, with an emphasis on the production of leather, precious skins and furs.

The Group has also developed a comprehensive policy and a set of recommendations covering all its purchases of these items, in line with its 2016 targets. Through this policy, Kering aims to work with suppliers to avoid the conversion of sensitive ecosystems into grazing lands or agricultural lands for food production for livestock. The Group also requires that precious skins and furs come

from verified captive breeding operations or from wild, sustainably managed populations. Suppliers should employ accepted animal welfare practices and humane treatment in sourcing. Additionally, all precious skins of species listed by CITES and used by the Group must be accompanied by a certificate of legal origin issued by the CITES management authority of the exporting country, in order to ensure that endangered species are not threatened. Kering's brands have also joined forces with the Luxury Goods working group, Business for Social Responsibility (BSR), to work on the issue of traceability.

Some brands go further, setting out specific policies. In 2012, for instance, PUMA adopted a specific and restrictive policy on the use of leather, skins, furs, feathers and wool. In this document, PUMA states that it does not use any raw material derived from endangered species as defined by the International Union for Conservation of Nature

(IUCN). This policy also prohibits the use of feathers, leather and skins obtained from abused animals, whether they are farmed or not.

PUMA has also banned the use of certain species such as crocodiles and snakes, and certain practices such as mulesing in merino sheep. Moreover, since 2010, the brand has been working alongside other companies and several NGOs within the Leather Working Group (LWG), a platform that brings together representatives of the leather industry, with the aim of drawing up and promoting a protocol of sustainable and responsible practices for the sector. While the main tanneries with which PUMA works have been certified by the LWG, the brand now wants to go a step further by guaranteeing the traceability of raw materials back to the farm itself.

Another example is provided by Bottega Veneta, which has opted not to use python skin, fur or coral in its collections. Stella McCartney totally excludes the use of fur products, leather, precious skins and feathers.

Several initiatives have also been undertaken to improve the traceability of the leather used by many Group brands. The Luxury Division brands mainly use cowhide sourced from Europe, principally from France.

At Group level, the project put together with Origem aims to achieve a better understanding of the leather supply chain in Europe and in Latin America, and to explore the possibilities of making it more sustainable.

Among the brands, Gucci's Leather Traceability project aims to develop and deploy a leather traceability procedure from the country/region in which the animal is raised to the leather that comes out of the main tanneries working for the brand. The IT application for the traceability and monitoring of leather was tested in 2014 and expanded to take into account different types of leather (not only from cattle, but also sheep, pigs, etc.). Data gathering will begin in 2015. In the same vein, Saint Laurent has begun to implement a traceability system with its biggest leather tanneries. Each month, these tanneries report the quantities and the origin of the leather purchased by the brand (including the abattoir and, where possible, the location of farms). At the end of 2014, the existing system covered approximately 60% of leather volumes purchased by the brand. Bottega Veneta obtained a traceability certificate issued by independent third party ICEC, ensuring the precise origin of the leather used for the manufacture of the 2014–2015 collection of two models of the brand's iconic products, the *Cabat* bag.

Measures are also taken at Group and brand level in cooperation with international stakeholders to combat illegal trade in precious skins and to help improve scientific knowledge of certain species, and to improve animal welfare.

The Group contributed to the United Nations report of the International Trade Centre (ITC) on trade in python skins in South-East Asia by providing technical advice in the project's design phase. In 2013, both Kering and the ITC worked with the International Union for Conservation of

Nature (experts on boas and pythons from the IUCN/SSC) on the launch of the Python Conservation Partnership to help move the sector towards more sustainable practices. The goal of this triennial research programme is to devise recommendations on compliance with sustainable practices, transparency, animal welfare and the resources of local populations involved in the trade in python skins. The first report from this programme was published in March 2014 and examines the feasibility and economic viability of breeding pythons in captivity as a possible means of ensuring sustainable exploitation and preserving the species. Gucci is also involved in this programme.

Kering also partnered with the ITC and the IUCN Crocodile specialist group in October 2014 to develop responsible trade in Nile crocodiles from Madagascar. The Group provides financial and technical support for the project, which aims to protect the species while contributing to the economic development of local populations. The skin of the ayers water snake is less known as a precious skin, but is nevertheless widely used in the Luxury industry. To date, little information is available on the practices used in sourcing the skin of this snake, which is native to South-East Asia. In 2014, Bottega Veneta partnered with Kering to undertake research to gain a clearer picture of current sourcing practices. The brand will then issue recommendations to ensure traceability and compliance with responsible breeding practices for this animal.

Although the amount of fur used by the Luxury Division brands is minimal, Kering is working closely with its suppliers and with BSR experts to develop a programme that guarantees the traceability of any fur used and ensures animal welfare throughout its supply chains. The Group has established guidelines for sourcing fur and issued a practical guide on its use for design teams. These guidelines provide a list of the species covered and impose the obligation to minimise the negative impacts on them, to ensure the welfare of animals bred in captivity and to comply with the prevailing laws and regulations. Kering and BSR also held a meeting with the International Fur Federation and Fur Europe to address issues of transparency and improving practices in the fur industry together.

Gucci and other Group brands including Bottega Veneta and Stella McCartney also maintain regular dialogue with numerous associations and NGOs involved in animal welfare and the protection of the environment, such as the Wildlife Conservation Society, the World Wildlife Fund (WWF), the Anti-Vivisection Society, the Humane Society, the National Wildlife Federation, the Rainforest Alliance, the Eco Age Green Carpet Challenge, the Wildlife Friendly Enterprise Network, the Natural Resources Defense Council, the Nature Conservancy and Greenpeace.

In 2014, Gucci continued to provide financial support to the Skin Fare initiative launched in partnership with the Italian Ministry for Agriculture, *Istituto Zooprofilattico*, the Blutonic tannery, the Quinto Valore abattoir and a pharmaceutical company. The initiative aims to improve animal welfare in Italy.

Nature conservation

Aside from ensuring the sustainable origin and the traceability of raw materials, Kering and its brands are committed to preserving biodiversity by developing initiatives to conserve the natural environment and raise awareness among employees and consumers.

For instance, in connection with the United Nations Conferences on Trade and Development, Kering is involved in the UN's Responsible Ecosystems Sourcing Platform initiative.

Meanwhile, Volcom strives to promote clean beaches through public awareness and clean-up campaigns. For the past five years, the brand has partnered the Keepers of the Coast NGO and its Day After initiative to clean up Florida's beaches after the Fourth of July festivities. In the United States, the brand has partnered with the Newport Bay Conservancy, the Nordstrom Fashion Club and the Surfrider Foundation through various events to bring together volunteers and clean up a number of West Coast beaches. In Japan, Volcom took part in a beach-cleaning event in partnership with the Patagonia brand and JEAN (Japan Environmental Action Network), a Japanese NGO. On top of its financial support for these operations, Volcom offers products and posters to the most committed volunteers.

Since 2012, Stella McCartney has been partnering the BioPlanet USA and Million Trees Miami NGOs to support the planting of one million trees by 2020 in the forests of Miami-Dade County in the United States. In 2014, employees of Stella McCartney stores in Miami once again participated in this initiative.

Lastly, in 2012, Kering acquired a 5% stake in Wildlife Works Carbon, LLC. This has bolstered the Group's support for a leading REDD+ offset project in Kenya, the aim of which is to prevent destruction of forests in the Kasigau Corridor, threatened by slash-and-burn subsistence farming practised by migrant and local communities. The project focuses on the development of economic alternatives to this fairly unproductive form of agriculture and the promotion of secure land tenure. Halting deforestation will help maintain the wealth of biodiversity in the area, which is home to the following iconic species: African elephant, African wild dog, cheetah, lion and Grévy's zebra. Similarly, the Madagascar offset project aims to protect the forests of Makira.

Faced with the problem of deforestation, other materials such as viscose have attracted special attention from the brands. Stella McCartney, in collaboration with Canopy, an NGO, is committed to ensuring that all its supplies of viscose and other cellulose materials (materials from wood pulp) are fully certified. Viscose is an increasingly popular material in the textile sector, but one that is not without consequences for the environment: its production involves the intensive use of forested areas and chemicals. Canopy and Stella McCartney have given themselves three years to find alternative sources to this material.

4. supporting community development

4.1. community impact

Kering and its brands play a major role in the economic and social fabric of the regions where their sites are located. The sustainability of the Group's brands, particularly in the Luxury Division, stems from traditional know-how, often rooted in a given region. The Jura valley, for instance, is synonymous with watches, Tuscany with leatherwork and London with artistic creation. Kering sees it as essential to preserve these skills and this excellence in craftsmanship, both through specific training and local partnerships to support training in traditional artisanal skills:

- Gucci, with the *Made in Italy* Tuscany Academy (MITA) and the *Alta Scuola di Pelletteria Italiana*, which sent numerous trainees into employment in the leather industry in Scandicci in 2014. Gucci has also partnered with *Scuola dei Mestieri* to offer a two-year programme that aims to train roughly 20 talented young people a year. The aim of this programme is to promote craftsmanship and strengthen Gucci's social and environmental commitment locally;
- Bottega Veneta, and its partner, the Giovanni Fontana leather-craft training centre. Bottega Veneta continues its support for leather workshops organised in schools. The Company is also involved in defining three-year educational programmes to train leather craftsmen and provides tutors for the classes and apprenticeships to the students. In 2014, 138 people from inside and outside the Company were able to refine their techniques in the field of leatherwork (tanning, cutting, sewing, finishing, etc.);
- Bottega Veneta also continued to offer funding and support to two community craft cooperatives, the *Comunità Femminile Montana* and *Cooperative Femminile Pedemonte*, launched in early 2011 in Alto Astico, an Italian valley with high unemployment among women. Trained in *intreccio infilato*, a traditional weaving technique used in the production of Bottega Veneta's products, more than 60 women are now able to run their ateliers independently, and have as such become direct suppliers to the brand;
- Boucheron, with the Paris-based *École de la Joaillerie* jewellery school;
- Stella McCartney, with three scholarship places at Central Saint Martins College of Art and Design (provided students commit to an ethical policy of not using fur or leather).

In addition to supporting these specialised training programmes and the students that graduate from them,

some brands have even set up their own schools to help preserve both rare know-how and local employment. Brioni, for instance, offers training to 16 young people per year in a three-year course at its tailoring school, and then employs them in its own workshops.

The Group and its brands also sometimes take action in the form of partnerships with local schools or universities in more broadly based programmes, with the aim of promoting a sustainability component in various courses.

In 2014, Kering signed a strategic five-year partnership with the Centre for Sustainable Fashion (CSF) at the London College of Fashion (LCF) to promote sustainable practices and innovation in the fashion industry. The partnership will focus on three main areas:

- the Kering Talks: each year, in October, visionaries and business leaders from the fashion industry will speak on the latest developments in the area of sustainable fashion, sharing new thinking and breakthroughs in best practice. The first Kering Talk was given in October 2014 by François-Henri Pinault, Chairman and Chief Executive Officer of Kering;
- the Kering Award for Sustainable Fashion: on an annual basis, Kering brands and the CSF will launch a student "contest" which will focus on specific and real-life industry challenges. Open to all third-year BA and MA students, the two winners will be awarded a monetary grant and an internship placement within Kering brands;
- the co-development of academic modules for the sustainable design course. Kering and the CSF, supported by a team of industry experts, researchers and academics, will share their business and academic expertise to create a full course module taught each year at the LCF.

As for Kering's brands, Gucci sponsors the IMLUX (International Master in Luxury Management) programme at MIP *Politecnico di Milano* and the MAFED (Master in Fashion, Experience & Design Management) programme at the University of Bocconi. The main themes promoted by Gucci as part of this partnership are "retailing and CSR in Luxury Goods".

In 2014, Brioni launched the *A Scuola di Sostenibilità* programme, which aims to welcome students from the Penne region, where most of its production sites are located, to raise awareness on sustainability challenges and show how these issues are taken into account in the brand's activities.

4.2. *stakeholder dialogue*

In an increasingly interconnected world, players in the private sector need to pay attention to and maintain relationships with their partners and stakeholders. Kering therefore aims to establish quality relationships built on trust with all its partners, regardless of location, with a view to gaining a full appreciation of their concerns and expectations, and, as far as possible, incorporating these aspects into its strategy. For Kering, this means:

- defining a policy for consultation and analysis of stakeholder expectations at the Group level;
- encouraging brands to develop their own stakeholder dialogue procedures at a more operational level.

Group approach

Materiality

As part of the update to its materiality matrix, Kering conducted, in partnership with consulting firm BSR, a series of 12 interviews with executives of Kering and its brands, as well as a survey of more than 100 stakeholders (universities, NGOs, consumer bodies, trade unions, investors and rating agencies, suppliers and business federations). This work, inspired by the principles laid out in the Global Reporting Initiative (GRI G4), enabled Kering to formalise its stakeholder dialogue policy. Stakeholder mapping has been conducted, covering nearly ten different categories (universities, NGOs, consumer bodies, trade unions, investors and rating agencies, suppliers and business federations). To take its approach even further, Kering asked the members of its Ethics Committee to review its stakeholder dialogue policy, with a view to finalising it by early 2015.

Taking part in dialogue and partnerships

In order to remain constantly attentive to the key issues affecting its stakeholders, Kering participates in a number of international initiatives:

- **SAC:** In 2012, Kering became a member of the Sustainable Apparel Coalition, which brings together more than 80 major players (brands, retailers, suppliers, NGOs, etc.) in the textile, footwear and accessories sector, who work together to reduce the negative environmental and social impacts caused by the industry worldwide. The Group and its brands made a substantial contribution to the creation and implementation of the HIGG Index, a tool that tracks the environmental and social impacts of the textile, footwear and accessories sector, notably at the supply chain level. PUMA, Volcom and Stella McCartney are also stakeholders in the SAC's work;
- **WBCSD:** In 2011, Kering joined the World Business Council for Sustainable Development, a multi-sector platform of 200 global companies that aims to promote the role of the business community in achieving sustainability based on economic growth, ecological equilibrium and social progress;
- **Natural Capital Coalition:** The NCC is a group of players committed to creating a Natural Capital Protocol. This document, which will be broken down by sector, will provide a common framework for accounting for natural capital, in the same way as the GHG Protocol provides a framework for carbon accounting. Kering is an active member of this working group, both by sharing its EP&L methodology with other members and by playing a direct role in drafting the protocol through its membership in the coalition's Technical Group;
- **Leather Working Group:** The LWG unites players in the leather industry in the aim of improving the environmental performance and traceability of its member tanneries. Following PUMA's commitment to the LWG, Kering chose to join the organisation in 2014 in order to speed up the work related to leather traceability and improve the environmental footprint of its tanneries. The objective is to create synergies and allow all brands to benefit from the progress;
- **Textile Exchange:** Kering is a member of Textile Exchange Europe, and sits on the Board of Directors of this organisation, which is committed to promoting the production and use of more sustainable textiles throughout the clothing industry;
- **European Commission:** Kering is a member of the technical secretariat of the Organisation Environmental Footprint (OEF) pilot launched by the European Commission. The objective of this project is to lay down sector rules for retailers on how to measure the environmental impact of their activities across all their supply channels;
- **IUCN:** the International Union for Conservation of Nature develops and maintains cutting-edge conservation science, particularly with respect to species, ecosystems and biodiversity, and their impact on human livelihoods. Kering initiated a strong partnership with the IUCN in 2013, together with the International Trade Centre (ITC) on python breeding and trading in Asia. An initial report on this work was issued in 2014. Entitled "Assessment of Python Breeding Farms Supplying the International High-end Leather Industry", it evaluates the economic feasibility and viability of captive breeding of pythons as a possible element of sustainable use and conservation of the species;

- **Wildlife Friendly Enterprise Network:** Kering is a member of the Board of Directors and supports certification initiatives for key raw materials such as wool and cashmere, with the Stella McCartney brand;
- **ITC:** In 2014 Kering and the International Trade Centre (ITC) announced a new collaboration to develop a multi-year programme to support the monitoring and sustainable management of the trade in Nile crocodiles from Madagascar. The formation of the Madagascar Crocodile Conservation and Sustainable Use Programme follows the recommendation by the Standing Committee of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) to re-open the trade in Nile crocodiles from Madagascar. The programme's goal is to support sustainable trade that contributes to economic opportunities, local livelihoods and the long-term conservation of crocodiles and their habitats;
- **BSR (Business for Social Responsibility):** Within this international network, which unites more than 300 companies, Kering is a member of the Sustainable Luxury working group, which promotes transparency and cooperation between Luxury Goods companies, particularly with regard to supply chains.

Stakeholder dialogue is also of particular importance in the responsible sourcing programmes initiated by Kering. In addition to the work on pythons and crocodiles cited above, Kering has worked closely with *Solidaridad*, an NGO, in the purchase of Fairmined gold from the Sotrami mine in southern Peru. *Solidaridad* supports mining communities, notably through training. Kering also works with the Alliance for Responsible Mining (ARM), the body tasked with monitoring the Fairmined certification, which guarantees that the gold used by Kering is "ethical", or in other words that it comes from small-scale mines that meet strict standards in terms of social development, environmental protection, working conditions and local economic development.

At the national level in France, Kering is also involved in cross-sector dialogue and sharing best practices through:

- **EpE:** In 2012 Kering joined *Entreprise pour l'Environnement*, an association of approximately 40 French and international companies committed to working together to give environmental considerations more weight in their strategies;
- **Comité Colbert:** the *Comité Colbert* brings together French Luxury Goods houses and cultural institutions, and aims to promote the international influence of the French *art de vivre*. Some Group brands such as Boucheron and Saint Laurent regularly attend meetings. In 2014, Kering also presented the EP&L approach to other *Comité Colbert* members.

Brands' sector approach

In the same way as Kering, the brands are active members of bodies representing their specific sectors. The Luxury Division brands specialised in Leather Goods, such as Gucci and Bottega Veneta, are accordingly very active in the work of Italy's *Unione Nazionale Industria Conciaria* (UNIC) to improve the environmental footprint of tanning processes, as well as health and safety conditions in tanneries. The association of Italian tanners is in turn a member of Cotance, the body representing the leather industry in Europe, which contributes to the European Commission initiative aimed at defining a standard for measuring the environmental footprint of Leather Goods.

Also at the European level, the Group's brands take part in talks held by the European Cultural and Creative Industries Alliance (ECCIA), which brings together Europe's five Luxury Goods and creative industry federations, including the *Comité Colbert* for France, the *Altgamma* foundation for Italy and Walpole for the UK.

Some brands go further by creating their own dialogue and exchange mechanisms with their stakeholders. This is the case for PUMA, which organised the eleventh annual Talks at Banz, an event attended by nearly 80 participants (suppliers, industry and government representatives, NGOs, sustainability experts, etc.) to address the theme of "Value creation through sustainability". In addition to this annual event, PUMA has developed a local dialogue mechanism to bring it closer to the issues relating to its everyday activities. In 2014, PUMA also became a member of the Fair Factories Clearinghouse Initiative, which aims to pool the results of the social audits of the suppliers used by sector players.

Another emblematic example of stakeholder dialogue is the formation of the Zero Discharge of Hazardous Chemicals (ZDHC) group in response to the Greenpeace Detox campaign in 2011. PUMA is a leading force in ZDHC, and publicly pledged in 2011 to remove toxic residues from its entire production chain by 2020.

This initiative is one of many examples of partnerships formed by the Group's brands with NGOs. Gucci regularly engages with *Solidaridad*, the Anti-Vivisection Society, Humane Society, the Clean Clothes Campaign, the National Wildlife Federation and the Rainforest Alliance.

Meanwhile, in 2014 Stella McCartney recruited a person dedicated to projects relating to the Ethical Trading Initiative, an alliance of companies, trade unions and NGOs that promotes respect for workers' rights around the globe, demonstrating its increased commitment.

Volcom Europe is also a member of the Ecoride group of EUROSIMA (European Surf Industry Manufacturers Association). This working group allows member brands to share best practices and pool their sustainability efforts. Electric Europe will also join Ecoride in 2015.

4.3. *relationships with suppliers*

Responsible purchasing policy

For non-retail (indirect) purchases, the Group's Indirect Purchasing Department remains committed to responsible sourcing based on a reciprocal undertaking with suppliers to respect the Kering Code of ethics. It also has specific commitments tailored to each category of purchases, with buyers identifying the most relevant sustainability criteria. To formalise this process, a responsible purchasing policy has been laid down at Group level. It sets out the priorities to be shared and applied by all Group employees to manage purchasing ethically and responsibly. It has been distributed to all Kering's employees.

Another highlight of 2014 was the joint signature by the Sustainability Department and the Indirect Purchasing Department of the 2010 "Responsible Supplier Relations" issue framed by the French Ministry of the Economy and Finance, and the *Compagnie des dirigeants et acheteurs de France* (French purchasing managers body - CDAF). The Charter's purpose is to promote the implementation of and compliance with best practices in relation to suppliers in France, and to encourage the major signatory contractors to implement a progress approach with their suppliers, especially small and medium-sized enterprises, in order to develop a true partnership through mutual knowledge and the respect for each party's rights and duties. It requires the Group on the one hand to guarantee compliance with the principles of financial equity, risk reduction and the total cost of ownership approach by any person taking part in a purchase, and on the other hand to appoint a correspondent who can intervene as a last-resort internal mediator to facilitate discussions and help resolve disputes between the brand's suppliers and purchasers when they cannot be resolved directly.

Training and support of suppliers in favour of best practices

Training and raising the awareness of suppliers is the preferred avenue taken by Group brands to achieve tangible improvement in practices across their value chains.

Of particular note is the SAVE programme (Sustainable Action and Vision for a better Environment), a public-private partnership project between PUMA and DEG (*Deutsche Investitions und Entwicklungsgesellschaft*), a financial institution, in collaboration with H&M and ASSIST (Asia Society for Social Improvement and Sustainable Transformation). This programme has trained more than 300 people working for the brand's suppliers in Cambodia, China, Bangladesh and Indonesia in the environmental management techniques issued by the United Nations Industrial Development Organization. The initiative, co-funded by PUMA and DEG, aims to achieve a 25% reduction in the energy and water consumption, waste production

and greenhouse gas emissions of suppliers in these four countries between 2011 and 2015. In addition to training, the programme offers suppliers a precise diagnosis of the existing situation, as well as action plans and technical advice on numerous points.

In the same spirit, Stella McCartney made a commitment in 2013 to the National Resource Defence Council (NRDC) as part of the Clean by Design programme aimed at reducing textile manufacturers' environmental footprint. In 2014, under the Group's impetus, Gucci, Alexander McQueen, Saint Laurent, Balenciaga, Bottega Veneta and Brioni also elected to join the programme. A total of 25 suppliers, mostly weaving, printing and dyeing companies based in Italy, are involved in the programme. Supplier audits have identified simple changes that could reduce their energy costs and greenhouse gas emissions by 15% to 25% without affecting production and giving a return on investment in less than five years. The next steps are to share the findings of these audits with suppliers and to confirm with them the action plans set up to reduce water and energy consumption. As these action plans are often expensive, Kering has resolved to provide suppliers wishing to undertake an audit with a review of existing funding arrangements in their country and in Europe, thereby enabling them to make the investment necessary to improve their industrial processes and reap the ensuing savings.

More broadly, the Group's brands hold regular training sessions to discuss with their suppliers the key sustainability projects likely to involve them.

Bottega Veneta accordingly hosted more than 85 suppliers at its Montebello Vicentino site in 2014. Gucci, meanwhile, conducted nine outreach meetings in 2014, involving more than 420 suppliers. PUMA organised roundtables with nearly 290 direct and indirect suppliers in Turkey, India, Indonesia, Vietnam, Cambodia, China, Argentina and Bangladesh on the same sustainability issues.

Protecting human rights and combatting corruption

Kering's Code of ethics is the foundation on which the Group's commitment to ensuring respect for fundamental rights is built. It is based on international reference texts, such as the Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, the United Nations Convention on the Rights of the Child, the main ILO Conventions and the ten principles of the UN *Global Compact*. In 2013, during the overhaul of its Code of ethics, Kering decided to insert its suppliers' Charter in order to bolster the Group's emphasis on compliance by its suppliers with the key social and environmental standards laid down in the Code.

As regards corruption, Kering prohibits any political, trade union, cultural or charitable financing from being carried out with a view to obtaining direct or indirect material, commercial or personal advantages. The Group complies with national and international regulations in the fight against direct and indirect corruption. The Group's Ethics Committees seek to ensure compliance with the Code of ethics, and may have matters referred to them by any employee, notably issues relating to corruption, either directly or via the ethics hotline set up for all Group employees worldwide in 2013.

The Group has also decided to establish an e-learning training module in ethics and the Code for all Group employees worldwide. Designed in 2013, the programme was launched in February 2014.

Available in nine languages, it sets out the ethical ground rules in place at Kering, and presents case studies and ethical dilemmas that help employees ask themselves the right questions. It will be updated annually, and will cover all the major ethics principles upheld by the Group's Code of ethics, putting the focus on four themes each year. It has been decided that corruption will be a theme addressed each year. As such, the topics covered in 2014 included corruption, fraud, conflicts of interest and information confidentiality on social media. In 2015, its second year, the programme will cover the themes of corruption, respect for human rights, diversity and protection of the environment.

The principles contained in the Kering Code of ethics are naturally applicable to all Group brands, and are on occasion supplemented by additional commitments more in tune with the various brands' operational issues. This is the case for instance with PUMA, which has had its own Code of Conduct since 1993. Since 2005 the brand has also issued PUMASafe pocket guides for its employees and suppliers. These guides present PUMA's social, environmental and health and safety standards. A Social Handbook is also available, with contact details to enable factory employees to reach the PUMASafe team directly in case of breaches of the PUMA Code of Conduct. PUMA's membership of the Fair Labor Association (FLA) means that third parties are also entitled to file official complaints with the FLA if they feel that there has been a breach of the Code. The cooperation between PUMA and FLA dates back to 2004, and aims to manage and implement the required standards in terms of working conditions at suppliers. PUMASafe has been certified by the Fair Labor Association since 2007. In 2005, PUMA also undertook to publish an annual update of its supplier list.

In 2014, it also focused on the integration of the Ruggie Framework (also known as the United Nations Guiding Principles on Business and Human Rights) in its approach to human rights. The Ruggie Framework defines the set of Guiding Principles on Business and Human Rights, and is the reference framework issued by the United Nations human rights programme.

Volcom also joined the FLA in 2014, strengthening its efforts to reinforce the standards of its Code of Conduct and the checks conducted at its suppliers.

In the Luxury Division, in 2007 and 2009, respectively, Gucci and Bottega Veneta embarked on the process of obtaining SA 8000 (Social Accountability 8000) certification. This global standard takes into account not only the company itself, but also the companies in its production chain. It requires the certified company and its suppliers to respect nine corporate responsibility requirements relating to child labour, forced labour, health and safety, freedom of association and collective bargaining, discrimination, disciplinary practices, working hours, remuneration and management systems, and to set up a specific management system for this purpose. SA 8000 certification is awarded by Social Accountability International; Gucci has been a member of the SA 8000 Consultative Committee since 2009.

In 2013, Gucci and Bottega Veneta received SA 8000 certification for all their activities. Kering's international logistics platform for its Luxury brands (Luxury Goods International, LGI) also enjoys SA 8000 certification.

Supplier assessment systems

A social compliance management policy is foundational requirement for sustainable supply-chain. No control system, regardless of how mature and tested it is, can guarantee the absence of risk, and it is up to the Group and its brands to develop with suppliers the most efficient collaborative and control systems in order to keep risk to a minimum and implement any corrective action in cases where non-compliance is identified.

The management of suppliers' social compliance also takes into account the Group's growth by creating synergies between the brands. In 2014, Kering initiated a comprehensive review on the harmonisation of supplier assessment systems. The idea is to use the expertise of the most advanced brands to set out a common framework.

This thinking reflects Kering's determination to apply a spirit of continuous improvement in the management of social compliance in its supply chains.

Gucci's assessment system continues to attest to the sincerity of the brand's commitment. In 2014, the brand conducted 1,743 audits of its suppliers, 575 of which also covered environmental aspects. A portion of these audits is performed unannounced by an audit firm. To select the suppliers to be audited, Gucci relies on precise mapping of its suppliers and a risk matrix that factors in the following criteria: location, revenue, number of employees, industrial processes used, social risks and environmental risks. Strategic suppliers are audited every two years; newly referenced suppliers and those deemed most at risk are reviewed every year.

Despite this coverage mechanism and tight control, there is unfortunately no way to rule out the possible use by suppliers of illegal or unethical practices. For instance, a

report broadcast on Italian television in December 2014 showed a Gucci supplier based in Italy that was using low-cost outsourcing. This supplier represents 0.19% of Gucci's total leather production. The brand took immediate measures to rectify the situation.

Meanwhile, and based on the same broad risk assessment principles, Bottega Veneta performed 755 social and security audits across its various business units in 2014. None of these audits revealed major cases of non-compliance.

In 2014, Saint Laurent continued the integration of its sustainability Charter in the contracts of its production suppliers. This approach entailed the completion of 225 audits (mainly social, but also incorporating health and safety aspects) of direct suppliers covering all product categories, but with a particular focus on Leather Goods suppliers. The selection of suppliers to be audited is based on a risk matrix developed by the brand; all cases of non-compliance identified by the audits are addressed using corrective actions monitored closely by Saint Laurent teams.

The same approach is taken by Balenciaga's Leather Goods division, which in 2014 undertook an external audit programme covering social and safety aspects (in accordance with the Workplace Conditions Assessment standard) of all its direct and indirect Leather Goods suppliers located

in Italy. A total of 89 audits were performed, with corrective action plans to address any cases of non-compliance.

Until 2013, social audits of Saint Laurent and Balenciaga were undertaken as part of shared services and were not published individually by brand.

In the Sports & Lifestyle Division, PUMA's audits are performed by PUMA.Safe (Social Accountability and Fundamental Environmental Standards, a team of nine internal auditors dedicated to these issues). A total of 429 social audits were conducted in 366 factories in 2014. Supplier performance in relation to the social standards of the PUMA audit criteria is expressed by a grade ranging from A to D, A being the best. 35 audited plants failed the audit, with a grade of C or D, and were consequently suspended. The three main causes of non-compliance were health and safety, wages and freedom of association.

Volcom follows a mixed approach by conducting some audits with its own teams, others being conducted by an external firm commissioned by Volcom directly or by another of the supplier's clients.

Of the 42 factories covered in 2014, 21 were audited by teams from Volcom or by an audit firm representing the brand, and 21 by another of the supplier's clients.

	2014	Year-on-year 2013	change
Gucci	1,743	1,517	+14.9%
Bottega Veneta	755	731	+3.3%
Saint Laurent	225	NA ⁽¹⁾	
Balenciaga	89	NA ⁽¹⁾	
PUMA	429	411	+4.4%
Volcom	42	63	-33.4%
Total number of social audits	3,283	2,722	+20.6%

(1) NA: Not Available.

4.4. *risk management and development of responsible products*

Kering's responsibility towards society extends across the value chain, and the Group is keen to help raise awareness of sustainability issues among consumers, while ensuring that its products respect their health and the environment.

Consumer health and safety

To ensure the safety of the products they sell to their customers, the Group's brands have put in place quality control procedures that comply with the strictest international consumer health, safety and environmental standards and regulations, such as REACH, US CPSIA, China SAC GB Standards, Japan Industrial Standards (JISL), etc. In 2014, a dedicated structure, the Product Compliance Advisory department, was created at Group level. With a view to pooling services, the department aims to advise brands on product testing protocols to ensure that products are compliant in all markets, in other words adapting them to the local characteristics of each market. It naturally makes considerable reference to the Restricted Substance List (RSL) established for each product type, which specifically lists the substances to be removed or the threshold not to be exceeded, but also applies the highest standards existing for the disposal of hazardous chemicals.

Evidence of the effectiveness of this new organisation in 2014 was Gucci's receipt of an accreditation issued by China – the Certificate for Company with quality pre-evaluation on imported garments – which allows the brand to benefit from reduced customs checks. This accreditation was made possible by the performance of Gucci products during past checks, and the robustness of internal systems for managing product compliance.

Some brands also deploy specific actions. They include Girard-Perregaux and JEANRICHARD, whose Quality Department has set up a cross-brand technical "Watches" committee (covering both the aforementioned brands as well as Gucci Watches and Boucheron) in order to set out a framework for action in the field of regulatory compliance as regards hazardous chemicals.

The organisation deployed in the Luxury Division has also benefited from the expertise of the Sport & Lifestyle Division brands in this field. In accordance with its Handbook for Environmental Standards, PUMA has also discontinued the use of dozens of chemical substances deemed detrimental to human health and the environment, going further than prevailing regulatory requirements. These substances are listed in the RSL. They include a number of heavy metals, phthalates, organic compounds, azodyes and chlorobenzenes. The document also lays down test procedures to ensure compliance with the RSL and the absence of breaches of thresholds. The PUMA Handbook for Environmental Standards is distributed to the brand's suppliers, who must in turn

agree to comply with it. Additionally, PUMA continued in 2014 to participate in the ZDHC (Zero Discharge of Hazardous Chemicals) campaign launched in 2011, an initiative that aims to eliminate all hazardous chemical waste in the textile industry by 2020. ZDHC posts regular updates on the progress made with this programme on its website.

Developing responsible products: a long-term strategy

Broadly speaking, Kering's strategy seeks to influence the way in which products are designed as far up the supply chain as possible. This is due to two key factors:

- the findings of the first EP&L carried out at the Group level clearly indicate that the biggest environmental concerns are located far upstream, at the raw materials end of the value chain (farming, cultivation and mining), rather than on the Group's own operations and sites;
- designing more environmentally friendly products is challenging without sustainable materials and processes. In terms of sustainability, the most important advances are likely to be achieved in sourcing and by focusing on the processing technologies used in the supply chain.

In 2014, therefore, the brands continued to focus their efforts mainly on gradually upgrading sourcing and processes. Given the time it takes to effect such a major transformation, the portion of the Group's responsible production in its various collections remains modest. The Group's brands nevertheless strive each year to create new lines of sustainable products in order to generate new sources of revenue. These initiatives are developed as pilot ranges to test a desired result, or as part of consumer awareness-raising campaigns to cultivate the market's appetite for sustainable products, or with a view to sharing the results of their labours with the charities and associations with which they wish to collaborate.

To do this, the Group's brands can leverage the Materials Innovation Lab (MIL), which offers the brands, a year after its launch, a library of more than 1,500 ecological fabrics and fibres to use in their collections.

Working with Kering's Sustainability Department, the MIL team shares its expertise with the brands and works with strategic suppliers to identify materials that are better for the environment.

Of particular note among the fabrics offered by the MIL are the sustainable wool fibres from Patagonia, certified by The Nature Conservancy. This source of sustainable wool, inaugurated by Stella McCartney in 2013, and for which the brand won a prize at the Kering Sustainability Awards, represents 23% of its 2014 Autumn/Winter knitwear collection. The farmers who produce the wool are part of

a vast programme to protect and restore endangered Patagonian prairies. One million hectares of prairie have already been certified for their sustainable practices, and the project aims to certify six million hectares by 2016.

After its entry into Sport & Lifestyle collections thanks to PUMA, use of organic cotton is also on the rise among Luxury Division brands including Alexander McQueen, which plans to make 30,000 items using organic cotton (polo shirts, sweatshirts) as part of its men's Spring/Summer 2015 ready-to-wear collection.

The reuse of fabric offcuts can also help reconcile creativity and waste reduction. In 2014, PUMA established a partnership with one of its main denim suppliers with the aim of recovering offcuts for a special collection of denim footwear known as Re-Cut. The social dimension is not forgotten, since all the profits from the sale of these shoes are donated to an orphanage in Ho Chi Minh City in Vietnam, near the PUMA offices and the denim supplier's production sites. Balenciaga has also played on creativity to give a second life to unused fabrics, which were previously destroyed. A total of 1,000 metres of fabric was used in 2014 to produce 2,000 shopping bags sold within the Group. The bags were made in sewing workshops employing people in reinsertion.

Volcom, which won a Kering Sustainability Award in the product innovation category for its Reduce ReUse ReVolcom project, marketed the first collection under that name in 2014. Comprising mobile phone cases, surfboard bags and shoulder bags, the collection recycles the brand's promotional banners.

In Leather Goods, after further testing of tanning processes without heavy metals, some brands turned their focus to improving traceability. One of them was Bottega Veneta, which ensures traceability of leather from the farm right through the various stages of production and distribution for two iconic bags, the *Cabat stripe* and *Cabat nappa new sauge*. Traceability is achieved in large part through the application of the ICEC standard in tanneries, which are subject to external audits.

In addition to the product itself, packaging is an important part of the approach taken by the brands. On the heels of Gucci, Bottega Veneta, PUMA and Volcom, Dodo opted for packaging made from FSC-certified paper for all its products in 2014. In the same vein, Saint Laurent opted in 2014 for fully FSC-certified packaging, containing 65% recycled fibres, for its outlets.

The development of responsible products is also hinged on customer demand. For Kering, this implies a need to contribute to raising customers' awareness by educating them on the environmental and social issues related to the manufacture of its products. To this end, Stella McCartney has committed to the Clevercare initiative, which involves giving maintenance tips using pictograms on product labels and via a dedicated website. This allows customers to reduce the product's environmental footprint during the use phase and at the same time to extend its lifespan. Generally, responsible product lines are identified through specific labelling allowing customers to see how the items in question are responsible. Brand websites offer a valuable communication medium for customers who want more details.

Stella McCartney has also renewed its support for the Green Carpet Challenge by developing a capsule collection consisting of 13 items meeting the highest environmental standards selected by Eco-Age (Oeko Tex and GOTS certification, etc.) and using recycled materials. The collection was inaugurated at a special evening event in the presence of Stella McCartney, Livia Firth, Anna Wintour, Drew Barrymore, Salma Hayek and Samuel L. Jackson.

To better grasp customer expectations concerning their responsible product lines, Stella McCartney and Brioni have launched customer surveys, conducted directly at the point of sale for Brioni and through a specialised agency for Stella McCartney, focusing particular attention in the survey on its products' use and end of life. The results of these surveys, due in early 2015, will be invaluable in the deployment of the offer of responsible product lines within the Group, and will benefit other Luxury Division brands.

4.5. *initiatives carried out by the Kering Foundation and sponsorship programmes*

The Kering Foundation: a renewed commitment to combating violence against women

Established in 2008, the Kering Foundation – formerly PPR Corporate Foundation for Women's Dignity and Rights – combats violence against women. The Foundation commits Kering to a key issue that ties in with its activities and customers, and an area where the Group can play a key role alongside governments and communities.

2014 opened a new five-year cycle for the Foundation, based on the slogan "Stop violence. Improve women's lives". To be consistent with the Group's new profile and increase its global impact, the Foundation is refocusing its initiatives on three regions: the Americas, Western Europe and Asia. In each of these regions, the Foundation will focus on a main cause (sexual violence, harmful traditional practices and domestic violence, respectively) and on targeted partnerships with NGOs and social entrepreneurs. The involvement of the Group's staff strengthens the Foundation's influence, leading to stronger awareness and more effective prevention of violence against women.

In terms of governance, at its meeting of June 17, 2014, the Board of Directors appointed Yuan Feng as a board member of the Kering Foundation in her capacity as an expert for the Asia-Pacific region in the college of qualified personalities. Professor Feng is an advocate for women's rights and greater gender equality in China, having supported such causes since the mid-1980s. She is founder, co-founder and board member of organisations including China's Gender & Development Network. The Board also endorsed the creation of regional steering Committees, which will involve experts from the respective regions and on the relevant issue, as well as local employees so as to foster closer collaboration with NGOs and social entrepreneurs.

• **Working alongside NGOs**

Active in the fight against harmful traditional practices in Europe such as female genital mutilation (FGM) and forced marriage, the Foundation supports the creation of the *Maison des Femmes* in France. Faced with the reality that 16% of patients at the Angélique de Coudray maternity clinic have suffered genital mutilation, the team of the Centre Hospitalier de Saint-Denis has decided to house specific services relating to FGM – and more broadly social and legal services to support women who are victims of violence – in a single location. The first stone was symbolically laid on March 8, 2014, and team training has begun.

Partnerships on this issue are also to be set up in the UK and Italy in 2015.

In Asia, the Foundation has opted to focus its action on domestic violence in China, which affects 25%-30% of women according to a study conducted by the All-China Women's Federation in 2004. The Board of Directors has voted to support two projects over three years:

- the Maple Women's Psychological Counselling Center in Beijing, to provide telephone support and multi-service coordination (accommodation, medical, psychological and legal assistance);
- the Zhongze Women's Legal Counselling and Service Centre, for its pilot project of legal aid and advocacy for victims in the province of Hubei, to promote national legislation.

In the Americas, the Foundation is in the process of identifying the best projects to fight against sexual violence.

Meanwhile, the Board decided to support women fleeing the Syrian conflict, following the funding of a research report produced by Human Rights Watch in 2013. The project, managed by the NGO RESTART, aims to promote the socio-economic integration of some 200 refugee women in Lebanon, through community rehabilitation services. The aim is also to train 25 of them to become social workers themselves, so as to increase the impact.

• **Partnering social entrepreneurs acting for the benefit of women**

Since 2008, in line with Kering's entrepreneurial values, the Foundation has provided support to social entrepreneurs combining sustainable business models and solutions to social issues. The next Social Entrepreneur Awards in 2015 will be given to one women-focused project per region: each social entrepreneur will receive financial support, as well as assistance from a Group employee, for two years. The finalists will be selected by three specialist partners in the field of social entrepreneurship: FYSE in China, Geneva Global in the Americas and Unltd in Europe.

• **Raising awareness among staff and the general public**

To combat violence against women, it is necessary to build awareness with a view to changing social representations and behaviour: the Kering Foundation has made raising awareness, both among its employees and the general public, a key part of its programme.

When François-Henri Pinault joined forces with *Fédération Nationale Solidarité Femmes* (FNSF) in 2010 to sign a Charter to prevent and combat domestic violence, the Group pledged to inform and raise awareness of the issue among its employees in France, and to form a network of ambassadors within its brands to provide better help for potential

victims. This was done first in France and then in Italy, in 2013, in partnership with *Donne in Rete contro la violenza* (D.i.Re). In 2014, 84 employees in France, Italy and Switzerland attended five awareness-raising sessions. An extension of the commitment to the UK is under consideration.

The screening of documentary films is another tool used by the Kering Foundation to reach as many people as possible. In 2014, the Foundation supported the distribution of *Brave Miss World* directed by Cecilia Peck, which seeks to break the silence about rape by telling the story of Linor Abargil, kidnapped and raped six weeks before being crowned Miss World in 1998. On March 6, 2014, on the International Day of Women's Rights, the Foundation organised the film's debut screening in Europe in the presence of 150 personalities, before presenting it, in partnership with *We World Intervita*, an NGO, in Milan on November 22, in the presence of Linor Abargil and an audience of nearly 300 people. Ten screenings were held within the Group in five countries, and the film was seen by more than 500 employees.

Since 2011, the Kering Foundation has partnered with the Gucci Tribeca Documentary Fund to present three Spotlighting Women Documentary Awards. The three 2014 winners collectively received a total sum of USD 50,000 and support from the Tribeca Film Institute to finalise and promote their films. The winning film projects were chosen to highlight extraordinary destinies and contributions of women around the world:

- *Awakening*, by Gini Reticker, tells the story of five women who risk everything in their struggle to defend human rights in the context of the Arab uprisings;
- *India's daughter*, by Leslee Udwin, honours Jyoti Singh, murdered after a gang rape in Delhi;
- *The storm makers*, by Guillaume Suon, spotlights globalisation and contemporary Cambodia.

On November 25, International Day for the Elimination of Violence against Women, the Foundation organised a number of initiatives around the world:

- for the third edition of the "White Ribbon for Women" campaign, 198,600 copies of the badge designed by Stella McCartney, in reference to the men's White Ribbon movement against violence towards women, were distributed in 38 countries between November 15 and 29. Customers who made a purchase in over 700 Alexander McQueen, Balenciaga, Brioni, Bottega Veneta, Gucci, McQ and Stella McCartney boutiques, as well as 16,598 Group employees and countless partners, journalists and opinion leaders, had their awareness raised in this way. Meanwhile, the campaign on social media generated more than 20 million interactions, potentially reaching over 325 million internet users, thanks to support from Alexander McQueen, Boucheron, Girard-Perregaux, Gucci, JEANRICHARD, Stella McCartney and

personalities such as Kelly Slater, Bradley Cooper and above all several Chinese opinion leaders including Liu Wen;

- in France, the Kering Foundation renewed its support for Catherine Cabrol through a reading of *Blessures de Femmes* by six leading French actors and three students from the Sorbonne University in Paris, and from *Fédération Nationale Solidarité Femmes* (FNSF) for the production and distribution of its clip denouncing the effects of domestic violence on children;
- in Italy, the Foundation also participated in an international conference organised by D.i.Re at the Senate in Rome.

In conjunction with this programme, the Kering Foundation unites the Group's employees around its commitment to women: their skills, both professional and personal, are a valuable source of support for NGOs and social entrepreneurs.

In 2014, the Foundation structured this commitment, in partnership with Kering's Human Resources Department, by creating an International volunteer programme for employees. Employees who take two weeks' solidarity leave for an assignment in a foreign country are given two to four days' leave. Employees who offer more regular support to local associations are given six days. Accordingly, since July 2014, the Group has given 36 days' leave for work in support of women, including ten days' pre-departure training. For example, two employees of Gucci and Stella McCartney travelled to India, to help the team of ARPAN, a cooperative of artisans, improve organisational aspects and its marketing approach.

In addition, as part of the Kering University Leadership Development Programme, high-potential executives studied and advised SAXO, a bag workshop that aims to help reinsert former victims of sexual exploitation in Nepal, supported by *Planète Enfants*, an NGO.

The issues that motivate our brands to take action

The support of the brands provides real leverage to partnership projects set up in the local community, by giving them access to professional skills and expertise. Each of the Group's brands develops its own community initiatives to tie in with its activities and locations, to encourage the sharing of best practices and to offer support to the brands in developing initiatives for women.

- **The Kering group brands support women's empowerment projects, including education and healthcare**

The Kering group brands demonstrated their commitment to women's rights through some 30 initiatives in 2014. The CHIME FOR CHANGE movement, launched by Gucci for women around the world in 2013, raised more than USD 2 million in 2014 in support of about 130 projects through the *catapult.org* crowdfunding platform. Gucci also raised USD 25,000 for Equality Now, an organisation

that campaigns against gender discrimination worldwide. Since 2011, Volcom has worked with Krochet Kids, an organisation that provides women in developing countries access to employment and training in fashion design. As part of its *Give Back Series*, Krochet Kids Peru prepared a collection with the intention of raising customer awareness and reinvesting part of its sales proceeds in 2014. Stella McCartney and Alexander McQueen donated products sold by auction at the annual Women for Women gala in London. In respect of women's health, a total of more than €60,000 was raised to fight breast cancer, thanks notably to special product sales organised by Bottega Veneta and Volcom, as well as donations made in Korea, India and the United States.

Broadly speaking, health and medical research benefit from nearly 30% of brands' philanthropic work. Sowind, for instance, raised more than USD 27,000 for the American Italian Cancer Foundation through the auction of two watches. Numerous brands have mobilised against AIDS: Dodo and Gucci in Italy gave €16,000 to the Anlaid's gala, Alexander McQueen in the UK was involved in the auction to benefit the American Foundation for AIDS Research, and Saint Laurent in France made a donation to Sidaction. Children's health is a focus of special attention, with a total of more than €275,000 donated: Gucci, for instance, renewed its support of more than €150,000 to China Children and Teenagers' Foundation (CCTF) to help disadvantaged children suffering from amblyopia, a condition that leads to impaired vision.

Child protection and education also remain a priority. Gucci continued its partnership with UNICEF in the *Schools for Africa* and *Schools for Asia* programmes. A total of €1.5 million was collected this year, mainly through the donation of the proceeds of special sales, including products from the children's collection. The Sowind Group's brands donated more than €25,000 to children's charities during various events: Girard-Perregaux notably gave its support to Canada's Steve Nash Foundation, which helps underprivileged children. Pomellato, Bottega Veneta and Boucheron allowed Save the Children to raise more than €13,000 in an online auction, in partnership with the Financial Times. Meanwhile, PUMA opted to support initiatives by professional footballers in favour of disadvantaged children by donating over €130,000 to *Stiftung Profifussballer helfen Kindern*.

- **Specific commitments by Division:**
culture for Luxury, sport and the environment for Sport & Lifestyle

The Luxury Division brands stood up for culture in 2014, raising more than €1.7 million in total. Brioni took many initiatives, donating more than €220,000 to the Serpentine Galleries in London for its annual fundraising event. The brand has made a local commitment in the Abruzzo region of Italy by making a member of staff available to the Foundation of the Penne Museum and Archives to preserve weaving techniques. Boucheron, patron of the arts at the *Comédie Française* since 2011, renewed its support in the amount of €30,000, and Saint Laurent continued its partnership with the Metropolitan Museum Costume Institute. Bottega Veneta this year devoted more than €220,000 to museums, including the Metropolitan Museum of Art and the Hammer Museum in the United States, as well as Casa Brutus, dedicated to Japanese modernist architecture. Gucci's commitment spans the fields of music and film. The brand donated, through revenue sharing initiatives, some €200,000 to the Latin Recording Academy to support young talent and preserve Latin America's musical heritage, while mobilising its network of distributors in organising supporting events. Beneficiaries also included the opera houses of Chicago and Naples. In film, Gucci continued its partnership with The Film Foundation, which supports the restoration of old films, and the Tribeca Film Institute, which promotes the creation of documentaries that raise awareness on social issues. This year, the USD 750,000 made available to the Los Angeles County Museum of Art to host its annual Art+Film gala enabled the institution to raise more than USD 3.8 million.

In Sport & Lifestyle, Volcom promotes the values of surfing: the brand continued its "*Let the Kids Ride Free*" campaign launched 13 years ago, offering children and teenagers the opportunity to take part in surf, snowboard and skateboard competitions for free. It invested USD 662,000 in the campaign in 2014, and reached more than 4,000 young people. Young people aged between nine and sixteen can also take part in the Summer Soul Surf Camp to experience surfing and learn about water sports safety. Volcom also supported numerous environmental initiatives, including the "1% for the Planet" organisation, which it has supported since 2008, donating USD 35,000 this year and encouraging campaigns to clean beaches. PUMA decided to partner with Brit Doc, providing €175,000 to support the creation of documentary films promoting changes in practices and behaviours aimed at achieving a positive impact on society and the environment. The brand has handed out the Impact Awards since 2011.

5. cross-reference table

pursuant to articles r. 225-104 and r. 225-105 of the french commercial code (code de commerce)

Justification of exclusions

This report contains information on all social, environmental and societal issues required by the decree governing the application of Article 225 of the Grenelle 2 law, with the exception of:

- noise, which is not applicable to Kering's sectors of activity;
- the amount of provisions and guarantees for environmental risk, which is not consolidated at Group level and concerns only a very small number of sites (tanneries and production sites).

This information relates to the activities and brands of the Group's Luxury and Sport & Lifestyle Divisions. Subsidiaries whose activities are considered to be discontinued under IFRS rules have been deliberately excluded from the scope of the published information.

Article	Description	Section of the Reference Document
1° Employee information		
§ 1°a	Total number of employees and breakdown of employees by gender, age and region	Section 2.1.
	Hires and redundancies	Section 2.1.
	Remuneration and changes in remuneration	Section 2.2.
§ 1°b	Organisation of working time	Section 2.6.
	Absenteeism	Section 2.6.
§ 1°c	Organisation of social dialogue, procedures for informing, consulting and negotiating with employees	Section 2.7.
	Collective bargaining agreements	Section 2.7.
§ 1°d	Health and safety in the workplace	Section 2.6.
	Bargaining agreements signed with trade unions and employee representatives concerning health and safety in the workplace	Section 2.6.
	Work-related accidents, in particular frequency and severity, and work-related illnesses	Section 2.6.
§ 1°e	Training policies	Section 2.4.
	Total number of training hours	Section 2.4.
§ 1°f	Measures taken to promote gender equality	Section 2.5.
	Measures taken to promote the employment and integration of people with disabilities	Section 2.5.
	Policy concerning the fight against discrimination	Section 2.5.
§ 1°g	Promotion of and compliance with the core conventions of the International Labour Organisation as regards:	
	respect for the freedom of association and the right to collective bargaining;	Sections 2.3., 2.5. and 4.3.
	the elimination of discrimination in respect of employment and occupation;	Sections 2.3. and 2.5.
	the elimination of forced and compulsory labour;	Sections 2.3., 2.5. and 4.3.
	the effective abolition of child labour.	Sections 2.3., 2.5. and 4.3.

Article	Description	Section of the Reference Document
2° Environmental information		
§ 2°a	Organisation of steps taken to address environmental issues and environmental assessment and certification procedures Initiatives taken to train and raise awareness among employees on environmental protection Resources assigned to the prevention of environmental risks and pollution Amount of provisions and guarantees covering environmental risks	Sections 1.2. and 3.1. Sections 3.1. and 4.3. Section 3. Data not available for financial resources Data not available. See "Justification of exclusions" section above
§ 2°b	Measures taken to prevent, reduce and rectify emissions into air, water and soil that have a significant impact on the environment Measures taken to prevent, recycle and eliminate waste Steps taken to address noise and any other form of pollution relating to a specific activity	Sections 3.3. to 3.6. Section 3.5. Data not available. See "Justification of exclusions" section above
§ 2°c	Water consumption and supply of water in accordance with local regulations Raw materials consumption and measures taken to promote more efficient use Energy consumption and measures taken to improve energy efficiency and use of renewable energy Land use	Sections 3.2. and 3.4. Sections 3.2. and 3.4. Sections 3.2. and 3.3. Sections 3.2. and 3.4.
§ 2°d	Greenhouse gas emissions Adapting to the consequences of climate change	Sections 3.2. and 3.3. Section 3.3.
§ 2°e	Measures taken to protect and develop biodiversity	Section 3.6.
3° Societal information		
§ 3°a	Community, economic and social impact with respect to employment and regional development Community, economic and social impact on local residents	Section 4.1. Section 4.1.
§ 3°b	Dialogue with stakeholders Partnership and sponsorship initiatives	Sections 1.1., 4.2. and 4.3. Section 4.5.
§ 3°c	Incorporating social and environmental issues in the purchasing policy Scale of outsourcing and steps taken to raise awareness among suppliers and subcontractors with respect to corporate social responsibility	Sections 4.3. and 4.4. Section 4.3.
§ 3°d	Steps taken to fight against corruption Measures taken to promote consumer health and safety	Sections 2.3. and 4.3. Section 4.4.
§ 3°e	Steps taken for the protection of human rights	Sections 2.2. and 4.3.

6. *cross-reference table: global compact*

Principle	Description	Section of the Reference Document
Human rights		
1	Supporting and respecting the protection of internationally proclaimed human rights	Section 2.3. Section 4.3.
2	Ensuring that Kering is not complicit in human rights abuses	Section 2.3. Section 4.3.
Labour		
3	Upholding the freedom of association and the effective recognition of the right to collective bargaining	Section 2.3. Sections 2.7. and 4.3.
4	Eliminating all forms of forced and compulsory labour	Sections 2.3. and 4.3.
5	Ensuring the effective abolition of child labour	Sections 2.3. and 4.3.
6	Eliminating discrimination in respect of employment and occupation	Sections 2.5. and 4.3.
Environment		
7	Supporting a precautionary approach to environmental challenges	Section 1.2. Sections 3.1. and 3.2.
8	Undertaking initiatives to promote greater environmental responsibility	Sections 3. and 4.4.
9	Encouraging the development and diffusion of environmentally friendly technologies	Section 3. Section 4.4.
Anti-corruption		
10	Working against corruption in all its forms, including extortion and bribery	Section 2.3. Section 4.3.

7. report of one of the statutory auditors, appointed as independent third-party, on the consolidated social, environmental and societal information published in the management report year ended december 31st 2014

This is a free translation into English of the original report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditor of Kering, and appointed as independent third-party, for whom the certification request has been approved by the French National Accreditation Body (COFRAC) under the number 3-1048⁽¹⁾, we hereby present you with our report on the social, environmental and societal information prepared for the year ended December 31st, 2014 (hereinafter the “CSR Information”), presented in the Management Report included in the Reference Document pursuant to Article L. 225-102-1 of the French Commercial Code (*Code de commerce*).

Responsibility of the Company

The Board of Directors of Kering is responsible for preparing a Management Report including CSR Information in accordance with the provisions of Article R. 225-105-1 of the French Commercial Code, prepared in accordance with the reporting protocols and guidelines used by Kering (hereafter the “Reporting Protocols”), which are available on request from the Sustainability and Human Resources Departments and for which a summary is presented on Kering website.

Independence and quality control

Our independence is defined by regulatory texts, the profession’s Code of ethics as well as by the provisions set forth in Article L. 822-11 of the French Commercial Code. Furthermore, we have set up a quality control system that includes the documented policies and procedures designed to ensure compliance with rules of ethics, professional auditing standards and the applicable legal texts and regulations.

Responsibility of the Statutory Auditor

Based on our work, our responsibility is:

- to attest that the required CSR Information is presented in the Management Report or, in the event of omission, is explained pursuant to the third paragraph of Article R. 225-105 of the French Commercial Code (Attestation of completeness of CSR information);
- to express limited assurance on the fact that, taken as a whole, CSR Information is presented fairly, in all material aspects, in accordance with the adopted Reporting Protocols (Formed opinion on the fair presentation of CSR Information).

Our work was carried out by a team of six people between October 2014 and March 2015. To assist us in conducting our work, we referred to our corporate responsibility experts.

We conducted the following procedures in accordance with professional auditing standards applicable in France, with the order of May 13, 2013 determining the methodology according to which the independent third party entity conducts its assignment and, concerning the formed opinion on the fair presentation of CSR Information, with the international standard ISAE 3000⁽²⁾.

(1) The scope of which is available at www.cofrac.fr.

(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

1. *Attestation of completeness of CSR Information*

Based on interviews with management, we familiarized ourselves with the Group's sustainable development strategy, with regard to the social and environmental impacts of the Company's business and its societal commitments and, where appropriate, any resulting actions or programs.

We compared the CSR Information presented in the Management Report with the list set forth in Article R. 225-105-1 of the French Commercial Code.

In the event of omission of certain consolidated information, we verified that explanations were provided in accordance with the third paragraph of the Article R. 225-105 of the French Commercial Code.

We verified that the CSR Information covered the consolidated scope, i.e., the Company and its subsidiaries within the meaning of Article L. 233-1 of the French Commercial Code and the companies that it controls within the meaning of Article L. 233-3 of the French Commercial Code, subject to the limitations presented in the chapter 3 of the Reference Document and in the methodological notes on methods available on the Kering website (www.kering.com).

Based on these procedures and considering the limitations mentioned above, we attest that the required CSR Information is presented in the Management Report.

2. *Formed opinion on the fair presentation of CSR Information*

Nature and scope of procedures

We conducted around fifteen interviews with the people responsible for preparing the CSR Information in the departments in charge of data collection process and, when appropriate, those responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Reporting Protocols with respect to their relevance, completeness, reliability, neutrality and understandability, taking into consideration, when relevant, the sector's best practices;
- verify that a data-collection, compilation, processing and control procedure has been implemented to ensure the completeness and consistency of the CSR Information and review the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of the tests and controls according to the nature and significance of the CSR Information with regard to the Company's characteristics, the social and environmental challenges of its activities, its sustainable development strategies and the sector's best practices.

Concerning the CSR Information that we have considered to be most important⁽¹⁾:

- for the consolidating entity, we consulted the documentary sources and conducted interviews to corroborate the qualitative information (organization, policies, actions), we performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the data consolidation, and we verified their consistency with the other information presented in the Management Report;
- for a representative sample of entities that we have selected⁽²⁾ according to their activity, their contribution to the consolidated indicators, their location and a risk analysis, we held interviews to verify the correct application of the procedures and performed substantive tests using sampling techniques, consisting in verifying the calculations made and reconciling the data with supporting evidence. The selected sample represented 21% of the headcount and between 23% and 97% of the environmental quantitative information.

Regarding the other consolidated CSR Information, we have assessed its consistency in relation to our understanding of the Group.

Lastly, we assessed the relevance of the explanations relating to, where necessary, the total or partial omission of certain information.

(1) Quantitative and qualitative indicators are presented in the appendix.

(2) PUMA Germany, PUMA China, Gucci Italy, Gucci China, L'Oréal, Brioni Italy, Saint Laurent France, Balenciaga France, Kering Foundation.

We believe that the sampling methods and sizes of the samples we have used in exercising our professional judgment enable us to express limited assurance; a higher level of assurance would have required more in-depth verifications. Due to the use of sampling techniques and the other limits inherent to the operations of any information and internal control system, the risk that a material anomaly be identified in the CSR Information cannot be totally eliminated.

Conclusion

Based on our work, we did not identify any material anomaly likely to call into question the fact that the CSR Information, taken as a whole, is presented fairly, in accordance with the Reporting Protocols.

Neuilly-sur-Seine, March 25th 2015.

French original signed by one of the Statutory Auditors:

Deloitte & Associés

Frédéric Moulin
Partner

Julien Rivals
Partner, Sustainability Services

appendix

csr information considered the most important by the statutory auditors, appointed as independent third-party

Quantitative social information

Breakdown of the workforce as of December 31 (men/women managers, men/women non-managers) by region;
 Percentage of employees on permanent contracts;
 Breakdown of fixed-term and permanent contracts among new hires;
 Breakdown of permanent employee departures by category;
 Number of employees trained (men/women and managers/non-managers);
 Number of training hours (excluding safety training);
 Number of disabled employees;
 Frequency rate and severity of work-related accidents;
 Overall absenteeism rate and rate of absenteeism due to illness;
 Number of concluded collective bargaining agreements.

Qualitative social information

Operational implementation of new ethics measures;
 Deployment of an Internal Mobility platform on the 360° Group intranet;
 Implementation of the identification and talent Development program at Gucci;
 Launching of international Talent Development Programme seminars for managers;
 Launching of Digital Academy eCampus;
 Launch of the internal campaign against gender stereotypes ("Hunting down stereotypes");
 Achieving second edition of mentoring programme;
 Continuation of the People@PUMA programme.

Quantitative environmental information

Breakdown of energy consumption and related CO₂ emissions;
 Share of electricity derived from renewable sources;
 Transport and business travel-related CO₂ emissions (B to B ; B to C ; business travel);
 Breakdown of total transport- and energy-related CO₂ emissions;
 CO₂ emissions by scope as per the GHG protocol (scopes 1, 2 and 3);
 Offset tonnes of CO₂;
 Volume of certified purchased gold;
 Paper consumption;
 Packaging consumption;
 Water consumption.

Qualitative environmental information

Existence of six specific Idea Labs (leather, fur, plastic, gold, diamonds, chemicals);
Certification procedures of the Group's sites;
Gucci initiatives for recycled plastic use;
Progress of Made-By project by Gucci;
Development of a new 100% FSC packaging at Saint Laurent;
Suppliers environmental audits conducted by PUMA according to the protocol developed by ZDHC initiative;
Launching of a recycling programme at Balenciaga for shopping bags confection.

Quantitative societal information

Number of social audits carried out among the Group's suppliers;
Number of badges distributed as part of the 3rd edition of the campaign "White Ribbon for Women".

Qualitative social information

Partnership of Gucci, Alexander McQueen, Saint Laurent, Balenciaga, Bottega Veneta, Brioni in the Clean by Design programme.

chapter 4

corporate governance

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1. *kering governance*

At the Combined General Meeting on May 19, 2005, the shareholders adopted the new Articles of Association of PPR (since renamed Kering) establishing a system of management with a Board of Directors instead of a Supervisory Board and an Executive Board. François-Henri Pinault is Chairman of the Board of Directors and Chief Executive Officer of the Company.

The Board opted to combine the roles of Chairman of the Board and Chief Executive Officer and retained this option following the renewal by the Combined General Meeting on June 18, 2013 of the directorship of François-Henri Pinault, who is both related to the controlling shareholder and very involved in conducting the business of the Group of which he has very strong in-depth knowledge and experience.

The Combined General Meeting on June 18, 2013 renewed the term of office of Jean-François Palus, Group Managing Director of the Kering group, as a Director for four years.

The Company refers to the Corporate Governance Code of Listed Corporations resulting from the consolidation of the October 2003 AFEP and MEDEF report, the January 2007 and October 2008 AFEP and MEDEF recommendations on the remuneration of Directors and executive corporate officers and the April 2010 AFEP-MEDEF recommendation on boosting the representation of women in the boardroom, which was revised in June 2013 (the revised AFEP-MEDEF Code). The Board of Directors has members from around the world with eleven members of French, German and Italian nationalities. Four Directors are women, including a Director representing the employees. In 2014, four of the ten Directors, excluding the Director representing the employees, were independent according to the independence criteria defined by the Board.

Mr. François Pinault is Honorary Chairman but is not a Director.

The operating rules and procedures of the Board of Directors are defined by law, the Company's Articles of Association, the internal rules of the Board and the specialised Committees provided for in those rules (see Chairman's report, page 148).

The provisions of the Company's Articles of Association regarding Directors do not in general deviate from the basic legal standards. There are special provisions for the term of office of Directors (four years, renewable), the age limit (no more than two-thirds of the Directors may be over 70), the Director representing the employees (appointed by the Kering Works Council) and the minimum number of shares that each Director must own (500).

In order to avoid having to reappoint all Board members at the same time and to streamline the reappointment process, the Combined General Meeting on May 7, 2009 amended the Company's Articles of Association in order to implement a staggered renewal of the Board of Directors.

The Directors' duties and individual remuneration are described below.

2. information on directors and executive corporate officers

As of December 31, 2014, the Board of Directors was composed of ten members, four of whom were independent Directors according to the Board of Directors' criteria.

In addition, there is one Director representing the employees appointed by the Kering Works Council.

List of members of the Board of Directors with information on their positions in other companies

The following information is presented separately for each Director:

- professional experience and expertise in the area of business management;
- directorships and positions held in 2014;
- other directorships and positions held in the last five years.

Among Kering's Directors and executive corporate officers, only François-Henri Pinault, Jean-François Palus, Patricia Barbizet and Jochen Zeitz hold or have held legal representative or corporate executive functions in the Group's main subsidiaries.

François-Henri Pinault

Born on May 28, 1962

Kering: 10, avenue Hoche, 75008 Paris

Chairman and Chief Executive Officer

A graduate of HEC, François-Henri Pinault joined the Pinault group in 1987 where he had various responsibilities in the main subsidiaries of the Group. After starting off as a salesman in the Évreux branch of Pinault Distribution, a subsidiary specialised in wood importation and distribution, in 1988 he set up said company's purchasing group for which he was responsible until September 1989.

Appointed Chief Executive Officer of France Bois Industries, the Company comprising the industrial activities of the Pinault group, he managed the 14 plants of this subsidiary until December 1990, when he returned to Pinault Distribution to become Chairman. In 1993, his responsibilities were broadened upon his appointment as Chairman of Cfao and as member of the Executive Board of Pinault Printemps Redoute. Four years later, he was appointed Chairman and Chief Executive Officer of Fnac, a position he held until February 2000. He was then appointed Deputy Chief

Executive Officer of Pinault Printemps Redoute with responsibility for developing the Group's Internet activities. François-Henri Pinault has been a member of the Board of Directors of Bouygues SA since December 1998. He became the co-manager of Financière Pinault in 2000 and was appointed Chairman of the Artémis group in 2003. In 2005, he was appointed Chairman of the Executive Board and then Chairman and Chief Executive Officer of PPR, since renamed Kering.

After serving as Chairman of the Executive Board of PPR (from March 21, 2005 to May 19, 2005), Vice-Chairman of the Supervisory Board (from May 22, 2003 to March 21, 2005), and member of the Supervisory Board (from January 17, 2001) and the Executive Board (from June 1993 to January 2001), François-Henri Pinault has been the Chairman and Chief Executive Officer of Kering since May 19, 2005. Following the Combined General Meeting on June 18, 2013, the Board of Directors renewed his term of office as Chairman and Chief Executive Officer for the duration of his directorship which will expire at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2016.

Other directorships and positions held as of December 31, 2014:

Position	Company	Country	Start 1 st term of office
<i>at the level of the majority shareholder group:</i>			
Manager	Financière Pinault SCA	France	October 2000
Chairman of the Board of Directors	Artémis SA	France	May 2003
Member of the Management Board	SC Château Latour	France	June 1998
Member of the Board of Directors	Christie's International Plc	United Kingdom	May 2003
<i>within the Kering group:</i>			
Deputy Chairman of the Administrative Board	PUMA SE ⁽¹⁾	Germany	July 2011
Non-executive Director	Kering Holland NV	Netherlands	April 2013
Non-executive Director	Kering Netherlands BV	Netherlands	April 2013
Chairman of the Board of Directors	Sowind Group SA	Switzerland	July 2011
Chairman of the Supervisory Board	Boucheron Holding SAS	France	May 2005
Chairman of the Board of Directors	Yves Saint Laurent SAS	France	June 2013
Director	Stella McCartney Ltd	United Kingdom	June 2011
Director	Brioni SpA	Italy	January 2012
Director	Ulysse Nardin le Locle SA, manufacturer of prestige Swiss watches	Switzerland	November 2014
Director	Sapardis SE	France	May 2008
Member of the Board of Directors and Chairman	Volcom Inc.	United States	July 2011
Director	Kering International Ltd	United Kingdom	May 2013
<i>outside the Kering group:</i>			
Director	Bouygues ⁽¹⁾	France	December 1998
Director	Soft Computing ⁽¹⁾	France	June 2001

Other directorships and positions held in the last five years:

Position	Company	Country	Dates
Director	Fnac SA	France	from October 1994 to June 2013
Chairman of the Supervisory Board	Yves Saint Laurent SAS	France	from April 2005 to June 2013
Chairman of the Supervisory Board	Kering Holland NV (formerly Gucci Group NV)	Netherlands	from October 2005 to April 2013
Vice-Chairman of the Supervisory Board	Cfao ⁽¹⁾	France	from October 2009 to July 2012
Chairman of the Supervisory Board	PUMA AG ⁽¹⁾	Germany	from June 2007 to July 2011
Vice-Chairman of the Board of Directors	Sowind Group SA	Switzerland	from June 2008 to July 2011

⁽¹⁾ Listed companies.

Number of shares held: 36,201, of which 9,211 are locked in

François-Henri Pinault is manager and managing partner of Financière Pinault, which directly and indirectly held 51,675,702 Kering shares as of December 31, 2014.

Patricia Barbizet

Born on April 17, 1955

Artémis: 12, rue François 1^{er}, 75008 Paris

Vice-Chair of the Board of Directors

A graduate of the *École Supérieure de Commerce de Paris*, Patricia Barbizet began her career with the Renault group as treasurer of Renault Véhicules Industriels then as Chief Financial Officer of Renault Crédit International. She joined the Pinault group in 1989 as Chief Financial Officer.

In 1992, she became Chief Executive Officer of Artémis and in 2004 Chief Executive Officer of Financière Pinault. She is also a Director of Total, Groupe Fnac, and member of the Supervisory Board of Peugeot SA.

After serving as Chair of the Supervisory Board of PPR (from December 2001 to May 2005) and member of the Supervisory Board of PPR (from December 1992), Patricia Barbizet has been Vice-Chair of the Board of Directors of Kering since May 19, 2005. Her term of office was renewed by the Combined General Meeting on June 18, 2013 and will expire at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2016.

Other directorships and positions held as of December 31, 2014:

Position	Company	Country	Start 1 st term of office
<i>at the level of the majority shareholder group, mainly:</i>			
Chief Executive Officer and Director	Artémis SA	France	1992
Chairman of the Board of Directors	Christie's International Plc	United Kingdom	March 2003
Chief Executive Officer	Christie's International Plc	United Kingdom	December 2014
Chief Executive Officer, non-corporate officer	Financière Pinault SCA	France	June 2004
Member of the Supervisory Board	Financière Pinault SCA	France	January 2001
Managing Director	Palazzo Grassi	Italy	September 2005
Director	Société Nouvelle du Théâtre Marigny	France	February 2000
Member of the Management Board	SC Château Latour	France	July 1993
Permanent representative of Artémis on the Board of Directors	Agefi	France	July 2000
Permanent representative of Artémis on the Board of Directors	Sebdo Le Point	France	July 1997
<i>within the Kering group:</i>			
Non-executive Director	Kering Holland NV	Netherlands	April 2013
Member of the Board of Directors	Yves Saint Laurent SAS	France	June 2013
<i>outside the Kering group:</i>			
Director	Total ⁽¹⁾	France	May 2008
Director	Groupe Fnac ⁽¹⁾	France	June 2013
Member of the Supervisory Board	Peugeot SA ⁽¹⁾	France	April 2013

Other directorships and positions held in the last five years:

Position	Company	Country	Dates
Director	Air France-KLM ⁽¹⁾	France	from January 2003 to December 2013
Director	TF1 ⁽¹⁾	France	from July 2000 to April 2013
Director	Bouygues ⁽¹⁾	France	from December 1998 to April 2013
Director	Fonds Stratégique d'Investissement	France	from December 2008 to July 2013
Member of the Supervisory Board	Kering Holland NV (formerly Gucci Group NV)	Netherlands	from July 1999 to April 2013
Member of the Supervisory Board	Yves Saint Laurent SAS	France	from June 2003 to June 2013
Director	Tawa Plc ⁽¹⁾	United Kingdom	from April 2011 to June 2012
Group Managing Director	Société Nouvelle du Théâtre Marigny	France	from April 2010 to January 2012
Director	Fnac SA	France	from October 1994 to May 2011

(1) Listed companies.

Number of shares held: 1,040

Jean-François Palus

Born on October 28, 1961

Kering International: 6 Carlos Place, W1K 3AP London, United Kingdom

Director and Group Managing Director

A graduate of HEC (class of 1984), Jean-François Palus began his career in 1985 with Arthur Andersen where he carried out audit and financial advisory duties.

Before joining Artémis in 2001 as corporate officer and Director, he spent ten years within the PPR group, holding successively the positions of Deputy Chief Financial Officer of the wood industry branch of Pinault SA (from 1991 to 1993), Group Financial Control Director (from 1993 to 1997), then store manager at Fnac (from 1997 to 1998) and lastly Corporate Secretary and member of the Executive Board of Conforama (from 1998 to 2001).

Since March 2005, Jean-François Palus has been in charge of mergers and acquisitions at PPR, reporting to François-Henri Pinault, Chairman and Chief Executive Officer of the Group.

He was Chief Financial Officer of the PPR group from December 2005 to January 2012 and he has been Group Managing Director (*Directeur Général délégué*) of PPR (since renamed Kering) since February 26, 2008. Following the Combined General Meeting on June 18, 2013, the Board of Directors renewed his term of office as Group Managing Director for a term of four years.

Since October 2012, Jean-François Palus has headed Kering's Sport & Lifestyle Division. He has also held the position of Chairman of the Administrative Board of PUMA SE since December 1, 2012.

Jean-François Palus has been a Director of Kering since May 7, 2009. His term of office will expire at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2016.

Other directorships and positions held as of December 31, 2014:

Position	Company	Country	Start 1 st term of office
<i>within the Kering group:</i>			
Chairman of the Administrative Board	PUMA SE ⁽¹⁾	Germany	December 2012
Director	Pomellato SpA	Italy	July 2013
Director	Sowind Group SA	Switzerland	December 2013
Director	Brioni SpA	Italy	January 2012
Chairman of the Board of Directors	Brioni SpA	Italy	May 2014
Director	Kering Luxembourg SA	Luxembourg	May 2011
Member of the Board of Directors	Volcom LLC	United States	July 2011
Member of the Board of Directors	Kering Americas Inc.	United States	June 2011
Chairman of the Board of Directors	LGI SA	Switzerland	April 2011
Director	Volcom Luxembourg Holding SA	Luxembourg	October 2012
Director	Kering Tokyo Investment	Japan	November 2013
Director	Guccio Gucci SpA	Italy	June 2014
Member of the Board of Directors	Gucci America Inc.	United States	May 2014
Director	Kering Asia Pacific Ltd	Hong Kong	May 2014
Director	Yugen Kaisha Gucci	Japan	May 2014
Member of the Board of Directors	Kering South East Asia	Singapore	October 2014
Member of the Board of Directors	Birdswan Solutions Ltd	United Kingdom	May 2014
Member of the Board of Directors	Paintgate Ltd	United Kingdom	May 2014
Member of the Board of Directors	Christopher Kane Ltd	United Kingdom	June 2014
Director	Ulysse Nardin le Locle SA,	Switzerland	November 2014
manufacturer of prestige Swiss watches			

Other directorships and positions held in the last five years:

Position	Company	Country	Dates
Director	Fnac SA	France	from November 2007 to June 2013
Director	Groupe Fnac	France	from September 2012 to June 2013
Chairman and Chief Executive Officer	Sapardis SE	France	from March 2007 to June 2013
Member of the Supervisory Board	Kering Holland NV (formerly Gucci Group NV)	Netherlands	from May 2006 to April 2013
Member of the Supervisory Board	Yves Saint Laurent SAS	France	from March 2011 to March 2013
Permanent representative of Kering on the Board of Directors	Redcats SA	France	from April 2006 to February 2013
Member of the Supervisory Board	Cfao ⁽¹⁾	France	from October 2009 to July 2012
Director	Caumartin Participations SAS	France	from June 2008 to September 2012
Director	Conforama Holding SA	France	from April 2006 to March 2011
Member of the Supervisory Board	PUMA AG ⁽¹⁾	Germany	from June 2007 to July 2011
Director	PPR Luxembourg	Luxembourg	from April 2006 to 2010
Representative of Sapardis on the Management Board	SC Zinnia	France	from December 2009 to June 2013

(1) Listed companies.

Number of shares held: 65,866, of which 20,073 are locked in

Luca Cordero di Montezemolo

Born on August 31, 1947

Via Giuseppe Mangili, 38/a, 00197 Rome, Italy

Director

A graduate of the law faculty of the University of Rome and of Columbia University in New York, Luca Cordero di Montezemolo began his career in 1973 as an assistant to the Chairman of Ferrari and manager of the Formula 1 team that won the world championships in 1975 and 1977. He was then appointed Director of Public Relations of Fiat in 1977, then in 1981 Chairman and Chief Executive Officer of ITEDI, which manages the press activities of the Fiat group, including the daily newspaper, *La Stampa*. In 1984, he was appointed Chairman and Chief Executive Officer of Cinzano SpA in charge of the Azzurra Organisation, Italy's first involvement in the America's Cup. From 1985 to 1990, he was the manager of the Italia 90 Football

World Cup organisation committee. From 1991 to 2014, he was Chairman of Ferrari SpA, of which he was also the Chief Executive Officer until 2006.

Luca Cordero di Montezemolo is President of Alitalia, Chairman of the Promoting Committee for Rome's candidacy for the 2024 Olympic Games, Vice-Chairman of Unicredit and Chairman of Telethon, one of Italy's most prominent charities that aims to fund research into muscular dystrophies and genetic diseases. He is a Commander of the Legion of Honour.

Luca Cordero di Montezemolo has been a Director of Kering since May 19, 2005, after having served as a member of the Supervisory Board (from December 19, 2001 to May 19, 2005). His term of office was renewed by the Combined General Meeting on April 27, 2012 and will expire at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2015.

Other directorships and positions held as of December 31, 2014:

Position	Company	Country	Start 1 st term of office
Chairman	Montezemolo & Partners SGR	Italy	2007
Chairman	Charme Management Srl	Italy	May 2007
Vice-Chairman	Unicredit SpA ⁽¹⁾	Italy	October 2012
Director	Nuovo Trasporto Viaggiatori SpA	Italy	October 2008
Chairman	Telethon	Italy	January 2009
Director	Poltrona Frau SpA ⁽¹⁾	Italy	December 2003
Director	Tod's SpA ⁽¹⁾	Italy	April 2001
Director	Delta Topco Ltd	United Kingdom	March 2012
Director	Coesia SpA	Italy	2014
Chairman	Alitalia SAI ⁽¹⁾	Italy	November 2014

Other directorships and positions held in the last five years:

Position	Company	Country	Dates
Chairman	Ferrari SpA	Italy	from 1991 to 2014
Director	Fiat SpA ⁽¹⁾	Italy	from 2004 to 2014
Director	Editrice La Stampa	Italy	from 2002 to 2014
Director	Octo Telematics SpA	Italy	from 2010 to 2014
Chairman	Fiat SpA ⁽¹⁾	Italy	from 2004 to 2010
Director	Citigroup ⁽¹⁾	United States	from 2004 to 2012

(1) Listed companies.

Number of shares held: 500

Yseulys Costes

Born on December 5, 1972

1000mercis: 28, rue de Châteaudun, 75009 Paris

Independent Director

Yseulys Costes holds a Masters degree in Management Sciences from Paris I-Panthéon University, a postgraduate degree in marketing and strategy from Paris IX-Dauphine University and an MBA from Robert O. Anderson School (USA).

Author of a number of works and articles on the topics of online marketing and databases, she was also the coordinator of IAB France (Interactive Advertising Bureau) for two years before founding 1000mercis.com in February 2000, of which she is now the Chair and Chief Executive Officer. The 1000mercis group, present in Paris and in London, and listed on the Alternext market of NYSE Euronext Paris

since January 2006, offers innovative solutions to companies seeking to optimise their advertising and marketing campaign on interactive media (Internet, mobile phones, etc.). The 1000mercis group currently has 300 employees and posted consolidated revenues of €40.3 million in 2013.

A researcher in interactive marketing, Yseulys Costes was received as a guest researcher at Harvard Business School and is a lecturer in interactive marketing at several prestigious French higher education establishments (HEC, ESSEC, Paris IX Dauphine University).

Yseulys Costes has been a Director of Kering since May 19, 2010. Her term of office was renewed by the Combined General Meeting on May 6, 2014 and will expire at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2017.

Other directorships and positions held as of December 31, 2014:

Position	Company	Country	Start 1 st term of office
Chair and Chief Executive Officer	1000mercis SA ⁽¹⁾	France	October 2000
Chair of the Supervisory Board	Ocito SAS (1000mercis group)	France	2010
Member of the Supervisory Board	Numergy	France	2012
Member of the Supervisory Board	Vivendi ⁽¹⁾	France	April 2013
Director	SEB group ⁽¹⁾	France	May 2013

Other directorships and positions held in the last five years:

Position	Company	Country	Dates
Member of the Supervisory Board	Made in Presse SAS	France	from 2010 to 2012

(1) Listed companies.

Number of shares held: 500

Jean-Pierre Denis

Born on July 12, 1960

Arkéa group: 29808 Brest Cedex 09

Independent Director

Jean-Pierre Denis is a Finance Inspector (*inspecteur des finances*) and a graduate of HEC and ENA. He served as Chairman and Chief Executive Officer of the Oséo group from 2005 to 2007, and member of the Executive Board of Vivendi Environnement, which became Veolia Environnement (from 2000 to 2003), Chairman of Dalkia (Vivendi group

then Veolia Environnement) (from 1999 to 2003), Advisor to the Chair of CGE, which became Vivendi (from 1997 to 1999) and Deputy General Secretary of the French President's cabinet (from 1995 to 1997). He is currently Chairman of Crédit Mutuel Arkéa and Crédit Mutuel de Bretagne.

Jean-Pierre Denis has been a Director of Kering since June 9, 2008. His term of office was renewed by the Combined General Meeting on April 27, 2012 and will expire at the Annual General Meeting called to approve the financial statements

for the year ending December 31, 2015.

Other directorships and positions held as of December 31, 2014:

Position	Company	Country
Chairman	Fédération du Crédit Mutuel de Bretagne	France
Chairman	Crédit Mutuel Arkéa	France
Director	Avril Gestion	France
Director	Caisse de Crédit Mutuel de Cap Sizun	France
Director	Altrad	France
Chairman of the Board of Directors	Château Calon-Ségur SAS	France
Director	Soprol	France
Director	Paprec	France
Director and General Treasurer	French professional football league (association)	France

Other directorships and positions held in the last five years:

Chairman of Arkéa Capital Partenaire.

Member of the Supervisory Board of Oséo Bretagne.

Representative of Crédit Mutuel Arkéa on the Board of Directors of Crédit Foncier et Communal d'Alsace et de Lorraine (CFCAL) and of CFCAL SCF (until May 2011).

Director of Glon Sanders (until 2013).

Number of shares held: 500

Philippe Lagayette

Born on June 16, 1943

Fondation de France: 40, avenue Hoche, 75008 Paris

Independent Director

A graduate of the *École Polytechnique* and ENA, Philippe Lagayette managed the activities of JP Morgan in France from July 1998 to August 2008. He was then Vice-Chairman of JP Morgan in EMEA from September 2008 to January 2010. He began his career within the French Ministry of Finance in 1970. In 1974, he joined the Treasury Department of the French Ministry of Economy and Finance and was appointed Deputy Director of that Department in 1980. He became Cabinet Director of the Minister of Economy and Finance in 1981, then joined the Bank of France in 1984 as Deputy Governor. Appointed Chief Executive Officer of *Caisse des dépôts et consignations* in 1992, he held this position until December 1997. Philippe Lagayette is also Chairman

of the *Fondation de France* and Chairman of the *Fondation de coopération scientifique pour la recherche sur la maladie d'Alzheimer*, specialised in research into Alzheimer's disease. He was Chairman of the French American Foundation from 2003 to 2010 and Chairman of the *Institut des Hautes Études Scientifiques*, where he researched in mathematics and theoretical physics from 1994 to May 2014. He is a Commander of the Legion of Honour and a Commander of the National Order of Merit. He was appointed Senior Advisor for France at Barclays in March 2011 and is Chairman of PL Conseils.

Philippe Lagayette has been a Director of Kering since May 19, 2005, after having served as a member of the Supervisory Board (from January 20, 1999 to May 19, 2005). His term of office was renewed by the Combined General Meeting on April 27, 2012 and will expire at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2015.

Other directorships and positions held as of December 31, 2014:

Position	Company	Country	Start 1 st term of office
Senior Advisor	Barclays	France	March 2011
Chairman	<i>Fondation de France</i>	France	October 2010
Director	<i>Fondation de France</i>	France	2009
Chairman	<i>Fondation de coopération scientifique pour la recherche sur la maladie d'Alzheimer</i>	France	November 2008
Director	Fimalac ⁽¹⁾	France	May 2003
Director	Renault SA ⁽¹⁾	France	May 2007

Other directorships and positions held in the last five years:

Position	Company	Country	Dates
Chairman	<i>Institut des Hautes Études Scientifiques</i>	France	from November 1994 to May 2014
Vice-Chairman in EMEA	JP Morgan	France	from September 2008 to January 2010
Chairman	French American Foundation	France	from 2003 to 2010

⁽¹⁾ Listed companies.

Number of shares held: 500

Baudouin Prot

Born on May 24, 1951

BNP Paribas: 3, rue d'Antin, 75002 Paris

Director

After graduating from HEC in 1972 and from ENA in 1976, Baudouin Prot joined the French Ministry of Finance where he spent four years before serving as Deputy Director of Energy and Raw Materials at the French Ministry of Industry for three years. He joined BNP in 1983 as Deputy Director of Banque Nationale de Paris Intercontinentale, before becoming the Director for Europe in 1985. He joined the Central Networks Department in 1987 and was promoted to Central Director in 1990 then Deputy Chief Executive Officer of BNP in charge of networks in 1992. He became

Chief Executive Officer of BNP in 1996 and Deputy Chief Executive Officer of BNP Paribas in 1999. In March 2000, he was appointed Director and Deputy Chief Executive Officer of BNP Paribas then Director and Chief Executive Officer of BNP Paribas in May 2003. From December 2011 to December 2014, he served as non-executive Chairman of BNP Paribas. He is an Officer of the National Order of Merit and a Knight of the Legion of Honour.

Baudouin Prot has been a Director of Kering since May 19, 2005, after having served as a member of the Supervisory Board (from March 11, 1998 to May 19, 2005). His term of office was renewed by the Combined General Meeting on June 18, 2013 and will expire at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2016.

Other directorships and positions held as of December 31, 2014:

Position	Company	Country	Start 1 st term of office
Director	Lafarge SA ⁽¹⁾	France	May 2011
Director	Veolia Environnement SA ⁽¹⁾	France	April 2003

Other directorships and positions held in the last five years:

Position	Company	Country	Dates
Chairman of the Board of Directors	BNP Paribas SA ⁽¹⁾	France	from December 2011 to December 2014
Director	Erbe SA	Belgium	from June 2004 to December 2013
Director	Pargesa Holding SA	Switzerland	from May 2004 to December 2013
Director and Chief Executive Officer	BNP Paribas SA ⁽¹⁾	France	from May 2003 to December 2011

(1) Listed companies.

Number of shares held: 600

Daniela Riccardi

Born on April 4, 1960

Baccarat: 11, place des États-Unis, 75116 Paris

Independent Director

Daniela Riccardi, an Italian national, is the Chief Executive Officer of Baccarat. She has recognised experience in business development and branding in consumer retail and distribution. She joined Baccarat in May 2013 after having served as Chief Executive Officer of the international lifestyle brand Diesel since 2010. Daniela Riccardi was responsible for the creation and implementation of a strategic plan at Diesel which resulted in greater revenue growth and product exposure through an ambitious distribution policy.

Prior to Diesel, Daniela served 25 years at Procter & Gamble in various senior management roles, including Vice-President of P&G Columbia, Mexico and Venezuela, Vice-President and Chief Executive Officer Manager of P&G Eastern Europe and Russia, based in Moscow from 2001 to 2004, and from 2005 to 2010, President of P&G Greater China.

Daniela Riccardi studied political science and international relations at Sapienza University of Rome, in Italy.

Daniela Riccardi has been a Director of Kering since May 6, 2014. Her term of office will expire at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2017.

Other directorships and positions held as of December 31, 2014:

Position	Company	Country	Start 1 st term of office
Chief Executive Officer	Baccarat ⁽¹⁾	France	May 2013
Director	WPP Plc ⁽¹⁾	United Kingdom	September 2013

(1) Listed companies.

Number of shares held: 500

Jochen Zeitz

Born on April 6, 1963

6 ruelle du Four, 1147 Montriches, Switzerland

Director

Jochen Zeitz graduated in International Marketing and Finance from the European Business School in 1986 after having studied in Germany, France and the United States. He began his professional career with Colgate-Palmolive in New York and Hamburg. After joining PUMA in 1990, he was appointed Chairman and CEO of PUMA in 1993 at the age of 30, becoming the youngest Chairman in German history to head a listed European company at the age of 30. Jochen Zeitz spearheaded the restructuring of PUMA, which was in financial difficulty. He transformed PUMA into a leading Sport & Lifestyle company and one of the top three brands in footwear, apparel and accessories by sticking to a long-term development plan that he introduced in 1993.

He previously held the positions of Chief Executive Officer of the Sport & Lifestyle Division of PPR (renamed Kering) and Chief Sustainability Officer of PPR and was Chairman of the Administrative Board of PUMA SE until November 2012.

He has received numerous awards during his professional career, including "2001 Entrepreneur of the Year", "Strategist of the Year" for three years in a row by the Financial Times, "Trendsetter of the Year" and "Best of European Business Award 2006". In 2004, the German Federal President awarded him with the Federal Cross of Merit of the Republic of Germany.

Jochen Zeitz has been a Director of Kering since April 27, 2012. His term of office will expire at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2015.

Other directorships and positions held as of December 31, 2014:

Position	Company	Country	Start 1 st term of office
Director	Harley Davidson Inc. ⁽¹⁾	United States	August 2007
Director	Wilderness Holdings Ltd. ⁽¹⁾	Botswana	2010

Other directorships and positions held in the last five years:

Position	Company	Country	Dates
Chairman and Chief Executive Officer	PUMA AG ⁽¹⁾	Germany	from 1993 to July 2011
Chairman of the Administrative Board	PUMA SE ⁽¹⁾	Germany	from July 2011 to November 2012

(1) Listed companies.

Number of shares held: 500

Sophie Bouchillou

Born on March 1, 1962

Kering: 10, avenue Hoche, 75008 Paris

Director representing the employees

Sophie Bouchillou is Human Resources Project Coordinator at Kering SA. She joined the Group in 1981 working for Conforama as a sales and administrative agent and subsequently executive sales assistant. From 2001 to 2009, she held the position of executive purchasing assistant at PPR Purchasing. She has been working in the Human Resources Department of Kering SA since 2009.

Following the amendment of the Company's Articles of Association adopted by the Combined General Meeting on May 6, 2014, which provides for the appointment of a Director representing the employees in accordance with the law of June 14, 2013, Sophie Bouchillou was elected as a Director for a term of four years by Kering's Works Council on July 10, 2014.

Her term of office will expire in July 2018.

3. remuneration of corporate officers

3.1. remuneration of executive corporate officers (chief executive officer and group managing director)

The remuneration of executive corporate officers includes a fixed portion and a variable portion. The Board of Directors establishes the rules for setting such remuneration each year based on the recommendations issued by the Remuneration Committee.

The amounts payable, which are shown in the two tables below, correspond to all remuneration granted to the executive corporate officer during each of the fiscal years shown, regardless of the actual payment date.

The amounts shown as paid correspond to all remuneration received by the executive corporate officer during each of the fiscal years shown.

Gross amounts (in euros)	2014		2013	
	Amounts payable for the year	Amounts paid during the year	Amounts payable for the year	Amounts paid during the year
François-Henri Pinault Chairman and Chief Executive Officer				
Fixed remuneration	1,099,996	1,099,996	1,099,996	1,099,996
Annual variable remuneration	1,560,900	1,239,480	1,239,480	1,478,400 ⁽¹⁾
Multi-annual variable remuneration	0	0	0	0
Exceptional remuneration	0	0	0	0
Directors' fees (Kering)	68,867	64,951	64,951	61,080 ⁽¹⁾
Directors' fees (subsidiaries)	52,500	92,500	112,500	112,500
Benefits in kind	20,421	20,421	18,866	18,866
TOTAL	2,802,684	2,517,348	2,535,793	2,770,842
Total employer contributions borne by the Group	1,286,614 ⁽²⁾	1,136,672	1,060,000 ⁽²⁾	1,205,034
Total cost for the Group	4,089,298	3,654,020	3,595,793	3,975,876

Gross amounts (in euros and at comparable exchange rates)	2014		2013 (restated ⁽³⁾)	
	Amounts payable for the year	Amounts paid during the year	Amounts payable for the year	Amounts paid during the year
Jean-François Palus Group Managing Director				
Fixed remuneration ⁽⁴⁾	1,039,135	1,039,135	1,023,533	1,023,533 ⁽¹⁾
Annual variable remuneration ⁽⁵⁾	1,236,471	948,820	948,820	1,120,000
Multi-annual variable remuneration	0	0	0	0
Exceptional remuneration	0	0	0	0
Directors' fees (Kering)	62,463	55,663	55,663	52,869 ⁽¹⁾
Directors' fees (subsidiaries)	70,000	70,000	86,333	86,333
Benefits in kind ^{(4) (6)}	1,141,967	1,141,697	579,738	579,738
TOTAL	3,550,036	3,255,315	2,694,087	2,862,473
Total employer contributions borne by the Group ⁽⁴⁾	318,762 ⁽²⁾	221,208	362,477 ⁽²⁾	574,126
Total cost for the Group	3,868,798	3,476,523	3,056,564	3,436,598

(1) For 2012.

(2) Current estimates.

(3) Data restated with the 2014 exchange rate to provide information at comparable exchange rates.

(4) Translated into euros at the average 2014 exchange rate.

(5) Translated into euros at the December 31, 2014 exchange rate.

(6) Benefits in kind correspond to an annual allowance for residence in London set at a value of GBP 900,000, to which the Group Managing Director has been entitled since July 1, 2013, plus a company car and insurance.

In the 2013 Reference Document, this data was presented as follows:

Gross amounts (in euros) Jean-François Palus Group Managing Director	2013	
	Amounts payable for the year	Amounts paid during the year
Fixed remuneration	1,003,965	1,003,965
Annual variable remuneration	939,000	1,120,000 ⁽¹⁾
Multi-annual variable remuneration	0	0
Exceptional remuneration	0	0
Directors' fees (Kering)	55,663	52,869 ⁽¹⁾
Directors' fees (subsidiaries)	86,333	86,333
Benefits in kind	538,301	538,301
TOTAL	2,623,262	2,801,468
Total employer contributions borne by the Group	409,000	579,738
Total cost for the Group	3,032,262	3,381,206

(1) For 2012.

Annual variable remuneration payable for 2013 was paid during the first quarter of 2014 and the remuneration payable for 2014 was paid during the first quarter of 2015. Fees payable to Directors in respect of their duties as members of the Board of Directors of Kering for 2013 were paid in February 2014 and those payable for 2014 were paid in February 2015.

For 2014, the Board of Directors set the remuneration of the Chairman and Chief Executive Officer and of the Group Managing Director on the basis of the recommendations of the Remuneration Committee. The structure of remuneration – the amount of the fixed portion and the rate of the variable portion – is decided based on an analysis of market practices observed for senior executives of CAC 40 companies.

Fixed remuneration

The Board of Directors, acting on the recommendation of the Remuneration Committee, resolved to maintain unchanged the fixed remuneration for the Chairman and Chief Executive Officer and the Group Managing Director for 2014.

The Board of Directors set the Chairman and Chief Executive Officer's fixed remuneration at €1,099,996 at its meeting of February 16, 2011.

At its meeting on June 18, 2013, the Board of Directors noted, on the recommendation of the Remuneration Committee and, in the context of the deployment of the Group's international activities, the location of part of the Group Managing Director's activities in London. Consequently, the Board decided to implement for the Group Managing Director with effect from July 1, 2013, an Employment Agreement with Kering Netherlands BV, a Group subsidiary governed by Dutch law, as well as a Service Agreement (similar to an employment agreement) with Kering International Ltd, a Group subsidiary governed by English law. Under the terms of these two agreements, which correspond to the management of the Group's Divisions and the coordination of the Group's international support

functions respectively, these two companies will each pay half of his fixed annual remuneration (€500,000 for Kering Netherlands BV and GBP 425,000 for Kering International Ltd), of his variable remuneration and, where appropriate, of the amounts due in respect of his multi-annual remuneration, the final allotment of which is decided by the Board of Directors.

These two employment agreements are related to and will remain in force during the Group Managing Director's term of office and will lapse on the termination thereof.

Annual variable remuneration

The variable remuneration of the Chairman and Chief Executive Officer is based on the achievement of precisely defined targets, assessed on the basis of the Group's results after the closing of the relevant fiscal year. For 2013 and 2014, the variable portion is equal to 120% of the fixed portion when targets are exactly met, and up to 180% of the fixed portion when they are exceeded. In 2013 and 2014, there were two targets, each accounting for 50% of the variable portion of remuneration, i.e., the Group's recurring operating income and the Group's free cash flow from operations. The rate of achievement of each of these targets must be at least 90% for variable remuneration to be paid.

In view of the fact that these two targets for 2013 were exceeded, the rate of variable remuneration was 93.9% of the amount of variable remuneration when targets are exactly met, i.e., the Chairman and Chief Executive Officer's variable remuneration amounted to €1,239,480. In respect of 2014, the rate of achievement of the targets for recurring operating income and free operating cash flow was 94.6% and 129.2%, respectively, leading to a combined rate of variable remuneration of 118.25% of the target amount when targets are exactly met, i.e., the variable remuneration amounted to €1,560,900.

As in 2013, the Group Managing Director's variable remuneration for 2014 can be as much as 100% of the fixed portion of remuneration when targets are exactly met,

and up to 150% of the fixed portion when they are exceeded, on the basis of the same quantitative criteria, in the same proportions and with the same minimum achievement rate as those applied to the variable remuneration of the Chairman and Chief Executive Officer. As for the Chairman and Chief Executive Officer, in view of the rate of achievement of the targets for 2013 and 2014, the Group Managing Director's variable remuneration amounted to €948,820 for 2013 and €1,236,471 for 2014, based on the year-end closing exchange rate.

Multi-annual variable remuneration

A new long-term incentive system was launched with effect from 2013. The scheme is based on Kering monetary units (and no longer on performance shares) known as "KMUs", whose value is indexed to changes in the Kering share price relative to a basket of nine Luxury and Sport & Lifestyle securities. These KMUs have a vesting period of three years as from January 1 of the year in which they are granted, after which they may be cashed by the beneficiaries over a two-year period (during two "windows" each year), when the beneficiaries may receive the cash equivalent of their KMUs based on the last assessed value.

At its meeting on March 18, 2014, the Kering Board of Directors, acting on the recommendation of the Remuneration Committee, decided to award a long-term performance bonus to the Chairman and Chief Executive Officer and to the Group Managing Director. The grant value of this remuneration is equal to 70% of their total annual cash-based remuneration paid in 2014, which amounts respectively to €2,339,480 and €1,987,955.

In this context, and in accordance with the decision of the Board of Directors' meeting on March 18, 2014, 11,372 and 9,426 KMUs, with a unit value of €144 as of December 31, 2013, were granted to the Chairman and Chief Executive Officer and to the Group Managing Director, respectively, corresponding to a value of €1,637,568 and €1,357,344.

On June 18, 2013, the Board of Directors also granted 11,874 and 9,763 KMUs to the Chairman and Chief Executive Officer and the Group Managing Director respectively, corresponding to a grant value of €1,804,000 and €1,484,000 (at a unit value of €152 as of December 31, 2012).

For the Chairman and Chief Executive Officer and Group Managing Director, final vesting of the KMUs is subject to the condition of a minimum 5% average increase in earnings per share from continuing operations attributable to owners over the vesting period (i.e., three years). The value of the fully vested KMUs will be reduced in proportion to any under-performance of the Kering share and to the minimum average increase in earnings per share from continuing operations attributable to owners if said increase is below 5%, with all rights to the allotment of KMUs waived if said increase is equal to or less than 2.5%.

In addition, in accordance with the purpose of long-term remuneration schemes such as performance shares, and by analogy to the AFEF-MEDEF recommendations on deferred remuneration, the Board of Directors has set an obligation for each beneficiary to purchase Kering shares at the end of the three-year vesting period. Under this obligation, the beneficiaries must invest 30% of the fully vested net value of their KMUs in Kering shares and hold, for the duration of their term of office, a number of Kering shares corresponding to at least 30% of the sum of the amounts vested.

As with many other issuers, the Remuneration Committee assessed the potential impacts of this obligation, as it paradoxically results in the excessive exposure of the beneficiaries' assets to a single market value, especially in companies with stable management, such as Kering.

Following a benchmarking study, at its meeting of December 8, 2014, the Board of Directors, acting on the recommendation of the Remuneration Committee, decided to set a ceiling equal to the total of the last two years of cash-based remuneration (fixed remuneration plus variable remuneration) at the date of assessment.

On December 8, 2014, the Board of Directors, acting on the recommendation of the Remuneration Committee, decided to exceptionally award a long-term performance bonus to the Chairman and Chief Executive Officer in recognition of the completion of the Group's transformation into a Luxury and Sport & Lifestyle company. The grant value of this bonus made up of KMUs is equal to 70% of his total annual cash-based remuneration, which amounts to €2,339,480.

In this context, 9,900 KMUs, with a unit value of €166 as of June 30, 2014, were granted, corresponding to a value of €1,643,400.

Benefits in kind

The benefits in kind of the Chairman and Chief Executive Officer correspond to the provision of a company car. Since July 1, 2013, the Group Managing Director has been entitled to an annual allowance for residence in London set at a value of GBP 900,000 for the first three years, plus a company car and medical insurance.

No indemnity is payable to the Chairman and Chief Executive Officer or the Group Managing Director in the event of termination of their duties as corporate officers.

There are no supplementary defined benefit pension plans for the executive corporate officers.

Executive corporate officers	Employment contract		Supplementary pension plan		Indemnities or benefits owed or that may be payable on the termination or change of duties		Indemnities relating to a non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
François-Henri Pinault								
Chairman and Chief Executive Officer								
Term of office began on: May 19, 2005								
Term of office expires on:								
Annual General Meeting of 2017		X		X		X		X
Jean-François Palus								
Group Managing Director								
Term of office began on: February 26, 2008								
Term of office expires on:								
Annual General Meeting of 2017	X		X ⁽¹⁾			X		X

(1) At the beginning of 2010 the Board of Directors authorised the grant of a pension benefit to Jean-François Palus. This benefit takes the form of a transfer of an amount of €3,568 million to a fund entitling him to payment of a full pension (with a right of reversion) from the legal retirement age, and is not subject to his presence within the Group. However, to benefit from the plan, Jean-François Palus must not have left the Group for personal reasons before December 31, 2014 and the performance criteria for entitlement to the variable portion of his remuneration for 2009 and 2010 must be fulfilled.

This amount would finance a target pension annuity, of a non-guaranteed amount, set at approximately 25% of his annual remuneration paid in 2009 according to the actuarial rates applied within the Group.

On March 18, 2015, the Board of Directors acknowledged that Jean-François Palus had not left the Group for personal reasons and consequently the condition no longer applied.

Other information and commitments

No stock options were granted to executive corporate officers in 2014.

55,000 stock purchase options were exercised by François-Henri Pinault on May 9, 2014 and May 12, 2014.

7,700 stock purchase options were exercised by François-Henri Pinault on May 20, 2014.

Stock purchase options exercised by each executive corporate officer in 2014

	Number and date of the plan	Number of options exercised during the year	Strike price
François-Henri Pinault	2006/1 Plan May 23, 2006	55,000	€101.83
Jean-François Palus	2006/1 Plan May 23, 2006	7,700	€101.83
Total		62,700	

Details of the stock options previously granted to François-Henri Pinault and Jean-François Palus are shown on pages 328–329.

The executive corporate officers have formally undertaken not to use hedges on their stock options or performance shares, and no such hedges are currently in place.

Performance shares granted to each executive corporate officer in 2014

Further to the implementation of a new long-term incentive system based on monetary instruments, no performance shares were granted to executive corporate officers in 2014.

Performance shares granted to each executive corporate officer in prior years

Details of the performance shares previously granted to François-Henri Pinault and Jean-François Palus are shown on page 329.

At its meeting on April 27, 2012 held prior to the Annual General Meeting, the Board of Directors decided, upon the recommendations of the Remuneration Committee, to grant 11,682 performance shares to François-Henri Pinault and 8,416 performance shares to Jean-François Palus. These shares vested on April 27, 2014, subject to an additional condition of a minimum average increase in (i) earnings per Kering share attributable to the owners of the parent for the Chairman and Chief Executive Officer, and (ii) earnings per Kering share from continuing operations attributable to owners of the parent during the vesting period for the Group Managing Director.

The percentage of shares granted to François-Henri Pinault and Jean-François Palus therefore represents 0.009% and 0.007%, respectively, of the share capital, and 10.71% and 7.72%, respectively, of the total number of shares granted to all of the beneficiaries on April 27, 2012.

The Board of Directors decided that at least 30% of the amount, after tax and social security deductions (at the standard rate, as if the shares were sold immediately), of the acquisition gain resulting from the sale of performance shares must be kept by François-Henri Pinault and Jean-François Palus, in the form of an equivalent number of shares thus granted (valued at the date of sale) up to the termination of their duties as executive corporate officers of Kering, unless the Board of Directors decides otherwise, thus releasing them from this restriction within the limit that it would then set.

The Board of Directors also decided, in accordance with the recommendations of the AFEF-MEDEF Code, to set the purchase obligation, when the performance shares become available, at 10% of the initial number of performance shares granted to François-Henri Pinault and Jean-François Palus.

At its meeting of March 18, 2014, the Board of Directors noted that François-Henri Pinault had not fulfilled the additional performance condition relating to the minimum average increase in earnings per Kering share attributable to owners of the parent. As a result, none of the performance shares granted to him vested on April 27, 2014.

Regarding the performance criterion relating to the vesting of the performance shares granted to the Group Managing Director in April 2012, the Committee noted that the criterion of the increase in earnings per share attributable to owners of the parent – in this case based on the performance of earnings per share from continuing operations attributable to owners of the parent – had outperformed over 2012 and 2013, as it rose by 12.6% (yearly average). The performance shares vested were therefore subject to the reduction applicable to all the beneficiaries of the 2012-I plan due to the underperformance of the Kering share compared to a similar index, i.e., at a rate of 77% or 6,492 shares.

Performance shares that became available during 2014 for each executive corporate officer

	Number and date of the plan	Number of shares that became available during the year	Purchase conditions
François-Henri Pinault	2010-I Plan May 19, 2010	9,990	10% of the number of shares originally granted are to be purchased upon availability
Jean-François Palus	2010-I Plan May 19, 2010	11,839	10% of the number of shares originally granted are to be purchased upon availability
TOTAL		21,829	

In 2014, a total of 6,492 performance shares vested for Jean-François Palus under the 2012-I Plan of April 27, 2012. The shares will be available as from April 27, 2016.

Summary of remuneration, options and performance shares granted to each executive corporate officer

Gross amounts (in euros)

François-Henri Pinault, Chairman and Chief Executive Officer	Amounts for 2014	Amounts for 2013
Remuneration payable	2,802,684	2,535,793
Value of multi-annual variable remuneration granted during the year ⁽¹⁾	2,654,746	1,472,732
Value of options granted during the year ⁽¹⁾		
Value of performance shares granted during the year ⁽¹⁾		
TOTAL	5,457,430	4,008,525

(1) This value corresponds to the value of the options and financial instruments at the grant date as determined in accordance with IFRS 2 after taking into account, in particular, any discount related to performance criteria and probability of presence in the Company at the end of the vesting period, but prior to the spreading of the expense over the vesting period in accordance with IFRS 2.

Gross amounts (in euros)

Jean-François Palus Group Managing Director	Amounts for 2014	Amounts for 2013
Remuneration payable	3,550,036	2,623,262
Value of multi-annual variable remuneration granted during the year ⁽¹⁾	1,176,365	1,210,905
Value of options granted during the year ⁽¹⁾		
Value of performance shares granted during the year ⁽¹⁾		
TOTAL	4,726,401	3,834,167

(1) This value corresponds to the value of the options and financial instruments at the grant date as determined in accordance with IFRS 2 after taking into account, in particular, any discount related to performance criteria and probability of presence in the Company at the end of the vesting period, but prior to the spreading of the expense over the vesting period in accordance with IFRS 2.

3.2. remuneration of non-executive corporate officers – directors' fees

The Annual General Meeting on May 6, 2014 increased the total amount of Directors' fees to be allocated to the members of the Board of Directors for 2014 from €809,000 to €877,000, due to the appointment of an additional Director.

At its meeting on January 14, 2015, the Board of Directors decided, upon the recommendations of the Remuneration Committee, to allocate Directors' fees based on the actual presence of members at meetings of the Board and of specialised Committees held in 2014.

Out of the total amount set by the Annual General Meeting, the new rule followed by the Board is to allocate 40% of this amount as fixed remuneration and 60% as variable remuneration in order to comply with the new AFEP-MEDEF recommendation for a significant variable portion (recommendation 21-1). The remuneration is broken down as follows:

- a) a fixed portion, minus a special portion corresponding to the remuneration of the Chairmen of the Audit, Remuneration and Appointments Committees, respectively (€23,000 each), the balance being allocated with a coefficient of 1 by Board membership, increased by 0.5 per Committee;
- b) a variable portion, allocated with a coefficient of 1 (2 for the Vice-Chair) per presence at each meeting of the Board and 0.5 for each attendance of a Committee meeting.

For 2014, a total amount of €729,659 was paid to the non-executive Directors, allocated as follows:

- €289,957 for the fixed portion, of which €69,000 for the special portion;
- €439,702 for the variable portion.

The table below shows Directors' fees paid in 2013 and 2014 for fiscal years 2012 and 2013:

Members of the Board of Directors other than the Chief Executive Officer and Group Managing Director

Director's fees paid during the year (in euros)

	2014	2013
Patricia Barbizet	121,374	224,628 ⁽¹⁾
Laurence Boone	57,053	58,763
Luca Cordero di Montezemolo	53,831	58,032
Yseulys Costes	77,019	75,551
Jean-Pierre Denis	93,511	85,410
Philippe Lagayette	89,341	89,974
Aditya Mittal ⁽²⁾	7,898	16,423
Baudoin Prot	36,203	47,904
Caroline Puel	46,375	47,449
Daniela Riccardi ⁽³⁾	25,000	-
Jean-Philippe Thierry ⁽⁴⁾	-	18,981
Jochen Zeitz	52,883	31,937
Total	660,488	755,052

(1) Directors' fees paid by Kering and Kering Holland NV.

(2) The term of office of Aditya Mittal expired on June 18, 2013.

(3) The term of office of Daniela Riccardi started on May 6, 2014. In December 2014, Mrs. Riccardi received an advance of €25,000 on her Directors' fees for 2014.

(4) The term of office of Jean-Philippe Thierry expired on April 27, 2012.

Neither the Company, nor any company that it controls, has made any commitment vis-à-vis its Directors or executive corporate officers on account of the commencement, termination of or change in their duties or subsequent thereto.

No Director or executive corporate officer benefits from any particular benefit or specific pension plan. There is no conditional or deferred remuneration.

Other than the remuneration set out above, neither the Company, nor Artémis or Financière Pinault which control it, has paid any remuneration or granted any benefits, directly or indirectly, to its Directors or executive corporate officers in connection with their term of office, duties or assignments performed in or on behalf of the Company, and any company that it controls.

3.3. regulatory information on directors and executive corporate officers

To the Company's knowledge:

- none of the Directors or executive corporate officers have been convicted for fraud in the last five years;
- none of the Directors or executive corporate officers have been associated in the last five years with bankruptcy, receivership or liquidation proceedings as a member of an administrative, management or supervisory body or as Chief Executive Officer;
- no court order has been entered over the last five years against any of the Directors or executive corporate officers that prohibits them from acting as a member of an administrative, management or supervisory body of an issuer or from intervening in the management or running of the business of an issuer;

- no incrimination and/or official public penalty has been entered against any of the Directors or executive corporate officers by statutory or regulatory authorities (including designated professional bodies);
- none of the Directors or executive corporate officers have been given a commitment by the Company or any of its subsidiaries corresponding to items of remuneration, indemnities or benefits payable or potentially payable on account of the commencement, termination of or change in his or her duties or subsequent thereto;
- none of the Directors or executive corporate officers have indicated the existence of an agreement with a main shareholder, customer or supplier of the Company pursuant to which he or she was designated as Director or executive corporate officer.

Moreover, no service contract providing for the granting of benefits binds the Directors with the Kering group.

No assets belonging directly or indirectly to the Company's senior executives are used in Group operations.

In general, to the Company's knowledge, none of the Directors or executive corporate officers are in a position of potential conflict of interest between their duties with regards to the Company and their private interests or other duties or have existing family ties with another Director or executive corporate officer of the Company.

3.4. *other information on the company's board of directors*

Honorary Chairman of the Board of Directors

In accordance with the possibility provided for under the Company's Articles of Association, in its meeting on June 18, 2013, which followed the Combined General Meeting, the Board of Directors decided to confirm Mr. François Pinault, founder of the PPR group, since renamed Kering, as Honorary Chairman of the Board of Directors. In this capacity, Mr. François Pinault is invited to participate in the meetings of the Board of Directors and of the Strategy and Development Committee on a consultative basis.

Vice-Chairman of the Board of Directors

In accordance with the possibility provided for under the Company's Articles of Association, in its meeting on June 18, 2013, which followed the Combined General Meeting, the Board of Directors renewed Patricia Barbizet's term of office as Vice-Chair of the Board of Directors for the same duration as her term of office as Director. In this capacity, Patricia Barbizet prepares and coordinates the work of the Board of Directors and may chair Board meetings when the Chairman is absent.

Non-voting Directors

- Marco Bizzarri, Chairman and Chief Executive Officer of Gucci (appointed by the Board of Directors at its meeting on February 14, 2013);
- Björn Gulden, Chief Executive Officer of PUMA (appointed by the Board of Directors at its meeting on October 24, 2013);
- Albert Bensoussan, CEO of Kering's "Luxury – Watches & Jewellery" Division (appointed by the Board of Directors at its meeting on July 30, 2014).

The main role of non-voting Directors is to attend Strategy and Development Committee meetings and, as required, Board of Directors' meetings, to provide the necessary information, expertise and knowledge of the Group's various businesses. They serve on a consultative basis. In May 2007, the Annual General Meeting deemed appropriate that the Board be allowed to decide on the number of non-voting Directors and amended Article 18 of Kering's Articles of Association accordingly.

4. group management

Group management is composed of the Group Executive Committee headed by François-Henri Pinault, Chairman and Chief Executive Officer, and Jean-François Palus, Group Managing Director.

The Executive Committee

The Executive Committee meets regularly, with the Chief Executive Officers of the Group's major brands and Kering's main operating officers. The ten-member Executive Committee is the Group's key operational body and reflects Kering's transformation into a more streamlined group. It affords the Chief Executive Officers of its Divisions and major brands the opportunity to be more closely involved in the Group's key strategic decision-making processes, alongside Kering's main operating officers.

Members of the Executive Committee

- François-Henri Pinault (since March 2005), Chairman and Chief Executive Officer, Kering;
- Jean-François Palus (since December 2005), Group Managing Director, Kering;
- Louise Beveridge (since March 2011), Senior Vice-President, Communications, Kering;
- Marco Bizzarri (since February 2012), Chairman and Chief Executive Officer, Gucci;
- Jean-Marc Duplaix (since February 2012), Group Chief Financial Officer, Kering;
- Belén Essioux-Trujillo (since May 2012), Senior Vice-President, Group Human Resources, Kering;
- Marie-Claire Daveu (since September 2012), Group Chief Sustainability Officer and Head of International Affairs, Kering;
- Björn Gulden (since July 2013), Chief Executive Officer, PUMA;
- Albert Bensoussan (since June 2014), Chief Executive Officer of the "Luxury – Watches & Jewellery" Division, Kering;
- Roberto Vedovotto (since March 2015), CEO of Kering Eyewear.

Monthly activity and budget review meetings

The Executive Management of Kering, and the Chief Executive Officers of the major brands of the Divisions, hold monthly meetings to assess developments in the activities. This assessment is based on operational and financial factors.

Insider Good Practices Committee

Composed of the Group Managing Director and the Head of the Legal Department, the Insider Good Practices Committee draws up the timetable of black-out periods for trading in Kering securities, lists of insiders, letters of information and monitoring in relation to rules on insider dealing, which are sent to the relevant managers and senior executives of the Group as well as to occasional and permanent insiders, in accordance with the General Regulations of the French financial markets authority (*Autorité des marchés financiers* – AMF). The members of the Group's Executive Committee are required to consult the Insider Good Practices Committee before trading in Company shares or similar financial instruments.

Pursuant to the provisions of Article 223-26 of the AMF's General Regulations, to the Company's knowledge, no transactions were carried out by the individuals referred to in Article L 621-18-2 of the French Monetary and Financial Code (*Code monétaire et financier*) on Kering's financial instruments during 2014, with the exception of the following transactions.

On May 9, 2014 and May 12, 2014, François-Henri Pinault exercised 55,000 purchase options at a strike price of €101.83 and sold 25,000 and 30,000 shares resulting from the exercise of these subscription options at a price of €155.74 and €155.45 per share, respectively.

On May 20, 2014, François-Henri Pinault exercised 7,700 purchase options at a strike price of €101.83 and sold 4,876 shares resulting from the exercise of these subscription options at a price of €162.19 per share.

Ethics Committee

Kering's Ethics Committee was set up in 2005, and is now supported by two regional Ethics Committees: the Asia-Pacific Ethics Committee and the Americas Ethics Committee and an international hotline available for all Group staff. The Ethics Committees are composed of representatives of the Group's brands and Kering staff. Their regional organisation reflects the Group's policy of delegating responsibility, which results in better quality responses to queries. Operating on a "last resort" basis under the authority of the Group Ethics Committee to which they report, these Committees ensure that the Group's ethical principles are applied consistently.

5. *report by the chairman of the board of directors*

on the conditions of preparation and organisation of the work performed by the board, and on the internal control and risk management procedures implemented by the company

Pursuant to Article L. 225-37, paragraph 6 of the French Commercial Code (*Code de commerce*) amended by Act No. 2008-649 of July 3, 2008, the conditions of preparation and organisation of the work performed by the Board of Directors and the internal control and risk management procedures implemented by the Company are reported hereinafter. This report specifies, in particular, the procedures relating to the preparation and processing of financial and accounting information for the consolidated

financial statements and the parent company financial statements; the first part of this report was presented to the Appointments Committee on February 16, 2015 and the second part was the subject of deliberations by the Company's Audit Committee on February 13, 2015.

The Board of Directors approved the entire report at its meeting on February 16, 2015 in accordance with the provisions of Article L. 225-37 of the French Commercial Code.

5.1. *membership of the board of directors*

5.1.1. **Current membership of the Board**

The Board is composed of Directors with wide and diversified experience, in particular, in relation to corporate strategy, finance, insurance, economics, the retail sector, industry, accounting, management and supervision of commercial and financial corporations. The Articles of Association provide for a renewable four-year term of office for Directors.

In order to avoid reappointing the entire Board simultaneously and to facilitate a smooth renewal process, the Combined General Meeting on May 7, 2009 adopted an amendment

to Article 10 of the Company's Articles of Association implementing a staggered renewal of the Board of Directors.

After having considered the Board of Directors' report and the favourable opinion issued by the Company's Works Council, the Combined General Meeting on May 6, 2014 decided to amend Article 10 of the Articles of Association in order to establish the procedures for appointing Directors representing the employees in accordance with the French law dated June 14, 2013 in relation to job security.

The Board is currently made up of eleven Directors:

Name	Position	Age	Independent Director ⁽¹⁾	Participation on a committee					Start 1st term of office	End of current term of office	Nationality
				Audit	Remuneration	Appointments	Strat. & Dev.	Sustainability			
Francois-Henri Pinault	Chairman and Chief Executive Officer	52					✓	✓	1993 ⁽²⁾	2017	French
Patricia Barbizet	Vice-Chair	59		✓	✓	✓	✓	✓	1992 ⁽³⁾	2017	French
Jean-François Palus	Group Managing Director	53						✓	2009	2017	French
Yseulys Costes	Director	42	✓	✓	✓		✓		2010	2018	French
Luca Cordero di Montezemolo	Director	67				✓		✓	2001 ⁽³⁾	2016	Italian
Jean-Pierre Denis	Director	54	✓	✓	✓				2008	2016	French
Philippe Lagayette	Director	71	✓		✓		✓		1999 ⁽³⁾	2016	French
Baudouin Prot	Director	63				✓			1998 ⁽³⁾	2017	French
Daniela Riccardi	Director	54	✓						2014	2018	Italian
Jochen Zeitz	Director	51						✓	2012	2016	German
Sophie Bouchillou	Director representing the employees	52							2014	2018	French

(1) According to the criteria of the AFEF-MEDEF revised Code set out below.

(2) Member of the Executive Board from 1993 to 2001 and the Supervisory Board from 2001 to 2005.

(3) Member of the Supervisory Board until 2005.

Three non-voting Directors appointed by the Board of Directors for a term of four years pursuant to Article 18 of the Company's Articles of Association attend meetings of the Board of Directors, as required, on a consultative basis.

The Board has set up five Committees responsible for assisting it in performing its task: the Audit Committee, the Remuneration Committee, the Appointments Committee, the Strategy and Development Committee and the Sustainability Committee.

A detailed list of the Directors and the non-voting Directors is set out in a previous section of the Reference Document, on pages 130 to 138 and 146.

5.1.2. Changes in the membership of the Board of Directors

The Combined General Meeting on May 6, 2014 renewed the terms of office of Laurence Boone and Yseulys Costes and appointed Daniela Riccardi for a four-year term as provided for in the Articles of Association. Caroline Puel's term of office expired at the close of the Meeting.

On July 15, 2014, Laurence Boone resigned as Director following her appointment to the Office of the President of the French Republic as an advisor in macroeconomic matters.

Following the amendment of the Articles of Association by the Combined General Meeting on May 6, 2014 which, pursuant to the French law dated June 14, 2013, allowed for the appointment of a Director representing the employees, the Kering SA Works Council at its July 10 meeting appointed Sophie Bouchillou for a four-year term, joining the Board at its meeting on October 23, 2014.

In accordance with the provisions of the French law dated January 27, 2011 on professional equality and the balanced representation of women and men on boards of Directors and supervisory boards, amending in particular Article L. 225-37 of the French Commercial Code, pursuant to which this report has been drawn up, the principle of balanced representation of women and men on the Board will be taken into consideration in accordance with the law. Women currently represent 30% of the Board of Directors' members (not including the Director representing the employees), thereby exceeding the 20% minimum required since the 2013 Annual General Meeting.

5.2. *conditions of preparation and organisation of the work of the board of directors*

5.2.1. Internal rules of the Board

The Board of Directors performs the duties and exercises the powers granted to it by law and the Articles of Association.

It determines and assesses the strategy, objectives and performance of the Company and ensures their implementation. Subject to the powers expressly granted to Annual General Meetings and within the limit of the corporate purpose, the Board reviews all issues concerning the smooth running of the Company and acts on all matters over which it has authority.

The Board carries out the controls and verifications it deems appropriate.

The conditions of preparation and organisation of the work of the Board of Directors are defined by law, the Company's Articles of Association, the internal rules of the Board and the work of its specialised Committees. The Board has established internal rules for each committee.

Pursuant to its internal rules and the law, the Board of Directors meets at least four times a year. To enable Directors to prepare in the best possible way for the topics to be examined during the meeting, a complete file is sent to them in due time ahead of the meeting; it includes, per topic addressed, the necessary information on all items on the agenda.

In line with the relevant regulatory requirements, the internal rules also set the rules applicable to Directors in relation to restrictions on trading in the securities of the Company, or more generally the Group, by establishing "black-out periods":

- the Directors must refrain from trading directly or indirectly in the listed securities and financial instruments of the Company and the Group for a period of 30 calendar days preceding each of the periodic publications relating to the annual and half-year consolidated financial statements and 15 calendar days preceding each of the quarterly publications relating to consolidated revenue and ending at the close of the trading day following the publication of the relevant official press release. In no way does this black-out period replace the legal and regulatory provisions regarding insider trading with which each member of the Board must comply at the time he/she decides to trade, no matter when this might occur outside the defined black-out periods;
- the same obligations apply to each Director insofar as the Director has knowledge of insider information relating to any financial instrument listed on a regulated market, where the issuer of those financial instruments has an insider relationship with the Group. Consequently,

the internal rules require the reporting of all dealings in these securities.

The internal rules set the frequency and conditions of Board meetings and provide for meeting participation by videoconference and/or conference call.

They also establish the principle of regular assessment of the functioning of the Board and set the terms and conditions by which Directors' fees are allocated.

According to the internal rules, Directors are required to inform the Chairman of the Board of any conflicts of interest, or of any possible conflicts, between their duties towards the Company and their private interests and/or other duties, and they may not vote on any matters that concern them directly or indirectly.

The Chairman of the Board of Directors may ask the Directors at any time for a written statement confirming that they are not involved in any conflicts of interest.

In order to reinforce its methods of functioning and in the interest of good governance, the internal rules of the Board of Directors set forth and formally lay down the rules governing the organisation and operating methods of the Board as well as the missions of its five Committees: the Audit Committee, the Remuneration Committee, the Appointments Committee, the Strategy and Development Committee and the Sustainability Committee.

Executive Management may in all circumstances be heard within said Committees.

5.2.2. Executive Management

After the Combined General Meeting on May 19, 2005 adopted the new Articles of Association of Kering (then PPR), introducing governance by a Board of Directors, the Board of Directors opted to have the duties of Chairman and Chief Executive Officer held by one person, and maintained this option in May 2009. This choice has contributed to efficient governance in light of the organisation of the Kering group within which François-Henri Pinault is the Chairman and Chief Executive Officer of Kering, the Group's parent company. He is related to the controlling shareholder, is closely involved in conducting the Group's business and has in-depth knowledge and experience of this business. The management of the Luxury and Sport & Lifestyle Divisions is entrusted to the Chairman and Chief Executive Officer and to the Group Managing Director, respectively. The Chairmen and Chief Executive Officers of the main brands (Gucci and PUMA), as well as the Chief Executive Officers of the Luxury Division are members of the Executive Committee and attend Board of Directors' meetings as non-voting Directors.

They are all thus able to provide, at those Board meetings which they are invited to attend, their views and information concerning the Group's Divisions and brands so that the non-executive Directors and more generally the Board may be well-informed.

On the proposal of the Chairman and Chief Executive Officer, the Board of Directors' meeting on February 22, 2008 appointed a Group Managing Director (*Directeur Général délégué*) whose term of office was renewed on June 18, 2013 and who has the same powers with regard to third parties as the Chief Executive Officer. The Group Managing Director was appointed as Director by the Combined General Meeting on May 7, 2009 for a four-year term, renewed on June 18, 2013 for another four years.

The Chairman and Chief Executive Officer and the Group Managing Director both take part, on an equal level, in the work of the Board of Directors, 40% of whose members are independent Directors. The Board operates smoothly thanks to frequent meetings, the regular attendance of its members and the assistance of its specialised Committees, as described below.

5.2.3. Limitations by the Board of Directors of the powers of the Chief Executive Officer and Group Managing Director

In connection with the Board of Directors' statutory role of determining the business orientation of the Company and ensuring its implementation, and without prejudice to the legal provisions governing the authorisations required to be granted by the Board (related-party agreements, endorsements, suretyships and guarantees, divestments of shareholdings or sale of real property, etc.), the Company's Articles of Association provide that certain decisions of the Chief Executive Officer and Group Managing Director, by virtue of their nature or significance, require the prior approval of the Board of Directors:

- a) matters and transactions that have a substantive effect on the strategy of the Group, its financial structure or its scope of business activity;

- b) except in the event of a decision by the Annual General Meeting, issues of securities, regardless of the nature thereof, that are liable to cause a change in the share capital;
- c) the following transactions by the Company or any entity controlled by the Group, insofar as they each exceed an amount set annually by the Board of Directors (which was €500 million in 2014):
 - all investments or divestments, including the acquisition, sale or exchange of holdings in all existing or future businesses,
 - all purchases or sales of Company real property.

These transactions are regularly submitted to the Board of Directors, which examines them carefully.

5.2.4. Compliance with a Code of Corporate Governance

On October 22, 2008, the Board of Directors announced that it had examined and adopted, as a reference corporate governance framework, the AFEP-MEDEF recommendations of October 6, 2008 on the remuneration of executive corporate officers of listed companies and deemed that the corporate governance policies already implemented by the Company complied with all the aforementioned recommendations.

Accordingly, the Company now refers to the Corporate Governance Code of Listed Corporations resulting from the consolidation of the October 2003 AFEP and MEDEF report, the aforementioned January 2007 and October 2008 AFEP-MEDEF recommendations and the April 2010 AFEP-MEDEF recommendation on higher representation of women in the boardroom, as revised in June 2013 ("the revised AFEP-MEDEF Code") and its December 2014 implementing guidelines, and has done so, in particular, for the preparation of this report. The revised AFEP-MEDEF Code is available in French on the MEDEF's website at: www.medef.com and the AFEP's website at www.afep.com.

Two provisions of the revised AFEP-MEDEF Code were not adopted:

AFEP-MEDEF recommendations

Director independence criteria (section 9-4 of the Code) – One of the criteria to be reviewed in order for a Director to qualify as independent is not to have been a Director of the company for more than twelve years.

Kering practice and explanations

In the case of Philippe Lagayette, the Board of Directors decided not to apply the independence criterion limiting a Director's term of office to twelve years.

On the recommendations of the Appointments Committee, the Board of Directors noted that Philippe Lagayette (a member of the Supervisory Board and then, as from January 1999, a member of the Board of Directors), has had no responsibilities in the banking sector since early 2010. Following the letter sent by the High Committee on Corporate Governance (*Haut Comité de Gouvernement d'Entreprise*) in July 2014, the Board of Directors reassessed Philippe Lagayette's situation and remains unanimous in agreeing that his first-class expertise, his other duties outside the Group (including directorships in prestigious companies that also require independent representation) and his acknowledged moral authority show that his many years of service on the Board have had a positive impact on his knowledge of the Group, its background and its activities, and reflect a continuous and outstanding contribution to the work of the Board of Directors and, prior to that, the Supervisory Board, which has had several Chairs since his initial appointment. This belief is further supported by Philippe Lagayette's role on the Boards of two other listed companies, as Senior Director and chairman of audit Committees.

Composition of the Appointments Committee (section 17.1 of the Code) – the Committee should have a majority of independent Directors.

The Committee is composed of three Directors: Patricia Barbizet, Chair of the Committee, Luca Cordero di Montezemolo and Baudouin Prot.

The Company does not comply with the AFEP-MEDEF recommendations regarding the proportion of independent members within the Appointments Committee. The composition of the Committees of the Board of Directors, and particularly that of the Appointments Committee, is under examination, as part of discussions on possible changes in the composition of the Board itself.

5.2.5. Independence of Directors

In order to assess the independence of a Director and to avoid possible risks of conflicts of interest, the Board applied the criteria defined in the revised AFEP-MEDEF Code, whereby a Director cannot:

- be an employee or executive corporate officer of the Company, an employee or Director of its parent or a company that the latter consolidates and not have been in such position in the past five years;
- be a Director or executive corporate officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or a Director or executive corporate officer of the Company (currently in office or having held office within the past five years) is a Director;

- be a significant customer, supplier, investment banker, or commercial banker of the Company or the Group, or for which the Company or the Group represents a significant portion of the activity;
- have any close family ties with a Director or executive corporate officer;
- have been the auditor of the Company within the past five years;
- have been a Director of the Company for over twelve years.

Upon analysing the situation of each Director with regard to these criteria and following a review by the Appointments Committee on February 16, 2015, the Board of Directors classified as independent Directors, without prejudging the independence of the other Directors, the following members: Yseulys Costes, Daniela Riccardi, Jean-Pierre Denis and Philippe Lagayette.

The Board of Directors noted that as of December 2013, Luca Cordero di Montezemolo had been a Director of Kering for more than 12 years and, having verified that he fulfils the personal independence criteria, acknowledges that he cannot, however, qualify as independent with regard to the criteria presented in the revised AFEP-MEDEF Code under the same conditions as Philippe Lagayette.

Regarding Baudouin Prot, the Board had previously noted that although the Kering group maintained ordinary and arms' length relationships with the BNP Paribas group, the BNP Paribas group had declared that his activities for the Kering group did not engender a conflict of interest with regards to Kering. Moreover, the Board confirmed that Baudouin Prot gave up all responsibilities in the BNP Paribas group in December 2014.

Accordingly, four Directors out of the ten Directors on the Board are classified as independent Directors, it being noted that the revised AFEP-MEDEF Code recommends that those companies with a controlling shareholder, which is the case of Kering, comply with the rule that at least one-third of the Board members should be independent Directors.

5.2.6. Activity of the Board of Directors and its specialised Committees

Activity of the Board of Directors in 2014 and up to February 16, 2015

Activity of the Board of Directors in 2014

During 2014, the Board met eight times with an average attendance rate of 93%; the Chairman of the Board chaired all Board meetings.

Dates	Directors present (attendance rate)
January 16	10/11 (90.9%)
February 20	9/11 (81.8%)
March 18	11/11 (100%)
May 6 (before the Combined General Meeting)	11/11 (100%)
May 6 (after the Combined General Meeting)	11/11 (100%)
July 30	8/10 (80%)
October 23	11/11 (100%)
December 8	10/11 (90.9%)

The work of the Board of Directors mainly involved reviewing the annual and interim financial statements, the Group's business activity and strategic issues.

During its meeting on January 16, 2014, the Board reviewed the work of the Audit Committee on key focus points for the closing of the 2013 financial statements and the Group's Internal Audit activity and heard a presentation on business activity in 2013. The Board granted and allocated the Directors' fees for 2013 in accordance with the terms and conditions of its internal rules.

On February 20, 2014, following a review by the Audit Committee, which met two days before, the Board of Directors adopted the 2013 financial statements and

reports in view of the Annual General Meeting. It adopted the draft Management Report of the Board of Directors to the Annual General Meeting and approved the Chairman's report on corporate governance, internal control and risk management. It also heard a report on the Group's financial position.

On March 18, 2014, the Board met to deliberate on the Group's 2014 budget. The Board heard a presentation on the work of the Remuneration Committee concerning the proposed policy for 2014 with regard to the long-term remuneration of the Group's senior executives and, on the recommendation of the same Committee, determined the variable components of the remuneration for 2014, awarded a long-term performance bonus to the Chairman and Chief Executive Officer and to the Group Managing Director and set the new rules for allocating the Directors' fees.

It also heard the report on the work of the Appointments Committee, following which it convened the Combined General Meeting of May 6, 2014.

On May 6, 2014, the Board met prior to the Annual General Meeting held on the same day. Daniela Riccardi was introduced to the Board before her appointment as Director was presented to the Annual General Meeting along with the new organisation of the Luxury Division into "Luxury – Couture & Leather Goods" and "Luxury – Watches & Jewellery". The Board was also informed of the imminent completion of the sale of La Redoute.

The new Board of Directors met after the Annual General Meeting on May 6, 2014. The Board set at €500 million the amount of the authorisation given to the Chief Executive Officer, with the possibility to sub-delegate such authorisation, to carry out certain transactions, in particular those referred to in Article 15-II of the Company's Articles of Association, and approved the implementation of the share buy-back programme authorised by the Annual General Meeting on the same day.

On July 30, 2014, the Board reviewed the work of the Audit Committee, which had met two days before, heard the Statutory Auditors and a report on business activity for the first half of 2014, and adopted the interim financial statements and reports. The Board then appointed Albert Bensoussan, Chief Executive Officer of Luxury – Watches and Jewellery, as a non-voting Director and noted the designation of Sophie Bouchillou as Director representing the employees and the resignation of Laurence Boone. It also authorised the acquisition of the Swiss manufacturer Ulysse Nardin.

During the meeting on October 23, 2014, a report was presented to the Board on the Group's business activities and strategic issues, particularly the Da Vinci project to overhaul the Luxury Division's IT systems. The Sustainability Committee's work was also presented.

On December 8, 2014, the Board decided to pay an interim dividend for 2014 as from January 26, 2015. On the recommendation of the Remuneration Committee, it decided to award a long-term performance bonus to the

Chairman and Chief Executive Officer in recognition of the Group's transformation into a Luxury and Sport & Lifestyle business.

Activity of the Board of Directors in 2015 up to February 16, 2015

Between January 1, 2015 and February 16, 2015, the Board of Directors met twice.

During its meeting on January 14, 2015, the Board reviewed the work of the Audit Committee on key focus points for the closing of the 2014 financial statements and the Group's Internal Audit activity and heard a presentation on business activity in 2014. The Board granted and allocated the Directors' fees for 2014 in accordance with the new criteria adopted in March 2014.

On February 16, 2015, the Board of Directors met to adopt the 2014 annual financial statements and reports to be submitted to the Annual General Meeting as well as to approve this report. It also heard a report on the Group's financial position.

Assessment of the Board of Directors

In accordance with its internal rules, since 2004 the Board of Directors carries out an annual self-assessment. At least once every three years, an independent Director or third-party expert appointed by the Board assesses and reports on its members and activity. The last assessment was carried out by a specialised firm which reported to the Board on July 25, 2013.

This operational assessment of the Board of Directors was conducted in February and March 2013 by means of individual interviews with each member.

From a general perspective, the Board of Directors appears to run satisfactorily, and the Audit, Appointments and Remuneration Committees provide excellent support.

All Directors considered that the Board put the skills of the individual members to good use.

The Directors were unanimous in voicing their complete confidence in Executive Management.

A suggestion was made to boost the international dimension and the length of service of the Board, in order to bring in new skills, particularly in those industries on which the Group has chosen to focus its organisation, and to diversify its age range.

Meetings of the Board were considered to be open and frank, allowing members to discuss matters freely in a friendly and respectful manner. Some Directors, however, highlighted the dominance of financial issues, and would like to see the Board spend more time on strategy.

There was a general consensus in favour of more discussions on the organisation, and succession plans for senior executives and key individuals within the Group.

Some Directors also felt that they would like to have more time alone with Executive Management during Board meetings.

Audit Committee

Set up in December 2002, the main assignment of the Audit Committee, within the limit of the duties of the Board of Directors, is to review the annual and interim financial statements, to verify the relevance, continuity and reliability of accounting methods applied within the Company and the main subsidiaries and the implementation of internal control and risk management procedures in the Group, to be familiar with the policies implemented within the Group in relation to sustainability and respect for the environment, and to listen to and question the Statutory Auditors. The Committee is notified of the main problems identified by the Kering group's Internal Audit Department.

The Audit Committee reports to the Board on a regular basis and provides it with its opinions or recommendations on all matters within its scope of duties. Meetings of the Audit Committee give rise to a written and approved report.

The Committee may call on external experts and hear any person.

Each year it reviews the fees charged by the Company's Statutory Auditors and assesses their independence. The Audit Committee also considers potential Statutory Auditors for appointment.

The Committee is currently made up of three Directors: Jean-Pierre Denis, Chairman of the Committee, and Yseulys Costes, both of whom are independent Directors, and Patricia Barbizet.

The Audit Committee members all have recognised financial or accounting skills, combining their expertise in general and operational management of banks and businesses as confirmed by their professional careers (see pages 131, 134 and 135 of the Reference Document).

In accordance with the AFEP-MEDEF Consolidated Code, two-thirds of the members of the Committee are independent Directors.

Activities of the Audit Committee in 2014 and up to February 16, 2015

In 2014, the Committee met four times, with an average attendance rate of 92%.

During the 2014 financial year, the Chief Financial Officer and Group Internal Audit Director were frequently invited to present their work and answer questions at meetings of the Committee.

On January 15, 2014, the Head of the Internal Audit Department reported to the Committee on the Internal Audit activities (audit assignments and monitoring of action plans) and the Group's risk exposure; the Committee reviewed the accounting options for the annual financial statements, off-balance sheet commitments and the scope of the Statutory Auditors' assignment as well as their independence and general programme for audit work in order to make its recommendations to the Board of Directors.

On February 18, 2014, the Committee met before the meeting of the Board held to adopt the 2013 financial statements, a topic to which it devoted most of its work, and heard the Statutory Auditors in relation to their reports on the financial statements. It also reviewed the services provided by Artémis in 2013.

On June 6, 2014, the Internal Audit missions for the Group were presented to the Committee.

With a view to the meeting of the Board on July 28, 2014 to adopt the interim financial statements, the Committee met two days before to review the financial statements.

Since the beginning of 2015, the Audit Committee has met twice, with all of its members present.

On January 12, 2015, the Head of the Internal Audit Department reported to the Committee on the Internal Audit activities and the Group's risk exposure; the Committee reviewed the accounting options for the annual financial statements, off-balance sheet commitments and the scope of the Statutory Auditors' assignment as well as their independence and general programme for audit work in order to make its recommendations to the Board of Directors.

On February 13, 2015, the Committee met before the meeting of the Board to adopt the 2014 financial statements, a topic to which it devoted most of its work, and heard the Statutory Auditors in relation to their reports on the financial statements. It also reviewed the services provided by Artémis in 2014. The Committee also heard a report on the performance of the Kering share.

On February 16, 2015, the Committee informed the Board of its work and recommendations.

Remuneration Committee

The Remuneration Committee's role is to review and make proposals to the Board of Directors on all items and terms of remuneration of the Chairman and Chief Executive Officer and the Group Managing Director (as explained above in the section "Remuneration of executive corporate officers") and the method of allocating Directors' fees granted to the Board by the Annual General Meeting. It reviews and assesses the remuneration policy for senior executives as well as the remuneration and benefits received or deferred, stock options, free share grants and/or similar benefits including retirement benefits and any other benefits granted to members of the Kering group Executive Committee.

The Committee is currently made up of four Directors: Philippe Lagayette, Chairman of the Committee, Yseulys Costes and Jean-Pierre Denis, all of whom are independent Directors, and Patricia Barbizet. Accordingly, with regard to the criteria of the revised AFEP-MEDEF Code, independent Directors represented the majority of the Remuneration Committee's members.

Activities of the Remuneration Committee in 2014 and up to February 16, 2015

In 2014, the Committee met five times, with an average attendance rate of 96%.

On February 12, 2014, it met on the subject of the variable remuneration of the Chairman and Chief Executive Officer, the Group Managing Director and the members of the Executive Committee for 2013 and fixed remuneration for the coming fiscal years.

Its meeting in March 2014 was devoted to the Group's long-term performance pay policy. The Committee gave its opinion on the proposed grant policy, as regards the Chairman and Chief Executive Officer and the Group Managing Director, recommending an additional performance condition as well as a purchase obligation in accordance with the recommendations of the revised AFEP-MEDEF Code. The Committee also reviewed the criteria for determining the variable remuneration of the Chairman and Chief Executive Officer and the Group Managing Director for 2014.

On April 1, the Committee reviewed the application of the performance condition for the performance share plans granted in 2010 and 2012 and discussed the possible award of a long-term performance bonus to the Chairman and Chief Executive Officer.

In June 2014 it devoted its meeting to discussing a study on the relevance of the system of long-term remuneration in KMUs and on possible corrective measures.

On October 9, 2014, it recommended awarding a long-term performance bonus to the Chairman and Chief Executive Officer in recognition of the successful transformation of the Group into a Luxury and Sport & Lifestyle business. It then specified the terms and conditions with regard to the purchase obligation imposed on the Chairman and Chief Executive Officer and to the Group Managing Director in connection with KMU awards.

On February 13, 2015, all the members of the Committee met to review the variable remuneration for 2014 and the fixed remuneration of the Executive Committee.

The Remuneration Committee reported on its work and recommendations to the Board of Directors.

Appointments Committee

Set up in March 2003, the Appointments Committee reviews the proposed appointment of Directors as well as their situation with regard to the independence criteria defined by the Board. This review must be carried out prior to each appointment and at any time deemed appropriate by the Committee. It provides its opinions and recommendations in these matters to the Board.

The Committee is currently made up of three Directors: Patricia Barbizet, Chair of the Committee, Luca Cordero di Montezemolo and Baudouin Prot.

Activities of the Appointments Committee in 2014 and up to February 16, 2015

In 2014, the Appointments Committee met once with all of its members present.

On February 17, 2014, the Committee met to discuss the succession plan for the Group's senior executives, the assessment of the independence of Directors, the composition of the Board and its Committees and, in particular, the candidacy of Daniela Riccardi with a view to the Annual General Meeting of May 6, 2014.

On February 16, 2015, the Committee met in the presence of all its members to discuss the succession plan for the Group's senior executives, the assessment of the independence of Directors, the composition of the Board and its Committees and the revision of the Board's internal rules. In addition, it reviewed a draft of the section of this report dealing with corporate governance.

The Appointments Committee reported on its work and made its recommendations to the Board of Directors.

Strategy and Development Committee

Within the limits of the duties of the Board of Directors, the Strategy and Development Committee's role is to identify, analyse and support the Kering group's strategic development initiatives.

The Committee is currently made up of four Directors: Patricia Barbizet, Chair of the Committee, François-Henri Pinault, and Yseulys Costes and Philippe Lagayette, who are both independent Directors.

Activities of the Strategy and Development Committee in 2014 and up to February 16, 2015

The Committee did not meet in 2014 or in early 2015.

Sustainability Committee

The Sustainability Committee's role is to support the Company and the Group in establishing, implementing and monitoring good corporate governance, taking into account the aim of the Board and Executive Management to maintain a high level of sustainable development in their economic, social and environmental context, the Group's clear ambitions in terms of ethics and the social responsibility policies and practices upheld by the Group, its senior executives and employees.

The Committee is composed of five Directors: Jochen Zeitz, Chairman of the Committee, François-Henri Pinault, Patricia Barbizet, Jean-François Palus and Luca Cordero di Montezemolo.

Activities of the Sustainability Committee in 2014 and up to February 16, 2015

The Committee met on March 18, 2014 and was updated on Kering's sustainability strategy and the progress of the main projects related to the group-wide deployment of the EP&L.

At the meeting held on September 22, the Committee discussed internal assessment initiatives in sustainability and the Group's progress in its various activities in this area.

The Committee did not meet in early 2015.

5.2.7. Shareholder participation

All shareholders are entitled to attend Annual General Meetings in accordance with the conditions provided for by law. The terms and conditions of said attendance are specified in the provisions of Article 20 of the Articles of Association and are set out again on page 339 of the Reference Document.

5.2.8. Information likely to have an impact in the event of a public offer

No information other than that related to (i) the current shareholding structure (Artémis being the majority shareholder, with 40.9% of the capital and 57.6% of voting rights of Kering), (ii) the double voting right provided for under the Articles of Association, (iii) the share buy-back programme, and (iv) the authorisations given by the Annual General Meeting to increase the capital, as expressly described in the Reference Document, is liable to have an impact in the event of a public offer or can have the effect of delaying, deferring or preventing a change of control.

To the Company's knowledge, there are no agreements between shareholders that could restrict the transfer of shares or the exercise of voting rights.

5.2.9. Remuneration policy with regard to Directors and executive corporate officers

Directors' fees paid to the members of the Board of Directors

The Annual General Meeting determines the total amount of Directors' fees allocated to members of the Board of Directors.

Based on the recommendations of the Remuneration Committee, the Board of Directors allocates Directors' fees according to the actual presence of members at meetings of the Board and of specialised Committees held during the relevant fiscal year.

Out of the total amount set by the Annual General Meeting, the new rule followed by the Board in order to comply with the new AFEF-MEDEF recommendation 21-1 for a predominant variable portion is to divide the total amount between a 40% fixed portion and a 60% variable portion. The Directors' fees are allocated in the following manner:

- a) a fixed portion, minus a special portion corresponding to the remuneration of the Chairmen of the Audit, Remuneration and Appointments Committees, respectively (€23,000 each), the balance being allocated with a coefficient of 1 by Board membership, increased by 0.5 per Committee;

- b) a variable portion, allocated with a coefficient of 1 (2 for the Vice-Chair) per presence at each meeting of the Board and 0.5 for each attendance of a Committee meeting.

In respect of 2014, Kering paid the members of its Board of Directors €860,989 in Directors' fees.

Other remuneration

The remuneration and benefits granted to executive corporate officers primarily depend on the level of responsibilities attached to their functions, the Group's results and achievement of the targets pursued. They also take into account the remuneration paid by companies that are comparable in terms of size, business sector and international presence.

The variable portion of the remuneration paid to executive corporate officers is exclusively based on the achievement of financial targets. The Board of Directors adopted two financial criteria for 2014, which are based on Group performance indicators in terms of free cash flow and recurring operating income generation, each of these items accounting for one half. When targets are exactly met, the variable portion is equal to 120% of the fixed remuneration of the Chairman and Chief Executive Officer and 100% of that of the Group Managing Director.

None of Kering's executive corporate officers benefit from provisions granting them a specific indemnity in the event that they leave the Group.

The individual remuneration of the Directors and executive corporate officers of Kering is detailed on pages 139 to 145 of the Reference Document.

5.3. *internal control and risk management procedures implemented by the company*

This part of the Report by the Chairman of the Board of Directors on the risk management and internal control system within the Group is based on the AMF's reference framework published in July 2010. This framework takes into account the legislative and regulatory changes since it was first published in 2007, including the Act of July 3, 2008 and the Ordinance of December 8, 2008, which transposed EU Directive 2006/46/EC into French law and also supplemented the Financial Security Act of August 1, 2003.

The AMF's framework is based not only on the aforementioned French and EU legislation and regulations, but also on internal control and risk management good practices and international standards, in particular ISO 31000 and COSO II. The COSO II standard was analysed in depth when the risk management policy was drafted. This policy is set out in the section "The components of risk management".

5.3.1. Scope and principles of organisation

Kering is the parent company of the Kering group, whose main entities are the Luxury Division and the Sport & Lifestyle Division. The following report aims to describe the internal control procedures in the Group, in particular, the procedures relating to the preparation and processing of financial and accounting information. The scope of the Group covered by the report includes all fully-consolidated subsidiaries, i.e., the companies in which the Group directly or indirectly exercises exclusive control.

As a holding company, Kering's own activity consists in defining and implementing its strategy, organising and managing its holdings, stimulating the development of its Divisions, coordinating the financing of their activities, providing support and communication functions, and defining and implementing the insurance cover policy.

The internal control function follows the general organisation of the Group. It is both:

- decentralised at the level of the Divisions: Executive Management of the operational and legal entities is responsible for managing and coordinating the internal control process;
- unified around a common methodology and a single set of standards. The Kering holding company coordinates its deployment across the Group, supported by teams at Kering APAC and Kering Americas.

The section devoted to internal control procedures covers the Luxury Division. PUMA AG, listed on the German market, is subject to regulatory obligations applicable to internal control and risk reporting, which are described in the company's annual report and which may be consulted to supplement this report. It should be noted that the Kering group's best practices in this area have been adopted by the PUMA group. PUMA SE's Audit Committee keeps the Kering Audit Committee regularly informed.

5.3.2. General principles of risk management

According to the definition of the AMF, risks represent the possibility that an event may occur and could have an impact on people, assets, the environment, the company's objectives and its reputation.

Risk management covers areas that are much wider than just financial risks: for example, strategic, operational, reputational and compliance risk. Risk management is a key management tool that helps:

- create and preserve the value, assets and reputation of the Company;
- render the Company's decision-making and processes secure in order to support the achievement of its objectives;
- ensure that initiatives are consistent with the Company's values;
- bring Company employees together to develop a shared view of the main risks.

5.3.3. The components of risk management

The Group constantly strives to make its operations more secure and to improve its methodology to identify and deal with risks. In 2014, the Group pressed ahead with changes to its risk management methodology initiated in 2011 and the means used for its risk management system. The Group's risk management system provides an organisational framework, a three-step risk management process and continuous monitoring of the system.

5.3.3.1. An organisational framework

This organisational framework includes:

- an organisation that sets out the roles and responsibilities of the various persons involved and sets out procedures, as well as consistent and clear standards, for the system;
- a risk management policy that sets out the objectives of the system in line with the Company's culture, the shared language used, and the process to identify, analyse and deal with risks;
- an IT system that makes it possible to share information about risks internally.

Risk Committee

Within the scope of the Group's risk management policy and in accordance with Kering's corporate governance, Kering's Executive Management created a "Kering group Risk Committee" in 2011. This Committee is composed of the Group Managing Director, the Chief Financial Officer, the Head of the Legal Department, the Head of the Internal Audit Department and the Head of the Security Department. As the Group's operations and activities expand, and become more complex and more international, the Risk Committee helps identify and manage strategic, operational, reporting, reputational and compliance risks that could have an impact on the Group's business operations. Internal rules establish the rules for the Committee and how it operates.

The Risk Committee reviews (i) the validation and monitoring process for the Group's risk management policy, (ii) the monitoring of the topicality and relevance of the analysis of strategic, operational, reporting, reputational and compliance risks, (iii) the analysis summaries of general and specific risks, and (iv) the validation and monitoring of the rolling-out of action plans aimed at better controlling identified risks.

The Risk Committee's work is brought to the attention of the Audit Committee, which is informed of the Committee's internal rules and has access to the reports from its meetings.

Risk manager

The risk manager function was also created within the Company to coordinate this reinforced risk management system, ensure that the Executive Management teams of the Divisions analyse the main risks within their scope of business, and provide the members of the Risk Committee, prior to each meeting, with the information and documents necessary for their work and their discussions.

Risk management policy

After reviewing in particular the COSO II standard, the Group implemented a risk management policy that was sent to the Divisions' Internal Control Departments as well as the brands' Executive Management teams. This document describes the methods used by the Group for the risk analysis work that it conducts every two years.

5.3.3.2. A three-step risk management process:

The risk management process involves:

- identifying risks: this step makes it possible to identify and centralise the main risks. A risk is characterised by an event, one or more internal or external sources, and one or more consequences. Risk identification within the Group is part of a continuous effort with biannual assessments;
- analysing risks: this step involves reviewing the potential consequences of the main risks (for example, financial, human, legal or reputational consequences) and assessing their impact, whether they may occur as well as the level of risk control. This is also a continuous effort, and assessments are conducted twice a year during work group sessions with the main managers of the Divisions; the risk management policy describes in detail the criteria and procedures for these assessments;
- dealing with risk: during this last step, the most appropriate action plan(s) for the company is (are) identified.

This risk mapping system was put in place several years ago and has been strengthened since 2011 with the presentation made to the Risk Committee of a consolidated risk map for each Division. The risk management process is monitored over the long-term.

In 2013, the Group deployed special software for the management of risk identification and analysis which guarantees a common methodology across both Divisions and extends the responsibilities of the managers included in these work sessions.

In 2014, the Group extended its biannual risk identification process through work sessions with the holding company's main managers.

5.3.3.3. Oversight of the risk management system

The risk management system is monitored and reviewed on a regular basis to help continuously improve the system. The objective is to identify and analyse the main risks and to learn from risks that have materialised.

The Risk Committee meets at least twice a year to review the risk maps drawn up by the Executive Management teams of the Group and the Divisions, and to monitor the progress of the special action plans.

The Committee discusses its self-assessment once a year.

The Risk Committee met twice in 2014 and the Audit Committee was apprised of its work.

5.3.4. Link between risk management and internal control

The risk management and internal control systems are complementary, and together help control the Group's activities:

- the risk management system is designed to identify and analyse the main risks. Risks are dealt with and addressed in action plans that can be adapted to the organisation, may include project management, and may also involve implementing controls. The controls to be implemented are part of the internal control system and may be reviewed based on the risk maps;
- the internal control system relies on the risk management system to identify the main risks to be controlled;
- the audit plan uses the risk map to test the assessment of the level of control of the risks identified.

The link between and the combined balance of the two systems depend on the control environment, which is their common base, particularly the risk and control culture of each company and the ethical values of the Group.

5.3.5. General principles of internal control

5.3.5.1. Definition of internal control

The internal control procedures applicable within the Kering group rely on a set of means, policies, conduct, procedures and appropriate actions to ensure that the necessary measures are taken in order to control:

- activities, operational effectiveness and the efficient use of resources;
- strategic, operational, financial, reputational or compliance risks that could have a significant impact on the Company's assets or the achievement of its objectives.

Internal control is defined as a process conducted by Executive Management, under the supervision of the Board of Directors, and implemented by senior executives and all employees. Regardless of its quality and its degree of application, it cannot provide an absolute guarantee of the achievement of goals falling within the following categories:

- compliance with laws and regulations in force;
- application of guidelines and directions set by Executive Management;
- smooth operation of internal processes, particularly those contributing to the safeguarding of assets;
- reliability of financial and accounting information.

5.3.5.2. Limits of internal control

The probability of meeting such objectives is subject to the limits inherent in any internal control system, such as:

- human errors or malfunctions occurring when decisions are made or applied;
- deliberate collusion amongst several individuals, enabling them to elude the control system;
- situations in which implementing or maintaining a control would be more expensive than the risk that it is supposed to remedy.

Furthermore, it is understood that in pursuing the objectives indicated above, companies are faced with events and uncertainties beyond their control (unexpected changes in the markets, competitive environment or geopolitical situation, or error in forecasting or assessing the effects of such changes on the organisation, etc.).

5.3.6. Components of internal control

The quality of the internal control system is based on the following components:

- the control environment based on rules of conduct and integrity supported by Management and communicated to all employees;
- an organisation that clearly defines responsibilities and has adequate resources and skills;
- a system to identify, analyse and manage the main risks;
- ongoing oversight of the internal control system and regular review of the functioning of the system.

5.3.6.1. Internal control environment

The Group's internal control system is based on a decentralised organisation that clearly defines responsibilities through the Group Charter. It includes principles and values governing the conduct and ethics of all its employees, presented in the Code of ethics. It also includes an Internal Control Charter. Moreover, it relies on human resources management that ensures the competency, ethical conduct and involvement of its employees.

The Group Charter

The Kering group adopted a Group Charter several years ago which was updated in 2012 and provides the framework for the decentralisation of the organisation and the responsibility of senior executives. The Charter defines the guiding principles governing the relations between Kering and the Divisions. It also defines, within each functional area, (i) the matters that fall within the delegated responsibility of the Divisions, (ii) those that must be communicated to Kering within sufficient timeframes, and (iii) those requiring the prior authorisation of Kering.

Group principles and values

The ethical principles of the Kering group are set out in the Code of ethics, first circulated in 2005 and then recirculated in 2009 and 2013 to all Kering group employees.

The third edition of the Code of ethics included a Suppliers' Charter and the adoption of the precautionary principle, especially in environmental protection. It also presents new developments in the Group's ethics organisation and the steps to take in cases of suspected non-compliance with key Kering commitments.

The Code sets out the Group's commitments and rules of conduct towards its main stakeholders:

- employees;
- customers and consumers;
- business partners and competitors;
- the environment;
- civil society;
- shareholders and financial markets.

This intensification of promotion and respect for ethics within the Group has also seen the implementation of an online training programme in ethics and code compliance for all Kering employees worldwide. It is based on case studies that show ethics in the light of daily professional life, and will be updated annually.

In addition to the first circulation of its Code of ethics in 2005, Kering has also set up a Group Ethics Committee. This Committee is now supported by two regional Ethics Committees: the Asia-Pacific (APAC) Ethics Committee and the Americas Ethics Committee. A global hotline is also available to all staff in all twelve of the Code's languages.

The Ethics Committees are composed of representatives of the Group's brands and Kering staff (Corporate, Kering APAC and Kering Americas). This entire structure is managed by Kering's Chief Sustainability Officer and Head of International Affairs.

The Ethics Committees have three main functions:

- supervising the circulation and application of the Code of ethics and the principles that it defends;
- responding to any issues raised by a Group employee, be it a simple request for clarification or a question relating to the interpretation of the Code and its application, or a claim submitted to the Committee due to alleged non-compliance with one of the Group's ethical principles;
- generating initiatives for developing the Group's sustainable development policy and activities.

The changes made to the Code and the organisation of ethics within the Group are examined in detail in section 3 "Sustainability" of this report.

The Divisions may in addition set up their own specific additional procedures and guidelines, such as supplier gift charters.

Moreover, the Insider Good Practices Committee, made up of the Group Managing Director and the Head of the Legal Department, implements preventive measures to protect against insider trading activities (e.g., a calendar of black-out periods, a list of permanent and occasional insiders, newsletters, etc.).

The Internal Control Charter

The Kering group adopted an Internal Control Charter in 2010 that was circulated throughout the Group. The Charter defines internal control and sets out its objectives as presented in the AMF's reference framework. It also specifies the limits of internal control, which cannot under any circumstances provide an absolute guarantee that the Company's objectives will be achieved. The Charter specifies that the holding company serves to unite the various entities. It also sets out the responsibilities of each Division in implementing an internal control system that is adapted to their types of activities.

The Charter defines the role of each person involved in the internal control system and the bodies responsible for oversight and assessment.

Furthermore, the Charter specifies the existing tools for assessing internal control and risks which are self-assessment of internal control and mapping of major risks.

At the beginning of 2015 the Group prepared to revise and circulate a new Internal Control Charter in order to adapt to the changes in the Group.

Human resources policy

Quality of human resources and cohesion of management are key success factors of the Group. Kering makes sure that the various Divisions apply human resources policies that are adapted to their context and the challenges they face, while meeting the highest local standards. The principle of autonomy and empowerment of the Divisions is also applied, but the Group guarantees the consistency of the policies implemented and their alignment with Kering's values and actions defined centrally.

With regard to social policy, the Divisions apply high standards of dialogue and participation of employees in the Company, while the Group engages in dialogue at the level of the Group's employee representative bodies, the Group Works Council and the European Works Council. In 2010, the European Works Council and Kering's Group management adopted a "Framework of Commitment on the quality of life at work and the prevention of work-related stress". Kering has also set up an employee opinion survey conducted every two years, which also concerns the Divisions. The survey was conducted again in 2013. The Group develops cross-functional training programmes and carries out people reviews every year of the Divisions' managerial resources. Kering thus ensures that

there is a good match both now and in future between the managerial resources and the challenges facing the Divisions. Furthermore, the Group maintains an active market monitoring policy for all key positions for which the internal succession plan does not appear sufficiently strong.

5.3.6.2. Organisation and resources

The organisation of internal control depends on actively-involved persons at every level of the chain of responsibility, from Executive Management to all employees, as well as the bodies responsible for oversight and assessment: the Board of Directors, the Audit Committees, the Internal Audit and Risk Management Departments and the Statutory Auditors.

The Executive Committee

The Kering group Executive Committee, which is an Executive Management body, is composed of the Chairman and Chief Executive Officer, the Group Managing Director, the Chief Executive Officer of the Luxury Division – Watches and Jewellery, the Chief Executive Officer of Gucci, the Chief Executive Officer of PUMA SE, and the Kering functional Directors (Human Resources, Finance, Sustainability, International Institutional Affairs and Communications).

The Executive Committee meets regularly, frequently, and whenever required, in accordance with the policies of the Strategy and Development Committee, in order to:

- draw up and coordinate the Group's operating strategy;
- define the priorities through objectives assigned to the Divisions and the main functional projects;
- develop synergies between the Divisions;
- propose acquisitions and disposals to the Board of Directors;
- ensure proper implementation of the policies and projects defined within the framework of Kering Sustainability.

Kering group strategies and goals are discussed each year via the medium-term plans and the budgets of the business units of each of the Divisions.

Executive Management teams

The Executive Management teams define, coordinate and oversee the Group's internal control system. They are also in charge of initiating the necessary corrective measures. The Executive Management teams' involvement is of key importance to the internal control system, given the Kering group's organisation.

Oversight of the system results in an annual report on internal control prepared by the Chief Executive Officer of PUMA.

Management and employees

Management is the key operational player of internal control; it relies on internal control to perform its duties and reach its objectives. In this respect, management implements the internal control operations related to its area of responsibility and ensures that the internal control system is adapted to its activities.

Employees must have the knowledge and information necessary to set up, operate and oversee the internal control system, with regard to the assigned objectives. In their day-to-day activities, they must follow the principles and rules of control and may suggest ways to improve and detect malfunctions.

The bodies responsible for oversight and assessment are:

The Board of Directors

The Board of Directors contributes to the overall control environment through the skills of its members. The Board is regularly informed about the methodologies used for internal control and the management of major risks, which it presents in its Board report.

Audit Committees

Under the responsibility of the Board of Directors, to which it regularly reports on these matters, the Kering Audit Committee is made up of three members, two of whom are independent. It is in charge of monitoring:

- the procedures for preparing financial information;
- the effectiveness of internal control and risk management systems;
- the statutory audits of annual financial statements and, if need be, consolidated financial statements performed by the Statutory Auditors;
- the independence of the Statutory Auditors.

The Kering Audit Committee also carries out the following actions:

- verifies that the Group has Internal Audit Departments that are structured and adapted to the tasks of identifying, detecting and preventing risks, anomalies or irregularities in the management of the Group's affairs;
- assesses the relevance and quality of the methods and procedures used;
- reviews the Internal Audit reports and the recommendations issued;
- approves the annual Internal Audit plan;
- reviews the work conducted by the Risk Committee and has access to the minutes of its meetings.

Kering's Audit Committee meets at least four times a year. Similarly, there is an Audit Committee within the Luxury Division and PUMA, whose methods of operating and actions are identical to those of Kering's Audit Committee; they meet prior to the meeting of Kering's Audit Committee.

Internal Audit and Risk Management Departments

PUMA, as a company listed in Germany, is required to have an Internal Audit Department. This Department works with the Kering group's Internal Audit Department to ensure that the audit teams are provided with full coverage of the Group.

Through their work the Internal Audit and Risk Management Departments help assess the internal control system and make recommendations for its improvement. The Internal Audit and Risk Management Departments are also in charge of coordinating risk management, in particular through risk mapping and monitoring the action plans. The Heads of the Internal Audit Departments report the main results of their assessments to Executive Management and the Audit Committee.

At the level of Kering, the Group Internal Audit Department reports to the Chairman. It coordinates, harmonises and optimises the working methods and tools. It also provides services (regulatory intelligence, expertise, resources, etc.) and conducts cross-functional operational missions in specific fields.

The Group Internal Audit Department centrally administers and analyses internal control pursuant to the Financial Security Act and the new AMF reference framework described in more detail in the section below entitled "Oversight of the system".

The Group Internal Audit Department also carries out an active watch with regard to best internal control practices.

The Internal Audit Departments check the control procedures implemented by other Departments and conduct operational and financial audits within their remit. During 2014, the Internal Audit teams taken together conducted around seventy audit assignments, including special assignments.

The Internal Audit Departments draw up the audit plans, relying, in particular, on the Group's process guidelines and based on the major risks identified for the brands. They take account of special requests from senior management and other operational departments. These projects are discussed with the main persons in charge. The Audit Committees review and approve the audit plans thus drawn up.

The main issues identified by the Internal Audit Departments are reported to the Audit Committees. In this way, the Audit Committees are informed of the issues identified and the action plans set up by the entities concerned.

Apart from these assignments, all of the Internal Audit resources in the Kering group are dedicated to promoting internal control on all business processes and activities, be they operational or financial, related to stores, warehouses or headquarters, distribution or manufacturing activities.

At the end of 2014, the Internal Audit Department of the Kering group consisted of 20 employees, up from 17 in 2013. Their rules of conduct are described in their Audit Charter which stipulates that:

- at the end of each audit, the findings and recommendations are presented to the managers of the area or areas concerned;
 - any agreements or disagreements made known by the audited parties concerning the proposed recommendations are included in the final report that specifies any action plan, as well as responsibilities and the deadlines for implementation;
 - the operational staff members concerned are responsible for implementing recommendations;
 - the Internal Audit Department is in charge of verifying their implementation.
- presentation of a general overview of the Kering group presented to Kering's Management and to the Audit Committee;
 - preparation of the Statutory Auditors' reports for Kering's shareholders. These reports appear in the Reference Document on pages 122, 166, 295, 317 and 319.

5.3.6.3. Risk management

The risk management system is described in the section "Risk management" (see pages 199 to 205).

5.3.6.4. Oversight of the system

The ongoing oversight of the internal control system and regular review of its functioning are provided through three sources: the work performed by Internal Audit, the remarks made by the Statutory Auditors and the annual self-assessments.

With regard to the annual self-assessments carried out within each Division for each process identified, the managers in charge are asked to assess the level of internal control through key controls for their operations, in order to identify any weaknesses and implement corrective measures.

Self-assessment is not simply a reporting tool intended for the Internal Audit Departments or the Audit Committees; it is also a system that allows the Executive Management teams of each Division to obtain reasonable assurance regarding the strength of the internal control system. Self-assessment makes it possible to strengthen the level of internal control through operational action plans.

The internal control analysis methodology is based on the following principles:

The Statutory Auditors

The Statutory Auditors review the internal control systems in order to certify the financial statements, by identifying the strengths and weaknesses, by assessing the risk of material misstatement, and where applicable, by making recommendations. Under no circumstances do the Statutory Auditors take the place of the Company in implementing the internal control system.

The role of the Statutory Auditors is to annually certify the completeness, accuracy and fair presentation of the parent company and consolidated financial statements and issue a review report on the Group's interim consolidated financial statements.

The audit assignments are allocated between two Statutory Auditors: Deloitte and KPMG.

The main issues covered by the Auditors are as follows:

- identification of the risk areas and performance of tests by sampling in order to validate the completeness, accuracy and fair presentation of the financial statements with regard to their company or consolidated materiality level;
 - validation of the main accounting treatments and options throughout the year, in coordination with the management of the Divisions and Kering;
 - application of the accounting standards defined by Kering for the Divisions;
 - preparation of an audit report for each brand, in order to certify Kering's consolidated financial statements, including any comments on internal control;
- a self-assessment, using questionnaires, conducted with the key operational staff members in each of the Divisions following the breakdown of activities into key processes. An overhaul of the self-assessment questionnaires was begun in 2011 and continued in 2012 in order to make them more effective and better adapted to business operations. In 2014, all of the questionnaires were reviewed in the light of participants' responses during the previous annual assessment and the comments of those making the assessments. Key controls as well as fraud risk controls were also identified and added to these questionnaires in order to strengthen the effectiveness of the action plans. The self-assessment campaign was extended in 2014 to cover 100% of Kering's and the Divisions' identified activities;
 - these questionnaires provided operating staff with a supplemental indicator for assessing the quality of the internal control procedures of which they are in charge. They make it possible to harmonise the level of internal control applied throughout the Group and for all activities to benefit from best practices, in particular within newly-acquired entities. They allow action plans

to be launched based on the results of these self-assessments;

- the questionnaire regarding the finance, accounting and management process is circulated each year. It takes into account the AMF's reference framework and, in particular, its application guide. This questionnaire includes 60 or so questions on the Group's mandatory key controls. It is circulated among the largest subsidiaries in the Luxury and Sport & Lifestyle Divisions. The cash management section of the questionnaire was supplemented in 2014. Thanks to a dedicated application, in 2014 there was an increase in the number of processes covered and the number of subsidiaries included in the self-assessment campaigns concerning each of these processes. This expanded coverage reflected the changes in the organisation of the Group's businesses and the acquisition of new companies.

In 2013, the Group's Internal Audit Department began to extend its self-assessment procedures to directly-owned stores throughout the Luxury Division. These quarterly self-assessments give the sales network managers an idea of the effectiveness of their internal control and a teaching tool that helps store managers to meet their internal control obligations.

In 2014, the Group Internal Audit Department continued to roll out this dedicated tool throughout the Luxury Division's stores.

This approach was presented and approved by the Kering Audit Committee.

5.3.7. Description of internal control procedures relating to the preparation of financial and accounting information

Organisation of the accounting and management function

Financial and accounting information is prepared by the Finance Department. At the level of Kering, this department supervises the Financial Control Department, the Financing and Treasury Department, the Insurance Department, the Tax Department and the Financial Communications Department.

The production and analysis of financial information is based on a set of financial management procedures including:

- medium-term plans, which measure the impact of strategic decisions on the Group's key financial and management balances. They are also used for the annual assessment by the Group of the value in use of assets for the various cash-generating units;
- budgets, which are drawn up in two phases on the basis of discussions between the operating Departments and the members of the Group's Executive Management. The first phase takes place in the fourth quarter of the fiscal year when a preliminary budget sets out the main financial balances and operating action plans. The second stage which finalises the budget takes place in the first quarter of the following year and takes into account any significant events that may have occurred in the meantime;
- monthly reporting that monitors the performance of the Luxury and Sport & Lifestyle Divisions throughout the fiscal year via specific indicators whose consistency and reliability are reviewed by the Financial Control Department. This Department also oversees the consistency of the accounting treatment applied by the Divisions with Group rules and carries out, in collaboration with the Divisions' financial controllers, an analytical review by comparison with the budget and the previous year;
- monthly meetings of the Executive Management of Kering and the senior executives of the Group's Divisions to assess changes in activities on the basis of financial and operational data provided by the meetings' participants;
- the Group's regular monitoring of the Divisions' off-balance sheet commitments. This check is carried out, in particular, as part of the statutory consolidation process insofar as the Divisions are required to provide an exhaustive list of their commercial or financial commitments and to monitor them from year to year.

Organisation of the consolidation function

The statutory consolidation of the financial statements is carried out at the end of June and December using the Group consolidation tool that enables financial information to be transferred from the Divisions in real time after full validation of the consolidation reporting packages by the Divisions' Statutory Auditors and by the Chief Executive Officers and Chief Financial Officers of the brands who commit themselves via a signed representation letter, thus strengthening the quality of the financial information transferred.

Consolidation levels within the Divisions guarantee a first level of control and consistency.

Kering's Financial Control Department coordinates the process and is in charge of producing the Group's consolidated financial statements. For this purpose, the department sends instructions to the Divisions specifying the reports to be sent, the assumptions to be applied as well as the specific points to be taken into account.

Financial Communications

The purpose of the Financial Communications Department is to provide information on an ongoing or periodic basis which conveys a consistent and clear message as well as to respect the principle of equality between shareholders in relation to information.

Financial communication is meant for a diversified public composed mainly of institutional investors, individuals and employees. Executive Management, the Finance Department and the Financial Communications Department are the contacts for analysts and institutional investors. The Human Resources Department manages the information provided to employees alongside the Financial Communications Department.

Financial information is provided through Annual General Meetings, periodic publications, press releases, etc., and all means of communication: press, Internet, direct telephone contact, individual meetings, etc.

Financing and Treasury Department

The Financing and Treasury Department manages liquidity, counterparty, foreign exchange and interest rate financial risks. It also coordinates the Group's cash management. It manages the Group's banking policy, establishes guidelines regarding the allocation of activity by bank and coordinates Group calls for tender. It ensures consistency between published financial information and policies governing interest rate, foreign exchange and liquidity risk management. Almost all of the financing is set up by Kering or Kering Finance. Exceptions are analysed on a case-by-case basis according to specific opportunities or constraints and require Kering's agreement.

Internal control is strengthened by the centralisation of certain functions within Kering:

The Legal Department

Apart from its specific function at Company level, the Legal Department assists the entire Group with important legal matters and coordinates analyses or studies common to the Divisions or of significant interest for the Group. It also formulates Group policy and oversees its application. It provides the Divisions with a methodology for identifying standard risks enabling them to anticipate such risks and inform the Legal Department.

The Tax Department

The Tax Department coordinates the Group's tax policy, and advises and assists the Divisions on all issues related to tax law as well as on the implementation of tax consolidation in France.

The Insurance Department

The Insurance Department sets up and manages the Group's insurance policy. It is responsible for identifying, quantifying and handling risks (prevention, self-insurance or transfer to insurers or reinsurers).

The Communications Department

The Communications Department is involved in the Group's development by enhancing its image and reputation both internally and externally.

The Information Systems Department

The Information Systems Department is responsible for providing optimal operational performance, controlling IT risk and improving the Group's information systems.

This report on internal control, resulting from the contribution of the various internal control players mentioned in the first section of this document, was presented in draft form to Kering's Audit Committee for its opinion and was approved by Kering's Board of Directors on February 16, 2015.

Chairman of the Board of Directors

6. *statutory auditors' report*

prepared in accordance with article L. 225-235 of the french commercial code (code de commerce) on the report of the chairman of the board of directors year ended december 31, 2014

This is a free translation into English of the Statutory Auditors' report issued in French prepared in accordance with Article L. 225-235 of the French Commercial Code on the report prepared by the Chairman of the Board of Directors of Kering S.A. on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information issued in French and is provided solely for the convenience of English speaking users. This report should be read in conjunction and construed in accordance with French law and the relevant professional standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of Kering S.A. and in accordance with Article L. 225-235 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French Commercial Code for the year ended December 31, 2014.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the Company and containing the other disclosures required by Article L. 225-37 of the French Commercial Code, particularly in terms of corporate governance.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information, and
- to attest that this report contains the other disclosures required by Article L. 225-37 of the French Commercial Code, it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information. These procedures mainly consisted in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information on which the information presented in the Chairman's report is based and the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and the existing documentation;
- determining whether any significant weaknesses in the internal control procedures relating to the preparation and processing of accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our procedures, we have nothing to report on the information on the Company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L. 225-37 of the French Commercial Code.

Other disclosures

We hereby attest that the report of the Chairman of the Board of Directors includes the other disclosures required by Article L. 225-37 of the French Commercial Code.

Paris La Défense and Neuilly-sur-Seine, March 25, 2015
The Statutory Auditors

KPMG Audit
Division of KPMG S.A.
Hervé Chopin

Deloitte & Associés
Frédéric Moulin

chapter 5

financial information

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1. activity report

1.1. foreword – definitions

IFRS 5 – Non-current assets held for sale and discontinued operations

In accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*, the Group has presented certain activities as “Non-current assets held for sale and discontinued operations”. The net income or loss from these activities is shown on a separate line of the income statement, “Net income (loss) from discontinued operations”, and is restated in the statement of cash flows and income statement for all reported periods.

Assets and liabilities relating to assets held for sale and discontinued operations are presented on separate lines in the Group’s statement of financial position, without restatement for previous periods.

As stated in Note 12 to the consolidated financial statements, Redcats and Sergio Rossi are classified as “Non-current assets held for sale and discontinued operations”.

Definition of “reported” and “comparable” revenue

The Group’s “reported” revenue corresponds to published revenue. The Group also uses “comparable” data to measure organic growth. “Comparable” revenue is 2013 revenue restated for the impact of changes in Group structure in 2013 or 2014, and for translation differences relating to foreign subsidiaries’ revenue in 2013.

Definition of recurring operating income

The Group’s total operating income includes all revenues and expenses directly related to Group activities, whether these revenues and expenses are recurring or arise from non-recurring decisions or transactions.

Other non-recurring operating income and expenses consists of items, which by their nature, amount or frequency, could distort the assessment of Group entities’ operating performance. Other non-recurring operating income and expenses include impairment of goodwill and other intangible assets, gains or losses on disposals of non-current assets, restructuring costs and costs relating to employee adaptation measures.

Consequently, Kering monitors its operating performance using “Recurring operating income”, defined as the difference between total operating income and other non-recurring operating income and expenses (see Notes 8 and 9 to the consolidated financial statements).

Recurring operating income is an intermediate line item intended to facilitate the understanding of the entity’s

operating performance and which can be used as a way to estimate recurring performance. This indicator is presented in a manner that is consistent and stable over the long-term in order to ensure the continuity and relevance of financial information.

Recurring operating income at comparable exchange rates for 2013 takes into account the currency impact on revenue and Group acquisitions, the effective portion of currency hedges and the impact of changes in exchange rates on the translation of the recurring operating income of consolidated entities located outside the eurozone.

Definition of EBITDA

The Group uses EBITDA to monitor its operating performance. This financial indicator corresponds to recurring operating income plus net charges to depreciation, amortisation and provisions on non-current operating assets recognised in recurring operating income.

EBITDA at comparable exchange rates is defined using the same principles as for recurring operating income at comparable exchange rates.

Definition of free cash flow from operations and available cash flow

The Group also uses an intermediate line item, “Free cash flow from operations”, to monitor its financial performance. This financial indicator measures net operating cash flow less net operating investments (defined as purchases and sales of non-current assets).

“Available cash flow” corresponds to free cash flow from operations plus interest and dividends received less interest paid and equivalent.

Definition of net debt

As defined by CNC recommendation No. 2009-R.03 of July 2, 2009, net debt comprises gross borrowings, including accrued interest, less net cash.

Net debt includes fair value hedging instruments recorded in the statement of financial position relating to bank borrowings and bonds whose interest rate risk is fully or partly hedged as part of a fair value relationship (see Note 32 to the consolidated financial statements).

The financing of customer loans by consolidated consumer credit businesses is presented in borrowings. Group net debt excludes the financing of customer loans by consumer credit businesses.

1.2. 2014 highlights

Kering reorganises its Luxury businesses to accelerate the growth of its brands

In April 2014, Kering announced the creation of two new divisions – “Luxury – Couture & Leather Goods” and “Luxury – Watches & Jewellery” – both reporting to François-Henri Pinault, the Group’s Chairman and CEO.

To foster the continuing expansion of Kering’s Luxury business resulting from both its organic growth and the acquisitions carried out in 2012 and 2013, the Group has put in place a more specialised oversight structure for the business. The underlying aim of this reorganisation is to strengthen the Group’s monitoring processes and more specifically focus on the expertise that it provides to its brands in order to accelerate their growth. The autonomy of each of Kering’s brands will be fully respected in the reorganisation and the brands will remain under the operational responsibility of their respective CEOs.

In the second half of 2014, the new CEOs took up their roles in the new divisions and Marco Bizzarri, CEO of the Luxury – Couture & Leather Goods division since April 2014, was appointed CEO of Gucci further to Patrizio di Marco’s departure at the end of December 2014.

Finalisation of the sale of Redcats

On June 3, 2014, Kering announced that it had closed the sale of La Redoute and Relais Colis to Nathalie Balla, Chairman and CEO of La Redoute, and Eric Courteille, Chief Administrative Officer of Redcats, in accordance with the conditions specified in the sale agreement and in keeping with all the commitments made within the framework of the disposal process.

On December 3, 2014, Kering sold its stake in Diam to the Prenant group after having recapitalised the company, and announced that it had signed an agreement for the sale of Movitex, which was completed in January 2015. This agreement marks the end of the disposal process for Redcats.

The results of Redcats’ businesses during the year represented a €355 million loss which was recorded under “Net income (loss) from discontinued operations”. This amount includes mainly the cost of financing the social guarantees to be granted to the employees concerned by the modernisation measures at La Redoute and Relais Colis for €200 million. It also includes a provision for vendor warranties given in connection with the sale.

Acquisition of Ulysse Nardin

On November 19, 2014, Kering announced that it had finalised the acquisition of 100% of Ulysse Nardin. The brand will join Kering’s “Luxury – Watches & Jewellery” division, which is headed by Albert Bensoussan.

Founded in 1846 by Ulysse Nardin with its roots in the nautical world, the eponymous watchmaker was taken over and relaunched in 1983 by Rolf W. Schnyder who transformed it into a highly profitable business with a strong financial structure. The company has a very strong brand identity based on its historical expertise in marine chronometres and ultra-complex timepieces.

Ulysse Nardin is consolidated in the Group’s financial statements with effect from November 1, 2014. The provisional purchase price accounting for this acquisition was still in progress at end-December 2014.

Other highlights

In the first six months of 2014, Kering redeemed the remaining €550.1 million of the bond that was issued in 2009 and matured in April 2014. The bond was originally issued in two tranches representing an aggregate €800 million, of which €249.9 million was redeemed in 2011. Also during this period, the Group redeemed the €150 million bond issued in June 2009 and maturing in June 2014. To extend the maturity of its debt, Kering carried out a bond issue in second-half 2014 involving €500 million worth of seven-year bonds paying interest of 1.375%.

1.3. 2014 business review

The main financial indicators taken from Kering's consolidated financial statements for 2014 are presented below:

(in € millions)	2014	2013	Change
Revenue	10,037.5	9,655.7	+4.0%
Recurring operating income	1,664.0	1,751.2	-5.0%
as a % of revenue	16.6%	18.1%	-1.6 pts
EBITDA	1,990.7	2,043.3	-2.6%
as a % of revenue	19.8%	21.2%	-1.3 pts
Net income attributable to owners of the parent	528.9	49.6	+966.3%
o/w continuing operations excluding non-recurring items	1,177.4	1,231.3	-4.4%
Gross operating investments	(551.4)	(674.9)	-18.3%
Free cash flow from operations	1,077.8	856.6	+25.8%
Total equity	11,262.3	11,195.9	+0.6%
o/w attributable to owners of the parent	10,634.1	10,586.6	+0.4%
Net debt	4,390.7	3,442.9	+27.5%

Revenue

Consolidated revenue from continuing operations amounted to €10,038 million in 2014, up 4% on 2013 as reported and 4.5% based on a comparable Group structure and exchange rates.

(in € millions)	2014	2013	Reported change	Comparable change ⁽¹⁾
Luxury Division	6,758.6	6,377.5	+6.0%	+4.9%
Sport & Lifestyle Division	3,245.1	3,247.0	-0.1%	+3.5%
Eliminations	33.8	31.2	-	-
Total revenue	10,037.5	9,655.7	+4.0%	+4.5%

(1) On a comparable Group structure and exchange rate basis.

Year-on-year growth for the Luxury Division slowed in 2014 to 4.9% on a comparable basis (6% as reported), primarily reflecting softness in the consumer environment, notably in emerging markets and Western and Eastern Europe.

Revenue for the Sport & Lifestyle Division edged back slightly compared with 2013 as reported but was up 3.5% based on comparable data, fuelled by the sales momentum generated by PUMA's recovery plan, particularly in the second half of the year.

The year-on-year increase in reported consolidated revenue includes a positive impact of €100 million from changes in Group structure in 2014 (primarily due to the Pomellato acquisition and to a lesser extent, the Ulysse Nardin acquisition since November 1, 2014).

Exchange rate fluctuations had a €148 million negative effect on revenue, of which €75 million was attributable to depreciation of the yen against the euro and €73 million to depreciation of other currencies (particularly the Argentine peso and the Russian ruble), which mainly affected the Sport & Lifestyle Division.

Revenue by geographic area

(in € millions)	2014	2013	Reported change	Comparable change ⁽¹⁾
Western Europe	3,152.3	3,022.0	+4.3%	+1.6%
North America	2,146.7	2,031.6	+5.7%	+5.5%
Japan	962.5	967.8	-0.5%	+7.3%
Sub-total – mature markets	6,261.5	6,021.4	+4.0%	+3.8%
Eastern Europe, Middle East and Africa	728.5	709.6	+2.7%	+4.9%
South America	464.7	475.3	-2.2%	+9.0%
Asia-Pacific (excluding Japan)	2,582.8	2,449.4	+5.4%	+5.3%
Sub-total – emerging markets	3,776.0	3,634.3	+3.9%	+5.6%
Total revenue	10,037.5	9,655.7	+4.0%	+4.5%

(1) On a comparable Group structure and exchange rate basis.

The Group's balance in terms of brand portfolio, geographic presence and sales formats makes it more resilient to changes in the economic environment despite a difficult global economic context and unsettled market conditions that have existed for several quarters now. Revenue generated outside the eurozone accounted for 79% of total consolidated revenue in 2014.

Growth in mature markets was sustained at 3.8% based on comparable data, driven by Japan and North America. Emerging markets were up 5.6% on a comparable basis, and accounted for 38% of the Group's total sales. An aggregate 25.7% of emerging market sales was generated in the Asia-Pacific region (excluding Japan).

Quarterly information

(in € millions)	First quarter	Second quarter	Third quarter	Fourth quarter	Total 2014
Gucci	838.1	838.2	851.0	969.9	3,497.2
Bottega Veneta	250.8	274.7	286.2	318.8	1,130.5
Yves Saint Laurent	158.0	162.6	177.8	208.9	707.3
Other Luxury brands	335.4	335.8	340.9	411.5	1,423.6
Luxury Division	1,582.3	1,611.3	1,655.9	1,909.1	6,758.6
PUMA	730.0	656.1	847.8	756.3	2,990.2
Other Sport & Lifestyle brands	59.6	53.0	74.3	68.0	254.9
Sport & Lifestyle Division	789.6	709.1	922.1	824.3	3,245.1
Corporate and other	7.7	10.4	7.3	8.4	33.8
Kering total	2,379.6	2,330.8	2,585.3	2,741.8	10,037.5

(in € millions)	First quarter	Second quarter	Third quarter	Fourth quarter	Total 2013
Gucci	865.9	888.9	864.8	941.2	3,560.8
Bottega Veneta	229.0	236.6	259.3	290.9	1,015.8
Yves Saint Laurent	127.2	128.1	139.3	162.3	556.9
Other Luxury brands	280.9	279.4	328.5	355.2	1,244.0
Luxury Division	1,503.0	1,533.0	1,591.9	1,749.6	6,377.5
PUMA	781.6	692.3	824.8	703.2	3,001.9
Other Sport & Lifestyle brands	61.1	51.9	71.4	60.7	245.1
Sport & Lifestyle Division	842.7	744.2	896.2	763.9	3,247.0
Corporate and other	4.3	8.8	9.7	8.4	31.2
Kering total	2,350.0	2,286.0	2,497.8	2,521.9	9,655.7

<i>(comparable change)</i>	First quarter	Second quarter	Third quarter	Fourth quarter	Full-year 2014
Gucci	+0.3%	-2.4%	-1.9%	-0.5%	-1.1%
Bottega Veneta	+14.6%	+20.2%	+10.8%	+6.8%	+12.6%
Yves Saint Laurent	+27.1%	+29.4%	+27.5%	+25.3%	+27.2%
Other Luxury brands	+8.9%	+6.9%	+3.3%	+5.4%	+6.0%
Luxury Division	+6.4%	+5.5%	+3.8%	+4.3%	+4.9%
PUMA	-0.4%	+0.7%	+6.2%	+6.5%	+3.4%
Other Sport & Lifestyle brands	+1.5%	+6.9%	+4.5%	+6.3%	+4.7%
Sport & Lifestyle Division	-0.2%	+1.1%	+6.1%	+6.4%	+3.5%
Corporate and other	-	-	-	-	-
Kering total	+4.2%	+4.1%	+4.6%	+4.9%	+4.5%

Recurring operating income

Kering's recurring operating income amounted to €1,664 million in 2014, down 5% on 2013 on a reported basis, and consolidated recurring operating margin was 16.6%. Both the Luxury and Sport & Lifestyle Divisions saw their recurring operating margin narrow during the year, coming in at 24.6% and 4.2% respectively.

<i>(in € millions)</i>	2014	2013	Change
Luxury Division	1,665.6	1,683.7	-1.1%
Sport & Lifestyle Division	137.5	200.4	-31.4%
Corporate	(139.1)	(132.9)	-4.7%
Recurring operating income	1,664.0	1,751.2	-5.0%

On a comparable basis, Kering's recurring operating income advanced 3.0% in 2014. The comparable-basis recurring operating margin decreased by 40 basis points, impacted by a 110-basis point decline in this indicator in the Sport & Lifestyle Division compared with 2013.

The Group's gross margin for 2014 amounted to €6,296 million, up €255 million or 4.2% on the previous year as reported. During 2014, operating expenses increased by 8.0% as reported, including a 2.0% rise in payroll expenses. The Group's average headcount was 32,890 in 2014, representing a 6.5% increase on 2013.

EBITDA

At €1,991 million, EBITDA was 2.6% lower than in 2013, and the EBITDA margin inched down by 1.4 percentage point to 19.8% in 2014 from 21.2%.

<i>(in € millions)</i>	2014	2013	Change
Luxury Division	1,919.2	1,910.7	+0.4%
Sport & Lifestyle Division	191.2	258.3	-26.0%
Corporate	(119.7)	(125.7)	+4.8%
EBITDA	1,990.7	2,043.3	-2.6%

At constant exchange rates, EBITDA advanced 4.5% although the EBITDA margin narrowed by 20 basis points compared to 2013.

Other non-recurring operating income and expenses

Other non-recurring operating income and expenses consists of items, which by their nature, amount or frequency, could distort the assessment of Group entities' operating performance.

In 2014, this item represented a net expense of €112 million and primarily included the combined impact of (i) a net gain on the disposal of a property complex, (ii) asset

impairment losses, including €189 million charged against goodwill related to "Other Sport & Lifestyle brands", and (iii) restructuring costs for the Luxury Division.

In 2013, this item represented a net expense of almost €441 million and chiefly included (i) €361 million in asset impairment losses (of which €280 million concerned goodwill related to PUMA), and (ii) €27 million in restructuring costs (primarily in the Luxury Division).

Net finance costs

The Group's net finance costs can be analysed as follows:

<i>(in € millions)</i>	2014	2013	Change
Cost of net debt	(151.3)	(174.4)	-13.2%
Other financial income and expenses	(46.1)	(36.1)	+27.7%
Finance costs, net	(197.4)	(210.5)	-6.2%

In 2014, the cost of net debt was just over €151 million, 13% lower than in 2013.

This year-on-year decrease was primarily due to a reduction in Kering's average cost of borrowing, particularly thanks to much lower interest rates on the Group's bond debt.

However, this positive effect was partly offset by a 7.5% year-on-year increase in the Group's average outstanding net debt which was chiefly attributable to changes in Group structure, notably the recapitalisations of La Redoute and Relais Colis and the acquisition of Ulysse Nardin.

"Other financial income and expenses" represented a net expense that was €10 million higher than in 2013, mainly as a result of accounting adjustments recorded in accordance with IAS 21 and IAS 39, and in particular, an unfavourable basis of comparison due to the fact that positive fair value remeasurements and discounting adjustments for financial assets and liabilities were recognised in 2013 following the May 2013 redemption of the last tranche of the May 2008 bond issue indexed to the Kering share price.

Corporate income tax

The Group's income tax charge breaks down as follows:

<i>(in € millions)</i>	2014	2013	Change
Tax on recurring income	(268.0)	(268.2)	-0.1%
Tax on non-recurring items	(57.6)	31.3	-284.0%
Total tax charge	(325.6)	(236.9)	+37.4%
Effective tax rate	24.0%	21.5%	+2.5 pts
Recurring tax rate	18.3%	17.4%	+0.9 pts

Kering's effective tax rate rose in 2014 due to the tax effect of a number of non-recurring operating income items recorded during the year.

Adjusted for the effect of non-recurring items and the related taxes, the recurring tax rate edged up 0.9 of a percentage point to 18.3%.

Share in earnings (losses) of equity-accounted companies

This item represented a negative €0.8 million in 2014, compared with a positive €1.6 million in 2013. The 2014 total mainly includes the contribution of Wilderness, Tomas Maier and Altuzarra. The 2013 total primarily corresponds to the contribution of Wilderness.

Net income from continuing operations

Consolidated net income from continuing operations came to €1,028 million in 2014 versus €865 million for the previous year.

Attributable net income from continuing operations amounted to €1,008 million compared with €873 million in 2013.

Net income (loss) from discontinued operations

This item includes the income statement contributions from all assets (or groups of assets) accounted for in accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations* (see Note 12 to the consolidated financial statements).

The Group reported a €479 million net loss from discontinued operations during the year, of which a loss of €355 million related to Redcats.

This mainly includes the cost of financing the social guarantees to be granted to the employees concerned by the modernisation measures at La Redoute and Relais Colis. This €200 million financing led Kering to set up a trust guaranteeing the application of the employee measures approved in a majority collective agreement with trade unions. The net loss also includes a provision recorded to cover vendor warranties granted in connection with the sale of La Redoute and Relais Colis as well as impairment losses recognised against the residual assets of these companies. It also includes an expense recognised in the second half of the year with regard to the Redcats UK pension fund and the transfer of all of the assets in this fund to an insurer in December of that year, as well as the impacts of the sale of the residual assets of Redcats, Diam and Movitex.

The remainder of the overall net loss from discontinued operations reported by the Group in 2014 mainly comprised the net loss posted by Sergio Rossi, in particular a writedown against the residual value of the brand for €52 million.

In 2013, the Group reported an €822 million net loss from discontinued operations, including a €256 million net loss recognised on the disposal of Groupe Fnac shares, after tax and distribution costs and the contribution of Groupe Fnac to first-half earnings, and a net €562 million expense recognised in relation to Redcats. The net expense for Redcats primarily included disposal losses on the businesses sold during the year, as well as impairment losses recorded against Redcats' residual assets, and the undertaking given by Kering to recapitalise La Redoute in an amount of €315 million to cover future losses and the cost of enhancing La Redoute's production base.

Net income attributable to non-controlling interests

This item represented a positive €20 million in 2014 compared with a negative amount of approximately €10 million in 2013. The year-on-year change primarily reflects the increase in PUMAs net income in 2014 after its 2013 earnings were adversely affected by non-recurring expenses recognised during that year.

Net income attributable to owners of the parent

Adjusted for non-recurring items net of tax, attributable net income from continuing operations decreased 4.4%, coming in at €1,177 million versus €1,231 million in 2013.

Net income attributable to owners of the parent totalled €529 million, impacted by significant non-recurring expenses recognised during the year as well as the high net loss figure from discontinued operations. In 2013, net income attributable to owners of the parent amounted to €50 million.

Earnings per share

The weighted average number of Kering shares used to calculate earnings per share was 125.9 million in 2014, virtually unchanged from the number used for 2013.

Earnings per share from continuing operations came to €8.00, compared with €6.93 for the previous year.

Earnings per share stood at €4.20 in 2014 versus €0.39 for the previous year.

Excluding non-recurring items, earnings per share from continuing operations amounted to €9.35, down 4.4% on the 2013 figure.

The impact of dilutive instruments on the calculation of earnings per share was almost neutral in 2014.

1.4. analysis of operating performances by brand

Luxury Division

(in € millions)	2014	2013	Change
Revenue	6,758.6	6,377.5	+6.0%
Recurring operating income	1,665.6	1,683.7	-1.1%
<i>as a % of revenue</i>	<i>24.6%</i>	<i>26.4%</i>	<i>-1.8 pts</i>
EBITDA	1,919.2	1,910.7	+0.4%
<i>as a % of revenue</i>	<i>28.4%</i>	<i>30.0%</i>	<i>-1.6 pts</i>
Gross operating investments	372.4	432.8	-14.0%
Average headcount	20,122	18,517	+8.7%

In 2014 the luxury industry saw a slowdown in growth, mainly due to weaker consumer spending on Luxury Goods in emerging markets and Western and Eastern Europe.

The overall consumer environment was negatively impacted during the year by more difficult economic conditions in many regions as well as ongoing conflicts and political tensions in certain markets. Additionally, sharp currency fluctuations and heightened consumer sensitivity to the pricing policies adopted by luxury brands led to major changes in buying behaviour and tourist flows, which resulted in sales volatility.

In North America, however, household spending in general – and spending on Luxury Goods in particular – rose for the year as a whole, after a relatively lacklustre first quarter due to difficult weather conditions. The luxury market in Japan also grew year on year, fuelled by domestic spending despite a temporary adverse impact resulting from the consumption tax rise introduced on April 1, 2014.

Despite this overall less upbeat market context, the Group's Luxury Division achieved sales growth in 2014. This performance confirms the strength and appeal of the Group's luxury brands as well as the success and complementary nature of the strategies put in place for each one in terms of positioning, product categories, distribution channels and geographic footprint.

Overall, revenue generated by the Luxury Division totalled €6,759 million, up 6.0% on 2013 as reported and 4.9% on a comparable Group structure and exchange rate basis. Gucci contributed 51.7% to the Division's total revenue for the year (versus 55.8% in 2013).

The changes in Group structure that affect year-on-year comparisons between 2014 and 2013 relate to the Pomellato group (consolidated since July 1, 2013), and Ulysse Nardin (consolidated since November 1, 2014). In accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, Sergio Rossi's results for both 2014 and 2013 have been included in the line "Net loss from discontinued operations". Consequently, the Group's income statement headings from "Revenue" down to "Net loss from discontinued operations" do not

include any contribution from Sergio Rossi and are therefore fully comparable.

Retail sales in directly-operated stores rose 7.5% in 2014 (on a comparable basis) and accounted for 68.8% of the Division's total revenue versus 67.2% in 2013. This year-on-year increase reflects the strategy implemented by all of the Division's brands to more effectively control their distribution and reinforce their exclusivity.

Wholesale sales were 4.0% higher than in 2013 as reported and remained stable on a comparable basis. For Gucci, the performance of this distribution channel was impacted by an unfavourable basis of comparison with 2013, given the measures put in place by the brand to streamline its wholesale distribution network during the course of that year, which resulted in lower sales volumes with third-party distributors in 2014. Conversely, wholesale sales for Bottega Veneta and Yves Saint Laurent increased by more than 10% compared to 2013.

The weighting of product categories within the Division's overall revenue is becoming increasingly balanced, reflecting the strategic fit of the brands in the portfolio. Leather Goods, Ready-to-Wear and Shoes accounted for 53.3%, 16.3% and 11.7% of total revenue respectively, and the contribution of Watches and Jewellery rose to 10.0%.

The Luxury Division's sales in emerging markets climbed 5.1% in 2014 based on comparable data, and these markets represented 38.6% of the Division's total revenue, on par with 2013.

The Asia-Pacific region (excluding Japan) – which contributed to 31.0% of the Division's total revenue – reported growth of 4.8%. This increase was driven by the rapid expansion of a number of the Division's brands in the region – especially Yves Saint Laurent – which offset the slowdown experienced by Gucci. In the last quarter of the year, however, the region's growth figure was a more modest 1.9%, reflecting political tension in Hong Kong and slowdown in Mainland China. Over the year as a whole, though, the comparable-basis sales increase in Mainland China was a solid 5.2%.

In other emerging markets the Luxury Division's brands turned in very robust revenue growth figures overall, especially in the Middle East and South America. Sales in Eastern Europe rose on a comparable basis but were nevertheless hampered by the conflicts in the region as well as by a sluggish economy.

In the Division's traditional, more mature markets, revenue was up by a strong 4.8% on a comparable basis in 2014.

Sales in Western Europe (representing 32.4% of total revenue) increased by a satisfactory 2.0% based on comparable data, with momentum picking up towards the end of the year and growth coming in at 3.6% in the fourth quarter. Despite the lacklustre economic context, sales of the Luxury Division's brands to local customers rose year on year. Sales to tourists were also higher but were adversely affected by lower numbers of Japanese and Russian tourists and volatility in the volumes of Chinese tourists.

In North America (which accounted for 19.0% of the Division's sales), revenue advanced 5.9% year on year, driven by the healthy U.S. economy and despite the fact that performance in the first quarter was penalised by adverse weather conditions.

The Japanese market experienced another year of strong growth, with revenue up 12.6% on a comparable basis following on from the 11.9% increase recorded for 2013. This performance was led by a rise in domestic purchases following the depreciation of the yen that started in 2013, in an overall favourable context for household spending. The sharp decrease in sales seen in the first few weeks following the rise in Japan's consumption tax did not therefore have a significant impact on the Division's revenue performance for Japan over the year as a whole.

The Luxury Division's recurring operating income came to just under €1,666 million in 2014, down 1.1% as reported but up 5.3% at constant exchange rates (i.e., excluding the combined effect of hedging and fluctuations in exchange rates). Recurring operating margin came in at 24.6%, down 180 basis points as reported. The margin erosion reflects the combined impact of (i) a 150 basis-point decrease due to currency and hedging effects, (ii) a 50 basis-point decrease resulting from the brand mix, and (iii) a 20 basis-point intrinsic increase in profitability.

EBITDA edged up 0.4% in 2014 to €1,919 million, and the EBITDA margin came in at 28.4%. The year-on-year change was more positive for EBITDA than for EBIT, reflecting the growing weight of depreciation and amortisation within operating income (up 11.7% on 2013) as a result of the Division's capital expenditure over the past few years.

The Luxury Division's operating investments totalled €372 million for 2014, 14.0% lower than in 2013. This contraction reflects the Division's focus on achieving organic growth on a same-store basis and on consolidating the existing store network, against a more unsettled operating backdrop for the luxury industry. The Group is nevertheless continuing to allocate the resources required for developing the brands' businesses in line with their strategic plans.

As of December 31, 2014 the Luxury Division had a network of 1,186 directly-operated stores, including 744 (63%) in mature markets and 442 in emerging markets. Net store additions during the year totalled 90. However, adjusted for (i) transfers of existing points of sale previously operated by third-party distributors (Gucci in Russia and North America), (ii) the opening of Gucci Watches stores, and (iii) the Ulysse Nardin network, the number of net store additions was 73 (compared with 93 net store additions, adjusted for transfers, in 2013).

Gucci

<i>(in € millions)</i>	2014	2013	Change
Revenue	3,497.2	3,560.8	-1.8%
Recurring operating income	1,056.0	1,131.8	-6.7%
<i>as a % of revenue</i>	30.2%	31.8%	-1.6 pts
EBITDA	1,199.2	1,275.8	-6.0%
<i>as a % of revenue</i>	34.3%	35.8%	-1.5 pts
Gross operating investments	186.4	214.6	-13.1%
Average headcount	9,623	9,415	+2.2%

Gucci posted €3,497 million in revenue in 2014, down 1.8% year-on-year as reported and down 1.1% at comparable exchange rates.

The key components of Gucci's strategy to enhance its exclusivity include strengthening its directly-operated store operations and achieving in-store excellence. During 2013 Gucci therefore embarked on a major phase of its project to streamline its wholesale network, by bringing under direct management certain operations in Canada,

incorporating duty-free points of sale in South Korea into the directly-operated store network, and reducing the number of its partners in Western Europe and Asia. This reworking of the wholesale network continued in 2014 – albeit to a lesser degree – with the brand bringing back under direct management operations in Russia at the beginning of the year, as well as certain points of sale in the United States during the last quarter. These changes have resulted in unfavourable high bases of comparison

for the wholesale distribution channels in 2013, which makes meaningful year-on-year comparisons of the brand's performance particularly uneasy.

Retail sales generated in directly-operated stores accounted for 79.0% of Gucci's revenue in 2014, representing a 220 basis-point increase on 2013 on a reported basis.

At constant exchange rates, sales from this distribution channel increased 1.8%, fuelled by strong revenue growth in Japan and North America (9.5% and 5.4% respectively). In both regions, Gucci's brand perception is growing constantly, illustrating the success of the ongoing repositioning strategy.

In Western Europe, revenue rose 0.8%, thanks to a steady improvement in sales during the second half of the year. This increase reflects better appreciation of the brand by local customers and increased tourist flows, despite lower and more volatile sales to tourists.

Sales in emerging markets (which represented 45.5% of the total generated in Gucci's directly-operated network versus 46.5% in 2013) edged down 1.0% on a comparable basis, as the steady rise in the brand's sales figures in the Middle East and Eastern Europe was not sufficient to offset the 3.5% decrease in the Asia-Pacific region. The overall year-on-year contraction should, however, be viewed in the context of the brand's current focus on consolidating its existing store network and repositioning its offering in emerging markets, as well as in the light of the tighter consumer spending environment in China, Hong Kong and Macau, particularly during the fourth quarter of the year when sales in these areas fell by 5.9%. However, for Mainland China alone, sales remained more or less stable in 2014.

Wholesale sales dropped 11.1% on a comparable basis for the year as a whole, reflecting the streamlining measures put in place for this distribution channel. The decrease for the first half of 2014 was 16.0%, due to a particularly unfavourable basis of comparison.

Analysed by product category, Leather Goods – which represented 56.4% of the brand's total revenue – posted growth in handbag sales, in contrast to more modest performances by small leather goods and, to an even larger degree, luggage. This reflects the fact that Gucci's handbag range has already started to feel positive effects from the measures put in place over the last few seasons to fine-tune the offering, whereas the repositioning measures for the luggage and small leather goods

offerings were stepped up in 2013 and 2014, which led to a reduction in the distribution of certain entry-price products. A reworked handbag architecture was achieved at end-2014, with highly successful launches that proved very popular within the brand's more mature markets.

Gucci's other main product categories (Shoes and Ready-to-Wear, which together accounted for 25.7% of the brand's total revenue in 2014) recorded a rise in sales, fuelled by the continued success of shoe collections and an upswing in Ready-to-Wear sales, particularly for Women's collections which performed well in directly-operated stores following the introduction of the Autumn-Winter pre-collection. These categories are growth drivers (including in terms of footfall) and open up the brand to price segments in which the Leather Goods category is no longer present following the repositioning of its offering.

Gucci's recurring operating income decreased by 6.7% on a reported basis in 2014, coming in at €1,056 million, and recurring operating margin narrowed by 160 basis points to 30.2%. At constant exchange rates, however, the recurring operating margin was stable. Gross margin held firm (on a par with the 2013 figure as reported and up significantly at constant exchange rates), reflecting – as in prior periods – an improved product mix. The rise in gross margin at constant exchange rates helped offset the impact of the increase in operating expenses during the year, which primarily stemmed from higher store costs and marketing and communication expenses.

Gucci's EBITDA for 2014 contracted 6% to €1,199 million, and the EBITDA margin stood at a very solid 34.3%.

As of December 31, 2014, Gucci operated 505 stores directly, including 207 in emerging markets. A net 31 new stores were added during the year. Excluding (i) stores in Russia incorporated into the directly-operated store network, (ii) points of sale in a department store in the United States, and (iii) "corners" opened for the brand's watches and jewellery, net store additions came to 16 in 2014.

Gucci's gross operating investments amounted to €186 million in 2014, down 13.1% on 2013. The majority of the investments related to the store network and notably included costs for refurbishing and expanding stores. The decrease in investments compared with the peak in 2013 is attributable to lower levels of investment in logistics due to a significant increase in logistics capacity following new facilities opened in Sant' Antonino in late 2013.

Bottega Veneta

(in € millions)	2014	2013	Change
Revenue	1,130.5	1,015.8	+11.3%
Recurring operating income	357.2	330.6	+8.0%
<i>as a % of revenue</i>	31.6%	32.5%	-0.9 pts
EBITDA	388.8	354.8	+9.6%
<i>as a % of revenue</i>	34.4%	34.9%	-0.5 pts
Gross operating investments	40.8	62.0	-34.2%
Average headcount	3,212	2,891	+11.1%

Bottega Veneta posted revenue of €1,131 million in 2014, up 11.3% as reported and 12.6% at comparable exchange rates. The revenue rise in the second half of the year was 8.6%, as the overall upward trend for the year was impacted in the last quarter by the political crisis in Hong Kong and a lacklustre consumer environment for Luxury Goods in Mainland China.

This brand's revenue has more than doubled since 2010 (as reported), representing an annual growth rate of around 22%.

With a view to preserving its high-end positioning and exclusivity, Bottega Veneta's preferred distribution channel is its directly-operated stores, which accounted for 80.0% of the brand's total sales in 2014. Revenue growth for directly-operated stores was once again extremely solid during the year, coming in at 10.8% on a comparable basis.

After focusing in 2013 on increasing the selectivity in its wholesale partners, sales generated with the wholesale network jumped 20.1% in 2014.

This increase also reflects the brand's more effective supply chain – especially in terms of planning for production and deliveries – which has resulted in benefits not only for the wholesale network but also for its network of directly-operated stores.

Leather Goods were once again Bottega Veneta's core business, representing 86.8% of the brand's total sales in 2014 and recording extremely robust year-on-year growth of 14.3%. This strong performance was fuelled by the success of the brand's offering, which is based on a controlled combination of iconic pieces and new seasonal designs, as well as a higher weighting of Men's lines in the product mix and the launch of new leather goods models alongside the famous pieces made using Bottega Veneta's timeless signature leatherwork technique, *intrecciato*.

The brand's other product categories also saw a very solid year-on-year sales rise, led once again by Men's collections.

As in 2013, Bottega Veneta's sales growth in 2014 was evenly balanced between its traditional and emerging markets, which recorded respective revenue increases of 13.9% and 10.9% (at comparable exchange rates).

Emerging markets accounted for 43.8% of the brand's total sales in 2014, on par with 2013, with an extremely high proportion (around 90%) of business in these markets deriving from the Asia-Pacific region. Sales in this region advanced by a very robust 11.2% at constant exchange rates, despite a weaker demand in Greater China in the fourth quarter of the year.

In Western Europe – which represented 28.5% of the brand's total revenue – sales climbed 13.5% on a comparable basis driven both by local demand and sales to tourists, despite lower numbers of Russian and Japanese customers.

In Japan – which made up 14.3% of total sales – revenue surged by 17.6% at constant exchange rates reflecting ongoing growth trends in the domestic market.

Sales in North America were up 11.0% year on year on a comparable basis, spurred by a steady rise in revenue generated with department stores.

Bottega Veneta reported recurring operating income of just over €357 million for 2014, up 8.0% on 2013. At 31.6%, recurring operating margin was down 90 basis points as reported, but was over 100 basis points higher after stripping out the currency effect.

EBITDA came in at just under €389 million, up almost 10% on 2013. This represents a higher rise than for EBIT due to an increase in depreciation and amortisation expenses resulting from the brand's investments in recent years.

Bottega Veneta's network of directly-operated stores totalled 236 as of December 31, 2014, including 97 in emerging markets. There were 15 net store additions during the year, versus 25 in 2013.

Bottega Veneta's gross operating investments contracted by around €21 million year on year to just under €41 million. This decrease stemmed from the slower pace of store openings and the fact that there were no exceptional investments, unlike in 2013 which saw the completion of new *ateliers* and offices at Montebello Vicentino.

Yves Saint Laurent

<i>(in € millions)</i>	2014	2013	Change
Revenue	707.3	556.9	+27.0%
Recurring operating income	105.1	76.6	+37.2%
<i>as a % of revenue</i>	14.9%	13.8%	+1.1 pts
EBITDA	130.9	93.0	+40.8%
<i>as a % of revenue</i>	18.5%	16.7%	+1.8 pts
Gross operating investments	54.2	65.3	-17.0%
Average headcount	1,712	1,445	+18.5%

Following on from 2013, which saw exceptional sales growth and the brand's return to the forefront of the industry, Yves Saint Laurent reported another surge in sales in 2014, with revenue coming in at €707 million, up 27.0% year on year as reported and 27.2% based on comparable exchange rates.

This performance testifies to the brand's renewed appeal and the fact that it has got its strategy right with the investments it has undertaken since 2012, as well as its appointment of Hedi Slimane as Creative Director with total responsibility for the brand's image.

Retail sales in directly-operated stores soared 40.3% at comparable exchange rates, propelled by strong same-store sales growth. Overall they accounted for around 61.5% of the total sales figure for 2014 compared to 55.8% for 2013, reflecting the brand's greater exclusivity.

Wholesale sales were up 11.2% on a comparable basis in 2014, with a sharp upswing in the second half after a first-half performance that was adversely affected by very high bases of comparison for the first six months of 2013.

Revenue from royalties returned to growth in 2014, with a comparable-basis increase of 7.7% for the year as a whole, spurred by a strong increase in sales of licensed products in the fourth quarter.

All of Yves Saint Laurent's main product categories registered very strong sales growth during the year. Revenue from Ready-to-Wear sales in directly-operated stores climbed 34.3% at constant exchange rates and this category now occupies an essential place in the brand's product offering, with a very balanced weighting of sales between Women's and Men's collections. The brand's Leather Goods offering is still very popular, and sales for this product category advanced by 40.3%.

Yves Saint Laurent notched up revenue rises across all of its geographic regions in 2014.

In emerging markets – which contributed 29.7% to the brand's total revenue for the year – sales growth came to 32.8%. Despite the political tension in Hong Kong towards the end of the year, the brand registered stellar growth in

the Asia-Pacific region, where it has won new customers and positioned itself as one of the most sought-after luxury brands. The overall increase for the year in Greater China came to 42.6%. At the same time, the brand's strategy of directly managing distribution in the United Arab Emirates implemented in 2013 has also paid off, with comparable-basis sales in the Middle East up 45.5% year on year.

Sales in Yves Saint Laurent's traditional markets were also higher than in 2013, with an overall increase of 27.2% based on comparable data, reflecting the brand's renewed appeal with local customers and tourists from emerging countries. Revenue in Western Europe and North America rose sharply, with comparable-basis growth coming in at 22.9% and 26.0% respectively. In Japan – where the brand is extremely popular – sales jumped 33.7% at constant exchange rates.

Yves Saint Laurent ended 2014 with recurring operating income of €105 million, representing a year-on-year increase of 37.2%. Recurring operating margin was 14.9%, up by 110 basis points as reported (or 230 basis points when adjusted for the combined effect of hedging and fluctuations in exchange rates). This rise was led by a sharp increase in gross margin and a better absorption of fixed costs, and was achieved despite the high level of investments to expand the store network and implement an active brand marketing strategy.

Given the growing weight of depreciation and amortisation, EBITDA rose at a faster pace than recurring operating income, coming in at €131 million. The EBITDA margin was 18.5%.

As of December 31, 2014, the Yves Saint Laurent brand directly operated 128 stores, including 52 in emerging markets. In all, there were 13 net store additions in 2014, and five flagship stores were refurbished.

Gross operating investments totalled some €54 million, two-thirds of which was devoted to the store network. This amount is €11 million lower than in 2013, mainly reflecting timing differences related to payments made for the refurbishment work.

Other Luxury brands

<i>(in € millions)</i>	2014	2013	Change
Revenue	1,423.6	1,244.0	+14.4%
Recurring operating income	147.3	144.7	+1.8%
<i>as a % of revenue</i>	10.3%	11.6%	-1.3 pts
EBITDA	200.3	187.1	+7.1%
<i>as a % of revenue</i>	14.1%	15.0%	-0.9 pts
Gross operating investments	91.0	90.9	+0.1%
Average headcount	5,575	4,766	+17.0%

Other Luxury brands have included Pomellato and Dodo (the Pomellato group) since July 1, 2013, and Ulysse Nardin since November 1, 2014. Consequently, year-on-year comparisons between 2014 and 2013 should take into account these changes in Group structure. In addition, due to Sergio Rossi's reclassification under assets held for sale, this brand's results are no longer included in those of Other Luxury brands and the 2013 figures have been restated accordingly.

Total revenue generated by Other Luxury brands amounted to €1,424 million in 2014, up 14.4% year on year as reported and 6.0% on a comparable Group structure and exchange rate basis. Other Luxury brands contributed to 21.1% of the Luxury Division's total revenue during the year.

The main growth drivers were the Couture and Leather Goods brands, which posted an overall revenue rise of around 9% based on comparable data. Balenciaga and the Group's UK brands posted increases in excess of 10%, whereas, Brioni's revenue performance was hampered by a decrease in the numbers of Russian tourists in Western Europe compared to 2013.

The Watches and Jewellery brands felt the impact of tougher market conditions, with the Watches category particularly affected by the more difficult operating context.

The wholesale network once again remained the main distribution channel for Other Luxury brands, accounting for 55.2% of sales. This reflects the differing stages of development of the Couture and Leather Goods brands as well as the distribution characteristics for Watches and Jewellery.

Sales generated in the wholesale network rose 2.1% year on year on a comparable basis. This moderate increase reflects greater selectivity in the choice of third-party distributors, in a context of a growing emphasis on directly controlled distribution, as well as external factors such as the political tensions in Russia which hit consumer spending in Eastern Europe and the Middle East during the year.

Retail sales in directly-operated stores advanced 12.6% based on comparable data, led by the strong performance of Couture and Leather Goods brands. Developing an exclusive distribution network is still a strategic objective for all of the brands but the pace is duly adapted according to each brand's maturity and positioning in its traditional markets, as well as the depth and scope of the product offering.

Sales growth in 2014 was stronger in emerging markets than in mature markets (11.7% versus 3.9% on a comparable basis).

Revenue for Other Luxury brands surged 24.6% in the Asia-Pacific region (excluding Japan) despite a more contrasted consumer spending environment in the fourth quarter of the year. This performance was achieved thanks to the brands' expanded store network in the region and, above all, illustrates their growing reputation and appeal, notably in Greater China. The combination of these positive factors more than offset the impact of the sales decline in Eastern Europe, which particularly affected Brioni.

In the Other Luxury brands' mature markets (which again made up 71.8% of these brands' total revenue), Japan and North America reported very solid sales growth of 13.3% and 6.3% respectively, despite a contraction in the second half of the year for Watches and Jewellery in Japan following the consumption tax rise in that country. In Western Europe sales growth was modest, reflecting weak domestic consumer spending and volatile tourism flows.

Recurring operating income for Other Luxury brands increased 1.8% to €147 million. Recurring operating margin narrowed by 130 basis points to 10.3%, due to the currency effect during the year as well as the investments required to develop the business of all of the brands and integrate recently-acquired brands. Furthermore, at Girard-Perregaux, the transition year with the change in the brand's distributor in Asia as well as the negative effect stemming from the lower number of Russian tourists had an impact on the gross margin, leading to a lesser level of fixed costs absorption.

EBITDA topped €200 million in 2014, up 7.1% on 2013 as reported.

The network of directly-operated stores owned by Other Luxury brands totalled 317 as of December 31, 2014, including 231 in mature markets and 86 in emerging markets (of which 56 in Greater China). Adjusted for the effects of changes in Group structure (Ulysse Nardin and the reclassification of Sergio Rossi under assets held for sale), there were 29 net store additions during the year, including 22 for Couture and Leather Goods brands.

At €91 million, gross operating investments were on par with 2013, reflecting the brands' highly selective and disciplined investment strategies, notably concerning new store locations.

The Group's Couture and Leather Goods brands performed as follows in 2014:

Alexander McQueen and McQ posted very solid combined sales growth, especially in emerging markets which now account for a third of their revenue. 2014 was a year of investments for Alexander McQueen, with a sustained programme of openings throughout 2014. These openings had a short-term dilutive impact on the brand's recurring operating income for the year.

Balenciaga's sales continued on their upward trend in 2014, with revenue up by more than 10%, led by a very strong rise in the fourth quarter thanks to the continuing success of the brand's leather goods. At constant exchange rates, recurring operating margin held firm, despite the investments expensed to fuel the brand's expansion.

Brioni's business conditions were adversely affected by the reduction in purchases by Russian tourists in Western Europe and the Middle East. Nevertheless, the brand saw encouraging sales growth in most of its emerging markets and in Japan, on the back of a more exclusive and controlled distribution. The proportion of Brioni's sales generated through its directly-operated network was nearly 43% in 2014, against around 40% in 2013. However, the measures taken to optimise the brand's distribution channels weighed on its profitability for the year.

Sales reported by Christopher Kane rose sharply in 2014. During the year, the brand broadened its product offering, strengthened its synergies with the Group in terms of business development and logistics, and prepared for the opening of its first store, which is scheduled for early 2015.

For Stella McCartney, 2014 was another year of growth and expansion, with sales up significantly in all product categories. This strong sales performance fuelled a rise in recurring operating income and margin.

For the Watches and Jewellery brands performance was more mixed:

Boucheron successfully pursued the expansion of its Bijoux and Jewellery lines in 2014, especially its signature line, *Quatre*, but also its *Serpent Bohème* line. At the same time, the High-Jewellery pieces presented by Boucheron in Paris at the prestigious *Biennale des Antiquaires* event that took place in 2014 stood out for the quality of their design and strengthened the brand's position in this segment. Overall, despite a market slowdown in Japan for several months after the consumption tax increase, Boucheron's sales rose year on year and its profitability improved.

Sowind – which operates the Girard-Perregaux and JEANRICHARD brands – saw its revenue decrease in 2014. Girard-Perregaux was adversely affected by the reorganisation of its distribution network in Asia – especially in the first half of the year – as well as by volatile tourist numbers in the main capital cities in Europe and in the Middle East. However, commercial and manufacturing action plans were launched to support business in the short and medium term and are expected to be pursued in 2015.

Pomellato and Dodo continued to implement their respective strategies in 2014, with Pomellato focusing on targeted regional expansion and the selective introduction of new lines and collections, and Dodo concentrating on consolidating market share in its main markets by refreshing its offering. This drove an increase in revenue, with a very evenly balanced contribution from directly-operated stores and the wholesale network.

Qeelin posted a sales rise in 2014 despite less favourable conditions in the jewellery market in Asia. The brand fared well in Hong Kong and the expansion of the directly-operated store network in Mainland China continued at a sustained pace.

Ulysse Nardin – a brand with strong development potential and a high level of profitability – has been consolidated since November 1, 2014.

Sport & Lifestyle Division

<i>(in € millions)</i>	2014	2013	Change
Revenue	3,245.1	3,247.0	-0.1%
Recurring operating income	137.5	200.4	-31.4%
<i>as a % of revenue</i>	<i>4.2%</i>	<i>6.2%</i>	<i>-2.0 pts</i>
EBITDA	191.2	258.3	-26.0%
<i>as a % of revenue</i>	<i>5.9%</i>	<i>8.0%</i>	<i>-2.1 pts</i>
Gross operating investments	85.5	74.8	+14.3%
Average headcount	11,645	11,521	+1.1%

The Sport & Lifestyle Division reported revenue of €3,245 million in 2014, down only 0.1% as reported but and up by a solid 3.5% based on comparable exchange rates. Currency effects were significant during the year as the Division is heavily exposed to the US dollar and the Japanese yen as well as to other currencies that depreciated considerably against the euro in 2014 (the Russian ruble, Turkish pound, South African rand, etc.), especially during the first half.

Despite ongoing competitive pressure and a volatile and unsettled economic environment in certain regions, wholesale sales (which represented 79.2% of the brand's total revenue) increased by 3.2% on a comparable basis. The rise was stronger in the second half of the year than in the first six months when performance was still very mixed. This improvement was attributable to measures taken by all of the Sport & Lifestyle Division's brands to more effectively meet the needs and expectations of both distributors and end-customers through an innovative product offering and clearer positioning.

Retail sales in directly-operated stores climbed 4.7% on a comparable basis, led by overall solid same-store sales growth.

By product category, Footwear sales (which contributed 39.9% of the Division's total versus 42.5% in 2013) dipped 2.1% on a comparable basis for the year as a whole, after contracting by 7.6% in the first six months. The second-half upswing was driven by the successful launch of new Footwear lines by PUMA, particularly in the Football and Running markets, as well as solid sales momentum for Footwear at Volcom.

Revenue generated by Apparel (which has the same weighting as Footwear in the Division's total sales) and by Accessories advanced by a robust 6.8% and 9.5% respectively.

In emerging markets (accounting for 35.0% of the Division's overall revenue), the Sport & Lifestyle Division returned to growth in 2014, with revenue up 6.9% on a comparable basis. With the exception of Eastern Europe – which was hit by both political and economic tensions during the year – all of the Division's emerging markets reported very robust sales rises.

The Sport & Lifestyle Division also fared better in its more mature markets in 2014, with revenue rising 1.7% on a comparable basis. North America reported a very solid 4.9% comparable-basis increase, which more than offset the contraction seen in Japan and the effect of the lacklustre market conditions in Europe (particularly in the eurozone), where revenue edged up by just 0.6%.

The Sport & Lifestyle Division ended 2014 with recurring operating income of around €138 million, down 31.4% as reported. Recurring operating margin narrowed by 200 basis points to 4.2%, primarily reflecting the lower margin recorded by PUMA. However, given the significant adverse effect of currency volatility during the year, at constant exchange rates the decline in recurring operating income was less marked, at 17.6%.

EBITDA totalled just over €191 million, representing a year-on-year decrease of 26.0%.

As of December 31, 2014, the Sport & Lifestyle Division's directly-operated store network reached 677 units. There were 69 net store additions during the year, of which 44 in emerging markets.

Gross operating investments rose by 14.3% to €86 million in 2014, reflecting the capital expenditures required to support the relaunch of the Division's brands, as well as a low basis of comparison in 2013 due to the investment freeze that took place in that year.

PUMA

(in € millions)	2014	2013	Change
Revenue	2,990.2	3,001.9	-0.4%
Recurring operating income	128.0	191.9	-33.3%
as a % of revenue	4.3%	6.4%	-2.1 pts
EBITDA	178.6	246.4	-27.5%
as a % of revenue	6.0%	8.2%	-2.2 pts
Gross operating investments	75.9	67.7	+12.1%
Average headcount	10,830	10,750	+0.7%

2014 was a pivotal year for PUMA, during which the brand accelerated the implementation of its *Forever Faster* strategy. As well as major events that boosted the brand's image, such as the sponsorship of Arsenal, the FIFA World Cup, the partnership signed with Rihanna and the worldwide advertising campaign launched in the summer, the year saw numerous changes in PUMA's organisational structure and operational management. In particular, action plans were rolled out to streamline the brand's product offering and make it more innovative, and consequently to regain market share with major distributors.

PUMA's revenue totalled €2,990 million in 2014, down 0.4% as reported but up 3.4% on a comparable basis. Following a more or less stable sales performance in the first six months (up 0.1%), revenue growth picked up in the second half of the year, coming in at 6.3%.

Reported sales were heavily affected by fluctuations in exchange rates in 2014, especially as PUMA is exposed to currencies in emerging markets that are subject to high volatility.

Wholesale sales – which represented 78.7% of the brand's total revenue – rose by 3.3% on a comparable basis. Outside the eurozone and Japan, wholesale sales increased in the brand's main regions, illustrating that the initiatives put in place to realign the offering with customers' expectations and improve the quality of the wholesale distribution channel are beginning to pay off.

Revenue generated by PUMA's directly-operated stores climbed 3.9% in 2014 on a comparable basis, with all of the brand's regions recording increases, except for Western Europe which posted a sales decline due to the impact of the measures taken in that region to reorganise the brand's store network.

By product category, Footwear remained the largest one, representing 42.9% of sales (versus 45.6% in 2013 as reported). Revenue for this category was down 2.3% on a comparable basis for the year as a whole, but started to pick up in the third quarter and even rose 4.7% in the last three months of 2014. PUMA's product launches during the year in the Running and Football markets have proved very popular with both distributors and end-customers, and the Footwear category order book looked very encouraging at year-end.

Apparel sales (36.9% of PUMA's total revenue) climbed 7.7% on a comparable basis. As in 2013, this category delivered a very solid showing in North America and emerging markets, with revenue up 9.9% and 14.6% respectively. And in Europe it returned to growth, achieving a 5.0% overall revenue rise despite declines in the eurozone. The category's performance was also positively impacted during the year by sales of replica football shirts as a result of the FIFA World Cup and the Arsenal sponsorship deal.

Sales of Accessories (which accounted for 19.6% of the brand's total revenue) rose once again in all regions and were 9.3% higher on a comparable basis than in 2013. The year-on-year sales growth for this category was mainly propelled by Dobotex and Janed, as COBRA PUMA GOLF faced a much more difficult market environment than in 2013.

Emerging markets accounted for 36.8% of PUMA's 2014 revenue, more or less unchanged from the 37.1% figure for 2013 as reported. Sales in these markets rose 6.7% on a comparable basis, with positive trends in all of the brand's main regions. Although Eastern Europe only saw modest growth due to the region's geopolitical tensions, PUMA's business in Latin America and Greater China picked up significantly.

In Western Europe, the brand's revenue remained stable, up 0.6% on 2013 on a comparable basis. The good performance recorded by PUMA in non-eurozone countries in Europe offset the flat business levels experienced in Germany and the further sales contractions reported for France and Italy. In North America sales advanced 5.2%, led by growth in the Apparel and Accessories categories. PUMA's brand exposure was boosted in the United States by the rollout of PUMA Lab points of sale in Foot Locker stores throughout the year, as well as by partnerships with new distributors (such as Kohl's). The only market where trends were less positive for PUMA was Japan, which posted a revenue decline.

PUMA's contribution to the Group's recurring operating income amounted to €128 million in 2014 and the brand's recurring operating margin narrowed by 210 basis points to 4.3%. EBITDA contracted year on year to €179 million. These decreases in PUMA's operating profitability indicators are in line with the brand's profit guidance for 2014.

Half of the reduction in recurring operating income was due to negative currency effects, which weighed on revenue during the year and therefore on gross margin in absolute terms. These effects, combined with the related hedges, shaved 90 basis points off recurring operating margin.

Operating expenses were contained in 2014, apart from marketing costs (which rose by 170 basis points as a percentage of revenue), against a backdrop of ongoing investments in the brand.

Despite the above-mentioned currency effects, as a percentage of revenue gross margin was steady at 46.4% (up 10 basis points) as reported. On a constant exchange rate basis the figure was up significantly year on year,

with a particularly marked improvement for Apparel and Accessories. Within the Footwear category, changes made to the product mix had an adverse impact on the gross margin growth rate.

As of December 31, 2014, PUMA's directly-operated retail network included 624 stores, with 63 net openings compared with December 31, 2013. Over two thirds of the openings were in emerging markets.

Following on from 2013, when operating investments were drastically reduced, the implementation of the brand's Transformation Programme led to an increase of some €8 million in gross operating investments in 2014, notably related to the supply chain.

Other Sport & Lifestyle brands

<i>(in € millions)</i>	2014	2013	Change
Revenue	254.9	245.1	+4.0%
Recurring operating income	9.5	8.5	+11.8%
<i>as a % of revenue</i>	<i>3.7%</i>	<i>3.5%</i>	<i>+0.2 pts</i>
EBITDA	12.6	11.9	+5.9%
<i>as a % of revenue</i>	<i>4.9%</i>	<i>4.9%</i>	<i>+0.0 pts</i>
Gross operating investments	9.6	7.1	+35.2%
Average headcount	815	771	+5.7%

Volcom and Electric recorded combined revenue of €255 million in 2014, up 4.0% year on year as reported and 4.7% based on constant exchange rates.

Against a backdrop of ongoing tough market conditions for Surfwear and Action Sports, Volcom reaped the benefits of the initiatives launched in 2013 to safeguard its margins, improve its distribution and more effectively harmonise its product offering, especially for Women's collections.

In light of these factors, wholesale sales held firm in the first six months of the year and then saw solid growth in the second half. Meanwhile, sales in directly-operated stores (accounting for 14.8% of the total) advanced by a strong 21.6%.

Sales for Volcom's Apparel category once again contributed 83% to the brand's revenue and were up on 2013, having retreated in that year against 2012. In addition, Volcom continued to expand its Footwear business, and revenue reported by this product category in 2014 rose significantly.

In North America – which is still the brand's main market, representing 62.0% of its revenue – sales were once again

positive (up 2.3% at constant exchange rates), driven by a steady recovery in revenue generated with third-party distributors. Volcom also registered very solid comparable-basis growth of over 10% in Japan and emerging markets, but revenue in Western Europe remained stable year on year.

Electric reported comparable-basis sales growth of 17.5% in 2014, powered by the brand's major repositioning drive in the accessories market and a complete overhaul of its offering around new ranges of sunglasses, snow goggles, watches and, more recently, helmets.

Volcom and Electric's combined recurring operating income for 2014 climbed 11.8% year on year, coming in at just below €10 million, and recurring operating margin was 3.7%, slightly up on the 2013 figure.

Volcom's directly-operated store network comprised 52 stores as of December 31, 2014, including nine in emerging markets.

Volcom and Electric's gross operating investments totalled nearly €10 million in 2014, representing a €3 million increase on 2013 – a year which marked a low point in terms of capital expenditures.

Corporate and other

The Corporate segment comprises (i) Kering's corporate departments and headquarters teams, (ii) Shared Services, which provide services to the brands, (iii) the Kering Sustainability Department which is responsible for the sustainability initiative launched by Kering in 2011, and (iv) Kering's Sourcing Department (KGS).

Costs recorded by the Corporate segment for 2014 totalled €139 million, up by a contained 4.7% year on year. This increase reflects the full-year impact of cross-business assignments and projects taken on by the Corporate segment on behalf of the Group's brands, including the effects of the ramp-up of accounting and IT shared-services centres.

1.5. *comments on the group's financial position*

<i>(in € millions)</i>	Dec. 31, 2014	Dec. 31, 2013	Change
Goodwill, brands and other intangible assets, net	14,788.0	14,472.9	+315.1
Other non-current assets (liabilities)	310.0	(119.9)	+429.9
Current assets, net	924.4	836.2	+88.2
Provisions	(394.0)	(365.9)	-28.1
Capital employed	15,628.4	14,823.3	+805.1
Net assets (liabilities) held for sale	24.6	(184.5)	+209.1
Total equity	11,262.3	11,195.9	+66.4
Net debt	4,390.7	3,442.9	+947.8

Capital employed

As of December 31, 2014, capital employed was €808 million higher than at the previous year-end.

Goodwill, brands and other intangible assets, net

As of December 31, 2014, "Goodwill, brands and other intangible assets, net" represented 64% of total assets (versus 63% as of December 31, 2013) and mainly comprised:

- Goodwill amounting to €4,040 million, of which €2,944 million related to the Luxury Division and €1,096 million to the Sport & Lifestyle Division. This

overall goodwill figure was higher than the end-2013 total due mainly to the acquisition of Ulysse Nardin carried out during the year, partially offset by a €189 million impairment loss recognised against goodwill related to "Other Sport & Lifestyle brands";

- Brands valued at €10,465 million, of which €6,578 million for the Luxury Division and €3,887 million for the Sport & Lifestyle Division.

Net of deferred tax liabilities relating to brands (which are recorded under "Other non-current assets (liabilities)", as shown below), this item came to €12,105 million as of December 31, 2014.

Other non-current assets (liabilities)

<i>(in € millions)</i>	Dec. 31, 2014	Dec. 31, 2013	Change
Property, plant and equipment, net	1,887.2	1,676.9	+210.3
Net deferred tax liabilities	(2,033.8)	(2,160.3)	+126.5
Investments in equity-accounted companies	23.2	17.3	+5.9
Non-current financial assets, net	397.2	316.1	+81.1
Other	36.2	30.1	+6.1
Other non-current assets (liabilities)	310.0	(119.9)	+429.9

"Property, plant and equipment, net" rose slightly in 2014, due to the impact of first-time consolidations during the

year, recurring transactions (acquisitions/disposals and depreciation) and exchange rate fluctuations.

The assets belonging to the Group's operating infrastructure break down as follows:

		Owned outright	Finance leases	Operating leases	Dec. 31, 2014	Dec. 31, 2013
Stores	Luxury Division	24	3	1,146	1,173	1,088
	Sport & Lifestyle Division	4		673	677	608
Logistics units	Luxury Division	13	1	55	69	88
	Sport & Lifestyle Division	5		32	37	44
Production units & other	Luxury Division	26	2	43	71	22
	Sport & Lifestyle Division	3		4	7	7

Deferred tax liabilities chiefly relate to brands recognised on business combinations (notably Gucci and PUMA).

As of December 31, 2014, investments in associates primarily comprised shares in Wilderness, Tomas Maier and Altuzarra.

The year-on-year increase in non-current financial assets in 2013 was chiefly due to the acquisition of shares in non-consolidated companies.

Current assets, net

As of December 31, 2014, net current assets totalled €924 million, versus €836 million as of December 31, 2013. This item breaks down as follows:

(in € millions)	Dec. 31, 2014	Dec. 31, 2013	Change
Inventories	2,234.7	1,805.5	+429.2
Trade receivables	1,030.0	949.9	+80.1
Trade payables	(982.8)	(766.1)	-216.7
Current tax receivables/payables	(139.5)	(191.0)	+51.5
Other current assets and liabilities	(1,218.0)	(962.1)	-255.9
Current assets, net	924.4	836.2	+88.2

As of December 31, 2014, Kering's net current assets were almost €90 million higher than at the previous year-end.

After stripping out the impact of fluctuations in exchange rates and changes in Group structure, changes in working capital requirement led to a cash outflow of €160 million.

Excluding changes in exchange rates and scope of consolidation, changes in inventories resulted in a cash outflow of €249 million during 2014, mainly reflecting the increase in business volumes for brands in the Luxury Division in line with the expansion of store networks (notably Gucci and Yves Saint Laurent).

Excluding the impact of fluctuations in exchange rates and changes in Group structure, the increase in trade receivables during 2014 led to a €22 million cash outflow. However this impact was more than offset by the rise in trade payables (resulting from business growth) which generated a €197 million cash inflow.

The year-on-year increase in the net liability recorded under "Other current assets and liabilities" led to an €86 million cash outflow in 2014, primarily generated by the expenditure incurred by PUMA in connection with the brand's Transformation Programme and restructuring costs.

Provisions

As of December 31, 2014, the portion of provisions for pensions and other post-employment benefits that will not give rise to cash outflows in the coming 12 months (recorded under non-current liabilities) amounted to €112 million, slightly higher than the December 31, 2013 figure as a result of changes in the actuarial assumptions used.

Other provisions for contingencies and losses edged up in 2014, mainly due to provisions for vendor warranties recognised during the year as well as provisions for new disputes with external parties, offset by surplus provisions relating to PUMA's restructuring plan.

(in € millions)	Dec. 31, 2014	Dec. 31, 2013	Change
Provisions for pensions and other post-employment benefits	119.1	100.0	+19.1
Other provisions for contingencies and losses	274.9	265.9	+9.0
Provisions	394.0	365.9	+28.1

Net assets (liabilities) held for sale

This item results from applying IFRS 5 to operations that were discontinued or sold during the year, or that were in the process of being sold. As of December 31, 2014 these operations corresponded to the residual assets of Sergio Rossi.

Equity

<i>(in € millions)</i>	Dec. 31, 2014	Dec. 31, 2013	Change
Equity attributable to owners of the parent	10,634.1	10,586.6	+47.5
Equity attributable to non-controlling interests	628.2	609.3	+18.9
Total equity	11,262.3	11,195.9	+66.4

As of December 31, 2014, Kering's total equity was higher than at the previous year-end, with equity attributable to owners of the parent up €47 million, mainly due to the combined impact of:

- €529 million in net income attributable to owners of the parent for 2014;
- €473 million in dividends and interim dividends paid by Kering;
- a €157 million negative effect from fair value remeasurements of cash flow hedges;
- a €62 million positive effect from currency translation adjustments;
- a €86 million positive effect of other changes.

During 2014, Kering carried out the following treasury share transactions:

- purchases and sales of shares under the liquidity agreement (1,726,437 shares purchased and 1,726,437 shares sold);

- the purchase of 55,000 shares and the allotment of 59,206 shares to employees under the 2010 and 2012 free share plans;
- the purchase of 100,000 shares and the sale of 134,838 shares to employee beneficiaries under stock option plans, notably the 2006 and 2007 plans.

As of December 31, 2014, Kering's share capital was made up of 126,226,490 shares with a par value of €4 each. At that date Kering held no treasury shares in connection with the liquidity agreement. Excluding the liquidity agreement, Kering held 21,537 shares in treasury as of December 31, 2014, compared with 60,581 the year before.

As of December 31, 2014, equity attributable to non-controlling interests mainly related to PUMA, for a total of €539 million (versus €533 million the previous year), and the Luxury Division's brands, for €88 million (€101 million as of December 31, 2013).

The year-on-year change in the amount of equity attributable to non-controlling interests primarily reflects the 2014 results of non-controlling interests as well as dividends paid.

Net debt

The Group's net debt totalled €4,391 million as of December 31, 2014, representing an increase of €948 million or 27.5% compared with the previous year-end. As of December 31, 2014, Kering's net debt was broken down as follows:

<i>(in € millions)</i>	Dec. 31, 2014	Dec. 31, 2013	Change
Bonds	3,390.4	3,290.5	+99.9
Bank borrowings	264.0	454.2	-190.2
Commercial paper	969.8	358.0	+611.8
Other borrowings	856.4	767.1	+89.3
Gross borrowings⁽¹⁾	5,480.6	4,869.8	610.8
Fair value hedges (interest rate)	-	(7.7)	+7.7
Cash and cash equivalents	(1,089.9)	(1,419.2)	+329.3
Net debt	4,390.7	3,442.9	+947.8

(1) Excluding the financing of customer loans.

In the first half of 2014, Kering redeemed the remaining €550.1 million of the bond that was to mature in April 2014 and the €150 million bond issued in 2009, as described

in the 2014 highlights section. The €152.5 million in floating-rate structure long-term borrowings also set up in 2009 was repaid at end-June 2014.

New borrowings issued during the year included (i) the issue in April 2014 of €100 million worth of 10-year private placement bonds carrying interest of 2.75%, which were topped up in May 2014 and June 2014 by two further tranches of €100 million each, bringing the overall amount to €300 million, and (ii) €500 million worth of seven-year bonds issued in the second half of 2014 carrying interest of 1.375%.

As of December 31, 2014, the Group's gross borrowings included €310 million concerning put options granted to minority shareholders (€324 million as of December 31, 2013).

In accordance with the Group's interest rate management policy, fixed-rate borrowings accounted for 68.6% of the Group's total gross borrowings as of December 31, 2014 (including hedges), compared with 59.3% one year earlier.

As of December 31, 2014, the Group's gross borrowings mainly comprised euro-denominated borrowings. The proportion denominated in Japanese yen represented 6.8%

of total gross borrowings (unchanged from December 31, 2013) and the proportion denominated in other currencies stood at 6.7% (7.2% as of December 31, 2013).

Kering minimises its exposure to concentration risk by diversifying its sources of financing. Therefore, non-banking debt accounted for 79.6% of gross borrowings as of December 31, 2014, versus 74.9% as of December 31, 2013. Kering's credit facilities are taken out with a diversified pool of top-tier French and non-French banks. As of December 31, 2014, 71.4% of the confirmed credit facilities granted to Kering were provided by a total of ten banks. The Group's three leading banking partners represented 34.4% of the total and no single bank accounted for more than 15% of the aggregate amount of confirmed credit facilities available to the Group.

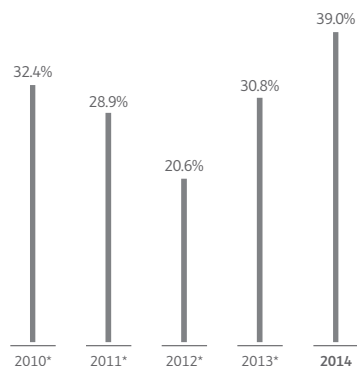
Kering only carries out borrowing and investment transactions with leading financial institutions and it spreads these transactions amongst the various institutions concerned.

Solvency

As of December 31, 2014, Kering had a very robust financial structure:

- its gearing ratio (net debt to equity) was 39.0% (versus 30.8% as of December 31, 2013);
- its solvency ratio (net debt to EBITDA) was 2.21 (versus 1.68 as of December 31, 2013).

GEARING



* Reported data, not restated.

Kering's bank borrowing facilities are subject to just one financial covenant which provides that the solvency ratio (net debt to EBITDA, calculated annually on a proforma basis at the year-end) must not exceed 3.75.

SOLVENCY



* Reported data, not restated.

Kering's long-term rating by Standard & Poor's has remained unchanged since March 2012 at BBB with a "stable" outlook.

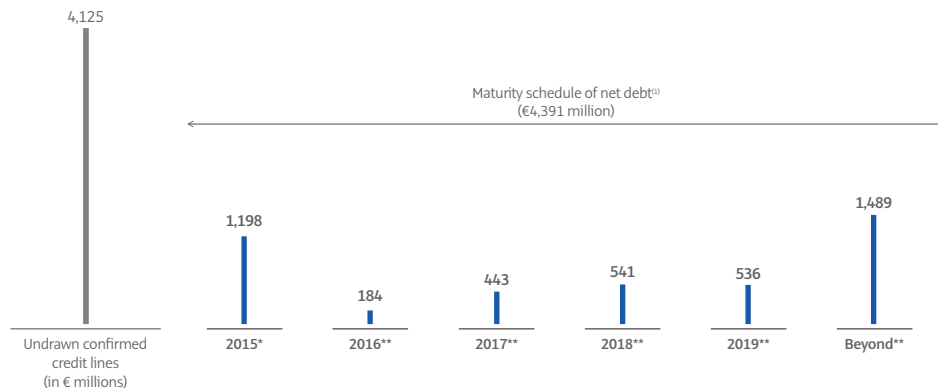
(1) Net debt defined in page 168.

Liquidity

As of December 31, 2014, Kering had cash and cash equivalents totalling €1,090 million (€1,419 million as of December 31, 2013), as well as confirmed undrawn

medium-term credit facilities amounting to €4,125 million (€4,126 million as of December 31, 2013).

MATURITY SCHEDULE OF NET DEBT



* Gross borrowings after deduction of cash equivalents and financing of customer loans.

** Gross borrowings.

In view of the above, the Group is not exposed to liquidity risk. Short-term borrowings and borrowings maturing in five years or beyond accounted for 41.7% and 36.9% respectively of total gross borrowings as of December 31, 2014, compared with 36.3% and 36.6% respectively as of December 31, 2013.

Cash and cash equivalents exclusively comprise cash instruments and monetary UCITS that are not subject to any risk of changes in value. As of December 31, 2014, the Group had access to €4,144 million in confirmed credit facilities (of which €19 million drawn down), versus €4,148 million as of December 31, 2013.

The Group's loan agreements feature standard *pari passu*, cross default and negative pledge clauses.

The bonds issued between 2009 and 2014 within the scope of the EMTN programme are all subject to change-of-control clauses entitling bondholders to request early redemption at par if Kering's rating is downgraded to non-investment grade following a change of control.

In addition, the bonds issued in 2009 and 2010 – including the bonds added in January 2012 to those issued in April 2010 – include a "step-up coupon" clause that applies in the event that Kering's rating is downgraded to non-investment grade.

All of these borrowings are covered by the rating assigned to the Kering group by Standard & Poor's (BBB with a stable outlook) and are not subject to any financial covenants.

The Group's debt contracts do not include any rating trigger clauses.

(1) Net debt defined in page 168.

Changes in net debt

Changes in net debt during 2014 and 2013 can be analysed as follows:

<i>(in € millions)</i>	2014	2013
Net debt as of January 1	3,442.9	2,491.7
Free cash flow from operations	(1,077.8)	(856.6)
Net interest paid and dividends received	228.1	115.6
Dividends paid	497.7	497.2
Acquisition of Kering shares	8.5	39.0
Acquisition of PUMA shares	-	99.6
Other acquisitions and disposals	1,197.9	1,157.0
Other movements	93.4	(100.6)
Net debt as of December 31	4,390.7	3,442.9

Free cash flow from operations

The generation of free cash flow from operations is a key financial objective for all of the Group's brands. In 2014, the Group's free cash flow from operations reached nearly €1,078 million.

<i>(in € millions)</i>	2014	2013	Change
Cash flow from operating activities before tax, dividends and interest	1,844.3	1,983.4	-7.0%
Change in working capital requirement (excluding tax)	(160.3)	(75.0)	+113.7%
Corporate income tax paid	(422.7)	(387.2)	+9.2%
Net cash from operating activities	1,261.3	1,521.2	-17.1%
Net operating investments	(183.5)	(664.6)	-72.4%
Free cash flow from operations	1,077.8	856.6	+25.8%

Cash flow from operating activities before tax, dividends and interest decreased by €139 million (or 7%) compared with 2013, due to a slight erosion in the Group's recurring operating margin and cash outflows for non-recurring operating items.

Changes in working capital requirement gave rise to a net cash outflow of €160 million in 2014 (net cash outflow of €75 million in 2013).

This €85 million year-on-year increase reflects the following factors:

- an unfavourable impact of some €153 million due to a higher level of inventories as a result of the expansion of the Luxury Division's store network;

- a €15 million negative impact from an increase in trade receivables compared with the previous year, notably for PUMA;

- a €127 million positive impact of an increase in trade payables, mainly at PUMA, combined with the effect of higher business volumes with third-party distributors.

Corporate income tax paid was €35 million higher than in 2013, primarily as a result of the tax impact on the capital gain arising on the sale of a property complex.

Net cash outflows relating to net operating investments decreased by €481 million to €183 million in 2014. This figure includes €368 million in proceeds from disposals of property, plant and equipment and intangible assets (versus €10 million in 2013).

Gross operating investments amounted to €551 million, down 18% year on year and is broken down as follows:

<i>(in € millions)</i>	2014	2013	Change
Luxury Division	372.4	432.8	-14.0%
Sport & Lifestyle Division	85.5	74.8	+14.3%
Corporate	93.5	167.3	-44.1%
Gross operating investments	551.4	674.9	-18.3%

In 2014, 36% of the Group's gross operating investments concerned store opening programmes, and around 23% related to store conversions and/or renovations (versus 46% and 19% respectively in 2013).

The Luxury Division accounted for €60 million of the overall decrease in gross operating investments, reflecting the Division's focus on achieving organic growth on a same-store basis and on consolidating the existing store network, against a less supportive operating environment for the luxury industry.

Available cash flow

In 2014, net cash outflows relating to finance costs included €5 million in interest paid and dividends received versus €70 million in 2013. Out of the 2013 figure, €62 million corresponded to the proceeds received following the redemption at 69.1% of par of the second tranche of the bonds indexed to the Kering share price which matured in May 2013.

Available cash flow for the year amounted to €850 million compared to €740 million in 2013.

Dividends paid

Dividends paid in 2014 were on a par with the amount paid in 2013. The 2014 figure included €24 million paid to minority shareholders of consolidated subsidiaries (€26 million in 2013), of which almost €14 million related to Luxury Division companies. The cash dividend paid by Kering to its own shareholders in 2014 amounted to

€473 million (including the interim cash dividend paid on January 24, 2014), representing a slight increase compared with 2013.

Acquisitions and disposals

Acquisitions of Kering shares, net of disposals for 2014 – representing just under €9 million – corresponds to the purchase of 155,000 shares for the Group's stock option and free share plans.

The impact of other acquisitions and disposals of securities during 2014 mainly concerned (i) the acquisition of Ulysse Nardin during the year, and (ii) €488 million in financial cash flows related to discontinued operations, including cash outflows to finance the trust set up at the time of the sale of La Redoute.

In 2013, the impact of other acquisitions and disposals of securities concerned (i) the acquisitions carried out during the period (including the Pomellato group, Richard Ginori, Christopher Kane and France Croco), and (ii) €656 million in financial cash flows related to discontinued operations (primarily the recapitalisation of Groupe Fnac and proceeds received from assets disposed of during the period, net of the financing provided for Redcats' operations).

Other movements

This item mainly includes the impact of (i) fluctuations in exchange rates, and (ii) fair value remeasurements of financial instruments in accordance with IAS 32 and IAS 39.

1.6. *parent company net income and dividend payment*

The parent company ended 2014 with net income of €818 million, compared with €833 million in 2013. The 2014 total includes €1,187 million in dividends received from subsidiaries (€2,188 million in 2013).

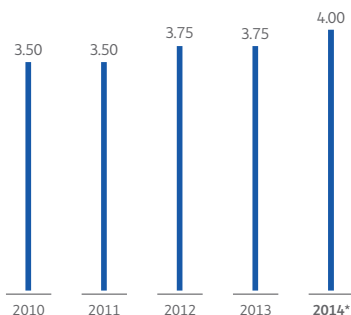
At its February 16, 2015 meeting, the Board decided that, at the Annual General Meeting to be held to approve the financial statements for the year ended December 31, 2014, it will ask shareholders to approve a €4.00 per-share cash dividend for 2014.

An interim dividend amounting to €1.50 per share was paid on January 26, 2015 pursuant to a decision by the Board of Directors on December 8, 2014.

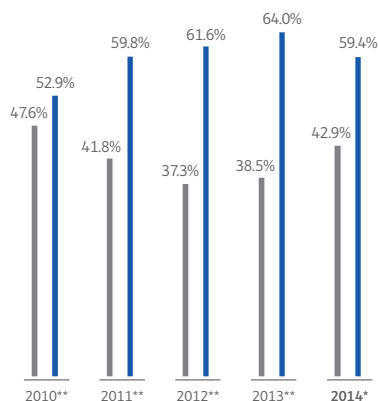
If the final dividend is approved, the total cash dividend payout in 2015 will amount to €505 million.

This proposal is consistent with Kering's goal of maintaining well-balanced payout ratios bearing in mind, on the one hand, changes in net income from continuing operations (excluding non-recurring items) attributable to owners of the parent and, on the other hand, the amount of available cash flow. Kering's payout ratios for 2014 are as follows:

- 42.9% of net income from continuing operations (excluding non-recurring items) attributable to owners of the parent, versus 38.5% on a reported basis in 2013;
- 59.4% of available cash flow, compared with 64.0% on a reported basis in 2013.

**DIVIDEND PER SHARE
(IN €)**

* Subject to approval at the Annual General Meeting.

PAYOUT RATIOS

— % of attributable recurring net income, from continuing operations
— % of free cash flow

* Subject to approval at the Annual General Meeting.

** Reported data, not restated.

1.7 transactions with related parties

Transactions with related parties are described in Note 35 to the consolidated financial statements.

1.8 subsequent events

Product partnership with Safilo

In 2014, Kering announced its plan to invest in a dedicated entity specialised in luxury, high-end and Sport Eyewear managed by a skilled team of experienced professionals under the direction of Roberto Vedovotto. This innovative management model for the Group's Eyewear business will allow it to leverage the full potential of its brands in this category.

As part of this strategic move, Kering and Safilo agreed to modify the nature of their partnership, and intend to terminate the current Gucci licence agreement two years in advance, i.e., by December 31, 2016. On January 12, 2015, Kering announced that it had signed this agreement, which covers the product development, manufacturing and supply of Gucci Eyewear products. The agreement will be effective as of fourth-quarter 2015 in order to

ensure a seamless transition for Gucci's Eyewear business. The first of three €90 million indemnity payments was paid to Safilo at this date. The subsequent payments are due in December 2016 and September 2018.

Sale of Movitex

On January 15, 2015, Kering sold the assets of the Movitex group to its management team. The sale followed the recapitalisation of the company in accordance with the tentative agreement signed on December 3, 2014.

Bond issue

On March 20, 2015, Kering has issued a €500 million, 0.875% fixed-rate bond maturing in 7 years.

1.9. *outlook*

Positioned in structurally high-growth markets, Kering has very solid fundamentals and a portfolio of powerful brands with strong potential.

2015 will see the continuation of PUMA's relaunch plan as well as the rollout of dedicated action plans for each of the Luxury Division's brands, focusing – as in 2014 – on achieving profitable organic growth.

In a still unsettled economic environment, the recent currency fluctuations are likely, at this stage, to have a favourable impact on sales, but could have mixed effects on the Group's results. In this context, Kering intends to pursue its strict management and allocation of resources to optimise its operating performance. At the same time, a particular focus will be put on the cash-flow generation of the Group's brands.

2. *investment policy*

Kering's investment policy is designed to support and enhance the Group's growth potential on its markets and is focused on financial investments (acquisitions and sales of assets) and investments related to operations (organic growth).

Financial investments reflect the Group's strategy of reinforcing profitable high-growth activities in the Luxury

market by acquiring attractive brands with strong growth potential and market positions that perfectly complement its existing assets.

Operating investments are designed to accelerate organic growth for the Group's brands. This is achieved by developing and renovating the store network and by investing in logistics centres or IT systems, for example.

2.1. *financial investments*

2014

Financial investments represented net cash outflows of €590.2 million for 2014, with acquisitions exceeding disposals of financial assets, taking into account recapitalisations and refinancing, asset disposals and discontinued operations.

The cash flow relating to businesses sold that were restated in accordance with IFRS 5 (Sergio Rossi and the Redcats group) is shown on the line "Net cash from discontinued operations".

Kering strengthens its portfolio of luxury brands

On November 19, 2014, Kering announced that it had finalised the acquisition of 100% of Ulysse Nardin. The brand is now part of Kering's "Luxury – Watches & Jewellery" division, which is headed by Albert Bensoussan.

Founded in 1846 by Ulysse Nardin with its roots in the nautical world, the eponymous watchmaking house was taken over and re-launched in 1983 by Rolf W. Schnyder who transformed it into a highly profitable business with a strong financial structure. The Company has a very strong brand identity based on its historical expertise in marine chronometres and ultra-complex timepieces.

Ulysse Nardin is consolidated in the Group's financial statements with effect from November 1, 2014. The provisional purchase price accounting for this acquisition was still in progress at end-December 2014.

Finalisation of the sale of Redcats

On June 3, 2014, Kering announced that it had closed the sale of La Redoute and Relais Colis to Nathalie Balla, Chairman and CEO of La Redoute, and Eric Courteille, Chief Administrative Officer of Redcats, in accordance with the conditions specified in the sale agreement and in keeping with all the commitments made within the framework of the disposal process.

On December 3, 2014, Kering sold its stake in Diam to the Prenant Group after having recapitalised the Company, and announced that it had signed an agreement for the sale of Movitex, which was completed in January 2015. This agreement marks the end of the disposal process for Redcats.

2013

Financial investments represented net cash outflows of €318.5 million for 2013, with acquisitions exceeding disposals of financial assets, taking into account recapitalisations and refinancing, asset disposals and discontinued operations.

The cash flow relating to businesses sold that were restated in accordance with IFRS 5 (Fnac and the Redcats group) is shown on the line "Net cash from discontinued operations".

Kering strengthens its portfolio of luxury brands

In early January 2013, Kering completed its acquisition of a majority stake in the Chinese fine jewellery brand Qeelin. Launched in 2004, Qeelin is the first Chinese luxury jeweller to have developed an international network of stores in the most prestigious shopping districts worldwide. At the time of acquisition, it operated 14 stores (seven in Mainland China, four in Hong Kong and three in Europe) and is sold in a number of multi-brand stores such as Colette in Paris and Restir in Tokyo.

On January 15, 2013, Kering acquired a majority stake in the luxury designer brand Christopher Kane with a view to developing the brand's business in close partnership with its eponymous creator, the Scottish designer Christopher Kane. Founded in 2006, Christopher Kane is a distinctive and exciting brand with a unique DNA.

On March 25, 2013, Kering announced that it had acquired a majority stake in France Croco and Tannerie de Périers. Founded in 1974, France Croco is a leading independent tannery located in Normandy and specialised in the sourcing, tanning and processing of crocodile skins.

On April 22, 2013 Gucci further demonstrated its commitment to the excellence of “*Made in Italy*” and to Tuscany by announcing that it had acquired the Italian porcelain maker, Richard Ginori, as part of its plans to expand into the tableware market.

On April 24, 2013, Kering announced that it had signed an agreement with R.A.M.O S.p.A to acquire a majority stake in the Italian jewellery group Pomellato. The Pomellato group has two brands: Pomellato, which is positioned in the fine jewellery segment and Dodo, positioned in the accessible jewellery segment. Through this acquisition Kering has extended and strengthened its portfolio of luxury brands in the high-growth jewellery segment. The transaction was completed on July 5, 2013, following clearance by the competition authorities. In view of the date on which Kering took over control of the Group, Pomellato has been consolidated since July 1, 2013.

On September 6, 2013, Kering announced that it was acquiring a minority shareholding in the New York-based fashion brand, Altuzarra, founded by the Franco-American designer Joseph Altuzarra in 2008. This investment marks the beginning of a partnership which will enable Kering to accompany Altuzarra in the next stage of its growth.

On November 19, 2013, Kering and Tomas Maier announced that they had entered into a joint venture to develop the business of the Tomas Maier brand in partnership. Tomas Maier will continue to be Creative Director of Bottega Veneta, a position he has held since 2001.

Distribution of Groupe Fnac shares, Kering continues its divestment of the Redcats group and finalises the Group's transformation

In line with the principle announced on October 9, 2012, at its April 17, 2013 meeting Kering's Board of Directors unanimously approved the listing of Groupe Fnac shares through a distribution of Groupe Fnac shares to Kering shareholders. At the Annual General Meeting on June 18, 2013,

Kering's shareholders authorised the payment of an additional cash dividend and an additional dividend in the form of Groupe Fnac shares. On June 20, 2013 prior to the start of market trading, the rights to the balance of the cash dividend for 2012 were detached from the Kering shares and the dividend was paid. The rights to the allotment of Groupe Fnac shares were also detached from the Kering shares and the deliveries of Groupe Fnac shares began. Consequently, the Groupe Fnac share allotment rights began trading on Euronext Paris on the same day.

In 2013, Kering continued the divestment of the Redcats group and finalised the Group's transformation:

- on January 3, 2013, Kering announced that it had received a firm offer from Alpha Private Equity Fund 6 (“APEF 6”) to acquire Redcats' Children and Family division – comprising the Cyrillus and Vertbaudet brands – for an enterprise value of €119 million. The transaction was completed on March 28, 2013;
- on February 5, 2013, Kering announced the closing of the sale of OneStopPlus to Charlesbank Capital Partners and Webster Capital in accordance with the terms of the definitive sale agreement announced on December 5, 2012. This transaction marked the final step in the sale of all of Redcats USA's operations;
- on February 25, 2013, Kering announced that Redcats had entered into an agreement to sell its Nordic activities, Ellos and Jotex to Nordic Capital Fund VII for an enterprise value of €275 million. The transaction was completed on June 3, 2013.

Other changes

In 2013, Kering purchased a total of 422,500 PUMA shares on the market for an aggregate €99.6 million. This raised Kering's stake in PUMA to 85.81% as of December 31, 2013 from nearly 83% one year earlier.

2.2. *operating investments*

The Group conducts a targeted investment policy designed to reinforce both its image and the unique positioning of its brands, as well as to increase its return on capital employed.

The Group's investment policy is focused on the development of its store network, the conversion and renovation of its existing points of sale, the establishment and maintenance of manufacturing units in the Luxury sector, and the development of IT systems.

Gross operating investments amounted to €551 million in 2014, down 18% on 2013. If 2013 figures are adjusted for the acquisition of a building in Tokyo, investments remained broadly stable year-on-year.

In 2014, 36% of the Group's gross operating investments concerned store opening programmes, and around 23% related to store conversions and/or renovations. In 2013, 46% of gross operating investments concerned store opening programmes and around 19% related to store conversions and/or renovations.

The Luxury Division accounted for €60 million of the overall decrease in gross operating investments, reflecting the Division's focus on achieving organic growth on a same-store basis and on consolidating the existing store network, against a less promising operating backdrop for the luxury industry.

In 2014, net operating investments included €368 million in proceeds from disposals of property, plant and equipment and intangible assets (€10 million in 2013).

Luxury Division

The Luxury Division's operating investments totalled €372 million for 2014, 14.0% lower than in 2013. This contraction reflects the Division's focus on achieving organic growth on a same-store basis and on consolidating the existing store network. The Group is nevertheless continuing to allocate the resources required for developing the brands' businesses in line with their strategic plans.

As of December 31, 2014 the Luxury Division had a network of 1,186 directly-operated stores, including 744 (63%) in mature markets and 442 in emerging markets. Net store additions during the year totalled 90. However, adjusted for (i) transfers of existing points of sale previously operated by third-party distributors (Gucci in Russia and North America), (ii) the opening of Gucci Watches stores, and (iii) the Ulysse Nardin network, the number of net store additions was 73 (compared with 93 net store additions, adjusted for transfers, in 2013).

Gucci

Gucci's gross operating investments amounted to €186 million in 2014, down 13.1% on 2013. The majority of the investments related to the store network and notably included costs for refurbishing and extending stores. The decrease in investments compared with the peak in 2013 is attributable to lower levels of investment in logistics due to a significant increase in logistics capacity following new facilities opened in Sant' Antonino in late 2013.

As of December 31, 2014, Gucci operated 505 stores directly, including 207 in emerging markets. Net store additions during the year totalled 31. Excluding (i) stores in Russia incorporated into the directly-operated store network, (ii) points of sale in a department store in the United States, and (iii) "corners" opened for the brand's watches and jewellery, net store additions came to 16 in 2014.

Bottega Veneta

Bottega Veneta's gross operating investments contracted by around €21 million year-on-year to just under €41 million. This decrease stemmed from the slower pace of store openings and the fact that there were no one-off investments, unlike in 2013 which saw the completion of new *ateliers* and offices at Montebello Vicentino.

Bottega Veneta's network of directly-operated stores totalled 236 as of December 31, 2014, including 97 in emerging markets. There were 15 net store additions during the year, versus 25 in 2013.

Yves Saint Laurent

Gross operating investments totalled some €54 million, two-thirds of which was devoted to the store network. This amount is €11 million lower than in 2013, mainly reflecting timing differences related to payments made for the refurbishment work.

As of December 31, 2014, the Yves Saint Laurent brand directly operated 128 stores, including 52 in emerging markets. In all, there were 13 net store additions in 2014, and five flagship stores were refurbished.

Other Luxury brands

The network of directly-operated stores owned by Other Luxury brands totalled 317 stores as of December 31, 2014. Excluding the impact of changes in Group structure (Ulysse Nardin and reclassification of Sergio Rossi within non-current assets), there were 29 net store openings, including 22 stores for the Couture and Leather goods brands. The network comprises 231 stores in mature markets and 86 stores in emerging markets, including 56 in Greater China.

At €91 million, gross operating investments were on a par with 2013, reflecting the brands' highly selective and disciplined investment strategies, notably concerning new store locations.

Sport & Lifestyle Division

Gross operating investments rose by 14.3% to €86 million in 2014, reflecting the outlay required for the relaunch of the Division's brands after the capital expenditure freeze in 2013.

As of December 31, 2014, the Sport & Lifestyle Division's network of directly-operated stores had 677 points of sale. There were 69 net store additions during the year, of which 44 in emerging markets.

PUMA

Following on from 2013, when operating investments were drastically reduced, the implementation of the brand's Transformation Programme led to an increase of some €8 million in gross operating investments in 2014, notably related to the supply chain.

As of December 31, 2014, PUMA's directly-operated retail network included 624 stores, with 63 net openings compared with December 31, 2013. Over two-thirds of the openings were in emerging markets.

Other Sport & Lifestyle brands

Volcom and Electric's gross operating investments totalled nearly €10 million in 2014, representing a €3 million increase on 2013 – a year which marked a low in terms of capital outlay.

Volcom's directly-operated store network comprised 52 stores as of December 31, 2014, including 9 in emerging markets.

3. *risk management*

Risk management forms part of the ongoing identification and evaluation process of Group risks (see section "Internal

control and risk management procedures" in the Chairman's report, page 157 of the Reference Document).

3.1. *financial risks*

The Kering group has established a centralised structure for the management of liquidity, exchange rate and interest rate risks. The Group's Financing and Treasury Department, which reports to the Finance Department, is responsible for this organisation and has the necessary expertise, resources (particularly technical) and information systems to carry out its tasks. It executes transactions in various financial markets with optimum efficiency and security via Kering Finance SNC, which is dedicated to cash management and financing. The Financing and Treasury Department also coordinates cash management for the subsidiaries and sets out the Group's banking policy.

The financial risks identified by the Group are summarised below:

Counterparty risk

Kering minimises its exposure to counterparty risk by dealing only with investment grade companies and by spreading its exposure among its various counterparties, up to their respective exposure and maturity limits. Counterparties to derivative transactions are included in the Group's counterparty risk management procedures. Each of these transactions requires approval and is governed by limits and maturities that are reviewed on a regular basis. Counterparties are assessed using an internal classification system based on the rating they have received from rating agencies. Counterparties must be rated at least "BBB" by Standard & Poor's and the equivalent by Moody's.

Equity risk

In the normal course of its business, the Group enters into transactions involving shares in consolidated companies or shares issued by Kering. The Group trades in its own securities either directly or through derivatives as part of its share buy-back programme and in accordance with applicable regulations. Kering has also signed an agreement with a financial broker in order to improve the liquidity of the Group's shares and ensure share price stability. This agreement complies with the Professional Code of Conduct drawn up by the French association of financial and investment firms (*Association française des marchés*

financiers – AMAFI) and approved by the French financial markets authority (*Autorité des marchés financiers* – AMF).

Shares held in connection with non-consolidated investments represent a low exposure risk for the Group and are not hedged.

When Kering sets up financial investments in the form of open-ended investment funds (Sicav), UCITS or equivalent funds, it systematically uses liquid monetary instruments with maturities of less than three months in order to mitigate risk. Consequently, the price risk borne by Kering is deemed not to be material.

Additional information on equity risk is provided in Note 30.3 to the annual consolidated financial statements.

Foreign exchange risk

The Group uses hedging instruments to reduce its exposure to currency risk based on the specific requirements of each Division.

These instruments are used either to hedge foreign currency trade receivables and payables, or to hedge highly probable forecast exposures and/or firm commitments. Each entity hedges the risk generated by using a currency other than its functional currency in its commercial dealings.

Companies in the Sport & Lifestyle Division primarily hedge the foreign exchange risk generated by firm purchase commitments in foreign currencies and highly probable purchase flows. Periods depend on the activity specific to each company. Hedging flows may be generated by inter-company flows through purchasing offices.

Foreign exchange risk hedging by the Luxury Division's entities mainly covers sales made to their retail subsidiaries, and to a lesser extent purchase flows. These are essentially inter-company flows.

Future foreign exchange exposures are determined using a regularly updated budget procedure.

Hedging periods are adapted to each brand's business cycle and only marginally exceed one year at each reporting date.

Foreign exchange policies and procedures are set out by each company's Executive Committee and are validated by Kering.

Each brand hedges its own foreign exchange risks in accordance with policies and procedures reflecting its specific requirements.

These procedures incorporate Group policies as defined by Kering:

- Kering Finance SNC is the sole counterparty in currency transactions, except where specific regulatory or operating constraints rule this out;
- the amounts and maturities of all currency hedging transactions are backed by an economic underlying to prevent any speculative dealing;
- all highly probable exposures are at least 80%-hedged where they concern forecast amounts, or fully-hedged in the case of firm commitments;
- Kering has strictly limited the type of financial instruments that may be used for hedging purposes;
- each brand implements its own internal control system and conducts audits on a regular basis.

Kering ensures that each brand's risk management policy is consistent with its underlying foreign exchange exposure, notably through a monthly currency reporting procedure. Kering also conducts periodic audits at Group level.

The Group also hedges foreign exchange risk on financial assets and liabilities issued in foreign currencies by using currency swaps for refinancing purposes or by investing cash in euros or local currency.

Note 30.2 to the annual consolidated financial statements sets out the nature of the hedging instruments held by the Group and its exposure to foreign exchange risk (see page 269, "Exposure to foreign exchange risk").

Kering Finance SNC processes, controls and provides administrative support for foreign exchange transactions on behalf of Group companies. Front-office, middle-office, back-office and accounting tasks are separated for security reasons, as well as to ensure that derivatives contracted internally are unwound on the market. Kering Finance SNC uses market-standard techniques and information systems to price currency instruments.

Interest rate risk

Interest rate risk policy falls within Kering's remit, and is managed on a consolidated basis by Kering Finance SNC. Kering has set a 70% – fixed/30% – floating target rate mix for Group consolidated net debt.

Interest rate risk is measured based on current and projected consolidated net debt, the schedule of hedging positions and fixed-rate/floating-rate debt issuances. This enables interest-rate hedging in accordance with the Group's target fixed/floating rate mix. Appropriate hedging products are set up through Kering Finance SNC, in close liaison with Kering's Executive Management. Kering mainly uses interest rate swaps to convert all or a portion of its fixed-rate bonds and caps and collars to a floating rate in

order to protect floating-rate financing against rises in interest rates.

Kering Finance SNC processes, controls and provides administrative support for interest rate transactions on behalf of Group companies. Front-office, middle-office, back-office and accounting tasks are separated for security reasons. Kering Finance SNC uses market-standard techniques and information systems to price interest rate instruments.

Note 30.1 to the annual consolidated financial statements sets out the nature of the hedging instruments held by the Group and its exposure to interest rate risk (see page 266, "Exposure to interest rate risk").

Liquidity risk

Liquidity risk management for the Group and each of its subsidiaries is closely monitored and periodically assessed by Kering, based on Group – and brand – level financial reporting procedures.

In order to manage liquidity risk that may arise when its financial liabilities fall due, the Group's financing policy is geared towards optimising its maturity schedule and avoiding the concentration of redemptions and repayments.

The Group's active risk management policy also seeks to diversify sources of funding and limit reliance on individual lenders.

The Group had undrawn confirmed lines of credit totalling €4,125.5 million as of December 31, 2014 compared to €4,125.9 million as of December 31, 2013.

Kering has a Euro Medium Term Notes (EMTN) programme in Luxembourg for its bond issuances, representing €5 billion. As of December 31, 2014, €3,400 million of this amount had been used. The EMTN programme was extended on December 4, 2014 for a further one-year period. Kering's short-term debt is rated "A2" by Standard & Poor's, while its long-term debt is rated "BBB" with a stable outlook.

The Group's bonds and bank lines of credit are governed by the standard commitment and default clauses customarily included in this type of agreement: *pari passu* ranking, a negative-pledge clause that limits the security that can be granted to other lenders, and a cross-default obligation. The bonds issued within the scope of the EMTN programme are all subject to change-of-control clauses entitling bondholders to request early redemption at par if Kering's rating is downgraded to non-investment grade following a change of control.

In addition, the bonds issued in 2009 and 2010 – including the bonds added in January 2012 to those issued in April 2010 – include a "step-up coupon" clause that applies in the event that Kering's rating is downgraded to non-investment grade (see Notes 29.4 and 29.5 to the annual consolidated financial statements).

Kering and Kering Finance SNC confirmed lines of credit include a default clause (early repayment) in the event of failure to comply with the following financial covenant:

consolidated net debt/EBITDA less than or equal to 3.75 (see Note 29.5.3 to the annual consolidated financial statements). This ratio is calculated based on pro forma data. As of December 31, 2014, Kering and Kering Finance SNC had not drawn down any of the confirmed lines of credit subject to this covenant.

Euro bond issues are not subject to any financial ratio covenants.

The Group was in compliance with all these covenants as of December 31, 2014 and there is no foreseeable risk of breach.

Information relating to liquidity risk is presented in Note 29 to the annual consolidated financial statements, including the breakdown of Group debt by maturity and currency, and in Note 30.6 to the annual consolidated financial statements, which describes liquidity risk in accordance with IFRS 7.39.

3.2. *strategic and operational risks*

In accordance with the AMF's recommendations, this section deals only with risks identified by the Group as having a potentially significant impact.

Macroeconomic instability

Limited growth in the global economy and political instability in certain countries both contribute to a deteriorating macro-economic environment.

The balanced geographical coverage of its Luxury and Sport & Lifestyle Divisions limits the Kering group's exposure to the impact of local recessions and enables it to benefit from growth in emerging countries.

The diversity of the Group's product offering reduces its dependence on a specific range. The distribution network also benefits from a balanced geographical footprint, with Luxury Division sales made through over 1,200 directly-operated stores in 42 countries.

Raw materials and strategic skills

To meet its customers' expectations, the Luxury Division needs unhindered availability of raw materials that comply with its quality criteria, and sustained skill levels across its production teams. To these purposes, the Kering group has forged special partnerships with key suppliers, and pursues a policy of actively seeking new partners. In addition, it develops vertical integration throughout the production chain by means of a programme of acquisitions and strategic business combinations.

To uphold know-how in its Luxury Division businesses, Kering runs personnel training and skills preservation operations, and internalises a number of functions that were previously subcontracted.

Fluctuation in raw materials prices

The rising price of raw materials used by the Kering Luxury Division correlates with high demand for leather, skins and precious stones. Rising prices of the raw materials used by the Sport & Lifestyle Division stem from variations in outsourcing costs and in the prices of

rubber, cotton and polyester. Rises in production costs can be wholly or partially offset by corresponding rises in the sale prices of finished products.

Kering pays careful attention to the traceability of supplies, and insists that suppliers and subcontractors comply with legislation and the Group's Code of ethics. The Luxury Division is especially attentive to ensuring that supplies comply with international standards on mining conditions for gold, diamonds and precious stones. These factors tend to restrict the scope of alternative sourcing options for certain materials. The Group is nevertheless organised to regularly seek new suppliers capable of meeting its requirements on these issues.

Commercial appeal and brand value

Kering's base activities are underpinned by powerful global brands in the Group's Luxury and Sport & Lifestyle Divisions. One of the Group's main operational risks therefore concerns the loss of commercial appeal and brand value that could arise from poor consideration of consumer expectations, market changes, loss of key partnerships, problems with product quality, or failure to comply with the Group's Corporate Social Responsibility principles. The accounting impacts of impairment losses are described in Note 19 to the consolidated financial statements for the year ended December 31, 2014 on page 250.

Consumer expectations

The brands' creative leadership, success and, as a result, the commercial appeal of collections are managed by Creative Departments and their world-renowned designers, and perpetuated by remaining true to the identity and fundamental values of the brand. Kering's Sport & Lifestyle brands also play a major role as trend setters for consumers, by investing in R&D and offering new products and services.

The inability to anticipate changes in consumer expectations represents a major risk to Kering's business development. To counter this risk, Kering endeavours to streamline the supply cycle, cutting lead times between product design and launch phases.

Kering also encourages its Divisions to stay ahead of consumer trends by keeping a constant watch over market shifts (attending trade fairs, working with trend forecasting agencies, running consumer surveys, etc.).

The Luxury Division brands are therefore broadening their offerings, increasing the number of collections and developing new partnerships with renowned designers.

Loss of key partnerships

Partnerships with celebrities, athletes, sports teams and other brands make a significant contribution to enhancing the Group's image. The risk of losing strategic partnerships is mitigated by renewing major contracts in advance, extending the partnership portfolio, and paying careful attention to the quality of relationships with figureheads and brand representatives.

Product quality, health and safety risks

Ensuring the quality of goods and compliance with stringent safety standards are among the Group's main priorities.

In order to bring high-quality products to market that are compliant with these standards, the Group implements quality control processes covering all of the stages in the product lifecycle, from design through to marketing. Products are classified using quality and safety standards, while suppliers are referenced on the basis of technical audits and adherence to the Group Suppliers' Charter in the Code of ethics. Product quality and safety controls are carried out at all stages of the production process by quality engineers and accredited laboratories.

Procedures relating to product control are explained in greater depth in Chapter 3 "Sustainability" of the Reference Document, pages 114 and 115.

All Kering Divisions have a "product" crisis management unit. In the event of known risk, they follow procedures ensuring that immediate and transparent information is provided to the public, and that defective products are recalled.

The Group has also taken out civil liability insurance to cover bodily harm or property damage to third parties caused by products considered defective (see Note 3.4 "Main existing insurance programmes" page 205).

Image and reputation, respect for ethical rules and integrity

The Group carefully safeguards its image and reputational assets, and consequently seeks to ensure that no incident arises due to unethical behaviour on the part of entities or individuals under its control, or those with which it is involved in business relations.

All Kering Divisions have a crisis management policy and unit that liaises with Kering headquarters.

The Group also monitors adherence by personnel to the Kering group Charter, which defines the framework for the decentralisation of the organisation, and to the Code of ethics (the third edition of which is available in 12 languages and was circulated to all of the Group's employees in 2013). A Group Ethics Committee has been established and is supported by two regional counterparts, the Asia-Pacific Ethics Committee and the Americas Ethics Committee. All three Committees can be contacted via a hotline from 74 countries, operating in 12 languages.

The Group regularly examines ways to adapt these documents to its organisation, ensures that suppliers adhere to the Group Suppliers' Charter, which they are required to promote within their production units, and monitors compliance by means of social audits at production sites (see Chapter 3 "Sustainability" of the Reference Document, pages 111 to 113).

All Luxury Division brands implement appropriate methods and steps to ensure their activities comply with the Group's Corporate Social Responsibility (CSR) standards: SA8000 and RJC certification, social audits and supplier training programmes are examples of the actions and programmes that the brands have put in place in their day-to-day operations.

The Sport & Lifestyle Division also ensures that its suppliers respect the Group's CSR standards. PUMA for example monitors its suppliers' observance of its Social Accountability and Fundamental Environmental (SAFE) standards, which forbid child labour, unethical employment conditions, environmental damage and any business relationships with criminal organisations.

Counterfeiting and parallel distribution networks

Kering owns a large array of brands, models, copyrights, patents, designs and know-how, largely through its Luxury and Sport & Lifestyle Divisions. This portfolio constitutes intellectual property and a strategic asset for the Group.

The Group's legal departments manage the brand portfolio and other intellectual property rights, and implement active and diversified policies to counter breaches of these rights. Kering actively opposes parallel distribution networks and illicit networks that sell counterfeit or copied goods, in particular by working to increase the traceability of its goods.

Protection of the Group's intellectual property takes many forms, from upstream practices of the brand portfolios, to downstream practices, including anti-counterfeiting custom or police raids or legal action. The costs of monitoring markets and tackling counterfeiting, within the brands and at the Group's head office, are divided between legal and security functions, or measures put in place inside the stores. These costs are however relatively insignificant at the Group level.

Kering also participates in bodies that represent the leading Luxury industry players. The Group prevents sales of its products by parallel distribution networks by working to increase the traceability of its goods, prohibiting direct sales to these networks and implementing specific measures to tighten control over its distribution channels.

Dependence on patents, licences and supply contracts

The Group is not significantly dependent on any patents, licences or third-party supply sources.

The Group owns or has license rights to the trademarks, patents and intellectual property rights that it exploits, free of any restrictions as to right of priority or use (and of rights likely to restrict such exploitation) in all relevant markets. The same applies to the corporate names and domain names of the subsidiaries or entities, to the names of the Group's stores and points of sale and to the trademarks and signs of the goods and products manufactured and marketed by the various Group entities. This situation does not preclude any of the trademarks belonging to the Group being licensed to third parties for the sale of goods or services under its trademark enhancement policy, as has been the case in perfumes and cosmetics. In all cases, such licensing agreements have been entered into under fair commercial and financial terms and conditions, and have no impact on the ownership of the trademarks and signs belonging to the Group. Further information on contractual obligations and other commitments is provided in Notes 34.2.1 and 34.2.4 to the 2014 consolidated financial statements on pages 282 and 283.

Litigation

Group companies are involved or are likely to be involved in a number of lawsuits or disputes arising in the normal course of business, including litigation with tax, social security and customs authorities, as well as various governmental and competition authorities. Provisions have been set aside by the companies for the probable costs, as estimated by the entities and their experts. According to the Group entities' experts and advisors, no litigation currently in progress concerning Group companies presents a risk for the normal operations of the Group, or for its future development. Provisions have been set aside in the Group's 2014 consolidated financial statements to cover all of the abovementioned legal risks, including the impact of commitments given on the disposal of controlling interests. None of these risks have been qualified as arising outside the scope of normal business for Group companies.

The Group considers that the effective methods and procedures for identifying and managing its industrial and environmental risks within each of the entities concerned, which rely chiefly on the advice of duly authorised external organisations and advisors, meet, in relevance and proportion, customary technical and professional standards under the

prevailing regulatory framework. An active prevention and safety policy is an integral part of these methods and procedures.

Furthermore, the Group has granted various sellers' representations and warranties in connection with disposals of controlling interests in subsidiaries made over the last ten years (see Note 34.1 to the 2014 consolidated financial statements, on page 281).

As regards the laws and regulations applicable to the Group's activities (excluding possible international sanctions that may be imposed against certain countries but have no impact on the Group's activities), Kering's businesses are subject to the same constraints and obligations as those directly applicable to its competitors on its different markets. None of its businesses are subject to specific rules or exemptions in any of the relevant territories.

The Company is not aware of any foreseeable regulatory or legislative changes in contradiction with the foregoing.

To the Company's knowledge, during the last 12 months (at least), there have been no governmental, legal or arbitration proceedings (including any pending or threatened proceedings of which the issuer is aware) that have had in the recent past or are likely to have in the future, a significant impact on the financial position or earnings of the Company or the Group.

Talent management

The Group recognises that the talent and creativity of its employees are one of the keys to its success. Its capacity to identify, attract and retain staff and nurture their skills is critical for the Group.

Kering's human resources policy therefore seeks to promote a stimulating and rewarding working environment, and to foster attachment to the Group and its values. This is done by means of training programmes and profit-sharing. Kering also aims to boost its employees' employability, to encourage internal mobility and to open up prospects for professional and personal development (see Chapter 3 "Sustainability" of the Reference Document, pages 66 to 69).

Special attention is given to the creative teams, to develop powerful, lasting brand identities.

Information systems

Most of the Group's production and transaction processes rely on information systems. The maturity of the information systems in use across the Group, as regards suitability, security, rollout and functionality, is fairly heterogeneous. The Group runs an ongoing investment programme on the adaptation, improvement, security and durability of its information systems. Business continuity and recovery plans are regularly updated, and their efficacy closely monitored.

With the support of the Divisions' brand security departments, the Group is introducing data protection and business continuity plans.

Credit risk

Because of the nature of its businesses, a large proportion of Kering sales are not exposed to customer payment risks. This is true of direct customer sales by the Luxury Division. For sales through wholesalers, there is no strong dependency whereby loss of particular customers might have a significant impact on business or income.

The Sport & Lifestyle Division is more exposed to payment default risks because a significant portion of its products is distributed through wholesalers. It manages these risks by constant monitoring of amounts outstanding. As applicable, provisions are set aside against the value of the Division's assets. Credit risk is also minimised by appropriate insurance coverage.

Seasonality of sales

Following the disposals of retail businesses in 2012 and 2013, the Group has focused on the Luxury and Sport & Lifestyle sectors. The seasonality of the Group's activities has decreased since this repositioning and is no longer considered a significant risk.

However, for the Group's Luxury brands, the fourth quarter is the most important in terms of revenue due to year-end holiday purchases in western countries, although fourth-quarter revenue does not significantly exceed revenue generated during the first three quarters of the year. In addition, the activity of the Luxury and Sport & Lifestyle Divisions generally revolves around the twice yearly nature of their collections and changes in delivery dates to wholesalers can lead to shift in sales from one given quarter to the next one.

Exceptional factors likely to have major consequences on the political or macroeconomic environment of one or more of the Group's main markets can also impact the Group's activities and quarterly results and consequently change the usual seasonality pattern in a given fiscal year.

3.3. *compliance risks*

Kering's international presence exposes it to risks regarding non-compliance with legislation and national regulations, owing to the complexity and changing nature of regulations chiefly arising from corporate and tax law, customs duties and import restrictions applied by certain

countries. To guard against risks of non-compliance due to a lack of awareness of legislative change, Kering provides its Divisions with a regulatory watch service, through head office and support centres in the regions in which the Group operates.

3.4. *risk management*

The Kering risk management policy is based on the ongoing identification and evaluation of risks, risk prevention, protection of people and property, and safety and business continuity plans.

The risk management policy also includes the transfer of risks to insurance companies.

Insurance against risks

The Group's policy of transferring significant risks to insurance companies is determined based on:

- achieving the best economic balance between risk coverage, premiums and self-insurance;

and,

- availability of insurance capacities, insurance market constraints and local regulations.

Coverage is based on the "All risks except" approach, determined by assessing the financial consequences for the company of a possible claim, especially in the areas of:

- civil liability: bodily harm or property damage to third parties caused by products, fittings and equipment;
- fire, explosions, water damage, etc.;
- operating losses following direct damage.

Insurance coverage is purchased based on an assessment by site and company of the level of coverage necessary to face reasonably estimated potential occurrences of diverse risks (liability, damage and retailer counterparty). This assessment takes account of the analyses of the insurers underwriting the Group's risks.

The insurance schemes now in force in the Group, which centralises most purchases of insurance policies such as property and casualty risks for subsidiaries, were taken out

with the assistance of internationally recognised insurance brokers specialised in covering major risks, with reputable insurers in the industrial risk insurance sector.

Main existing insurance programmes:

- property damage from fire, explosion, floods, machine breakage, natural disasters to its own property: property, furnishings, equipment, merchandise, IT installations, and to property for which it is responsible, as well as any resulting operating losses, for any period deemed necessary for normal business activities to resume;
- damage and loss of equipment, merchandise and/or goods in transport;
- damage resulting from theft, fraud, embezzlement, or acts of malice to valuable assets, data and/or property;
- bodily harm or property damage following construction work carried out as project owner (new buildings, renovations, restorations, etc.);
- liability for bodily or property damage to third parties by motorised vehicles belonging to the different companies;
- responsibility under general and environmental civil liability for the "operating risk", "post-delivery risk" and "risk after services rendered", due to damages caused to third parties in the course of the Group's business;
- non-payment of receivables by third-party distributors, particularly in the event of default or insolvency.

Other insurance contracts are taken out by Group companies to cover specific risks or to comply with local regulations.

Uninsured risks are exposures for which there is no insurance coverage offered on the insurance market, or for which the cost of available insurance is disproportionate compared to the potential benefits of the coverage.

The Kering group handles known and manageable risks given the current scientific and medical understanding, in a manner consistent with other French and international industrial groups with similar types of exposures. This is one of the reasons why the Group is able to place its risks with insurers ready to deal with the unforeseeable and uncertain consequences of accidents.

Insurance coverage concerns all Group companies, including those acquired in 2013 and 2014.

The levels of coverage in place for the main potential risks facing the Group as a whole as of January 1, 2014, were as follows:

- fire, explosions or water damage and the ensuing operating losses: €300 million;
- civil liability: €145 million;
- damage to or loss of goods in transport: €20 million;
- fraud and acts of malice to goods and valuables: €20 million.

In order to diversify the sources of its policies and secure lasting coverage for highly volatile risks such as the earthquake in Japan, the Group has taken out insurance with investors against natural disasters, which is both indemnity-based and parametric.

The total risk financing cost for Kering includes three main items (in addition to "physical" protection and prevention expenditure):

- cost of deductibles and non-insured losses retained or self-insured by the subsidiaries in 2014: €1.1 million;
- claims covered by the Group itself through its reinsurance companies, in 2014: €2.8 million.

Taking out self-insurance through the Group's reinsurance subsidiaries reduces insurance costs and enhances performance because frequently occurring risks are pooled within the Group and insured for an amount that is capped annually.

Since July 1, 2014, the Group's reinsurance company has covered damage and operating losses of up to €5 million per claim, capped at €6.5 million per annum (for the period from July 1 to June 30):

- insurance premiums and management fees including engineering visits and brokers fees, etc. (final 2014 expenses): €17 million.

Specific additional policies may also be taken out by certain companies or businesses or by virtue of local specificities in certain countries (occupational accidents, contributions to natural disaster funds, etc.). These are managed at the level of each company and/or country.

4. consolidated financial statements as of december 31, 2014

4.1. consolidated income statement for the years ended december 31, 2014 and 2013

(in € millions)	Notes	2014	2013
CONTINUING OPERATIONS			
Revenue	5	10,037.5	9,655.7
Cost of sales		(3,741.7)	(3,615.2)
Gross margin		6,295.8	6,040.5
Payroll expenses	6-7	(1,545.2)	(1,515.5)
Other recurring operating income and expenses		(3,086.6)	(2,773.8)
Recurring operating income	8	1,664.0	1,751.2
Other non-recurring operating income and expenses	9	(112.1)	(440.7)
Operating income		1,551.9	1,310.5
Finance costs, net	10	(197.4)	(210.5)
Income before tax		1,354.5	1,100.0
Corporate income tax	11	(325.6)	(236.9)
Share in earnings (losses) of associates		(0.8)	1.6
Net income from continuing operations		1,028.1	864.7
o/w attributable to owners of the parent		1,007.7	872.5
o/w attributable to non-controlling interests		20.4	(7.8)
DISCONTINUED OPERATIONS			
Net income (loss) from discontinued operations	12	(478.8)	(824.7)
o/w attributable to owners of the parent		(478.8)	(822.9)
o/w attributable to non-controlling interests			(1.8)
Net income of consolidated companies		549.3	40.0
o/w attributable to owners of the parent		528.9	49.6
o/w attributable to non-controlling interests		20.4	(9.6)
Net income attributable to owners of the parent		528.9	49.6
Earnings per share (in €)	13.1	4.20	0.39
Fully diluted earnings per share (in €)	13.1	4.20	0.39
Net income from continuing operations attributable to owners of the parent		1,007.7	872.5
Earnings per share (in €)	13.1	8.00	6.93
Fully diluted earnings per share (in €)	13.1	8.00	6.92
Net income from continuing operations (excluding non-recurring items) attributable to owners of the parent		1,177.4	1,231.3
Earnings per share (in €)	13.2	9.35	9.78
Fully diluted earnings per share (in €)	13.2	9.35	9.77

4.2. consolidated statement of comprehensive income for the years ended december 31, 2014 and 2013

<i>(in € millions)</i>	Notes	2014	2013
Net income		549.3	40.0
Actuarial gains and losses ⁽¹⁾		(5.3)	1.8
Unrecognised surplus of pension plan assets		10.0	7.1
Total items not reclassified to income		4.7	8.9
Foreign exchange gains and losses		74.7	(111.4)
Cash flow hedges ⁽¹⁾		(151.1)	29.7
Available-for-sale financial assets ⁽¹⁾		(0.7)	3.1
Total items to be reclassified to income		(77.1)	(78.6)
Other comprehensive income (expense), net of tax	14	(72.4)	(69.7)
Total comprehensive income		476.9	(29.7)
o/w attributable to owners of the parent		440.4	(3.1)
o/w attributable to non-controlling interests		36.5	(26.6)

(1) Net of tax.

4.3. consolidated statement of financial position as of december 31, 2014 and 2013

Assets

(in € millions)	Notes	Dec. 31, 2014	Dec. 31, 2013
Goodwill	16	4,039.9	3,770.1
Brands and other intangible assets	17	10,748.1	10,702.8
Property, plant and equipment	18	1,887.2	1,676.9
Investments in associates	20	23.2	17.3
Non-current financial assets	21	400.0	316.8
Deferred tax assets	11.2	758.0	649.9
Other non-current assets		36.2	30.1
Non-current assets		17,892.6	17,163.9
Inventories	22	2,234.7	1,805.5
Trade receivables	23	1,030.0	949.9
Current tax receivables	11.2	138.4	119.1
Other current financial assets	24	106.3	107.7
Other current assets	24	673.5	523.4
Cash and cash equivalents	28	1,089.9	1,419.2
Current assets		5,272.8	4,924.8
Assets classified as held for sale	12	88.5	722.1
TOTAL ASSETS		23,253.9	22,810.8

Equity and liabilities

(in € millions)	Notes	Dec. 31, 2014	Dec. 31, 2013
Share capital	25	505.1	504.9
Capital reserves		2,427.4	2,424.3
Treasury shares		(3.4)	(10.4)
Translation adjustments		(52.9)	(115.3)
Remeasurement of financial instruments		(86.9)	69.8
Other reserves		7,844.8	7,713.3
Equity attributable to owners of the parent	25	10,634.1	10,586.6
Non-controlling interests		628.2	609.3
Total equity	25	11,262.3	11,195.9
Non-current borrowings	29	3,192.2	3,132.4
Other non-current financial liabilities	30	2.8	0.7
Provisions for pensions and other post-employment benefits	26	111.9	92.8
Other provisions	27	49.3	113.2
Deferred tax liabilities	11.2	2,791.8	2,810.2
Non-current liabilities		6,148.0	6,149.3
Current borrowings	29	2,288.4	1,737.4
Other current financial liabilities	24-30	346.8	213.2
Trade payables	24	982.8	766.1
Provisions for pensions and other post-employment benefits	26	7.2	7.2
Other provisions	27	225.6	152.7
Current tax liabilities	11.2	277.9	310.1
Other current liabilities	24	1,651.0	1,372.3
Current liabilities		5,779.7	4,559.0
Liabilities associated with assets classified as held for sale	12	63.9	906.6
TOTAL EQUITY AND LIABILITIES		23,253.9	22,810.8

4.4. consolidated statement of cash flows for the years ended december 31, 2014 and 2013

<i>(in € millions)</i>	Notes	2014	2013
Net income from continuing operations		1,028.1	864.7
Net recurring charges to depreciation, amortisation and provisions on non-current operating assets		326.7	292.1
Other non-cash income and expenses		(95.0)	387.8
Cash flow from operating activities	33.1	1,259.8	1,544.6
Interest paid/received		218.8	119.0
Dividends received			(0.3)
Net income tax payable	11.1	365.7	320.1
Cash flow from operating activities before tax, dividends and interest		1,844.3	1,983.4
Change in working capital requirement	24	(160.3)	(75.0)
Corporate income tax paid	11.2.1	(422.7)	(387.2)
Net cash from operating activities		1,261.3	1,521.2
Purchases of property, plant and equipment and intangible assets	33.2	(551.4)	(674.9)
Proceeds from disposals of property, plant and equipment and intangible assets		367.9	10.3
Acquisitions of subsidiaries, net of cash acquired	33.3	(593.8)	(342.1)
Proceeds from disposals of subsidiaries and associates, net of cash transferred	33.3	3.6	23.6
Purchases of other financial assets		(144.1)	(57.9)
Proceeds from sales of other financial assets		9.9	5.1
Interest and dividends received		5.3	70.0
Net cash used in investing activities		(902.6)	(965.9)
Increase/decrease in share capital and other transactions with owners	33.4	3.2	(84.3)
Treasury share transactions	33.5	(8.5)	(39.0)
Dividends paid to owners of the parent company		(473.2)	(471.2)
Dividends paid to non-controlling interests		(24.4)	(26.0)
Bond issues	29 - 33.6	862.7	938.9
Bond redemptions	29 - 33.6	(948.1)	(740.0)
Increase/decrease in other borrowings	29 - 33.6	546.7	(308.2)
Interest paid and equivalent		(233.4)	(185.6)
Net cash used in financing activities		(275.0)	(915.4)
Net cash used in discontinued operations	12	(442.7)	(443.4)
Impact of exchange rate variations		(73.2)	66.0
Net increase (decrease) in cash and cash equivalents		(432.2)	(737.5)
Cash and cash equivalents at beginning of year	33	1,237.6	1,975.1
Cash and cash equivalents at end of year	33	805.4	1,237.6

4.5. consolidated statement of changes in equity

(Before appropriation
of net income)

(in € millions)	Number of shares outstanding ⁽¹⁾	Share capital	Capital reserves	Treasury shares	Translation adjustments	Remeas- urement of financial instruments	Other reserves and net income attributable to owners of the parent	Total equity		
								Owners of the parent	Non- controlling interests	Total equity
As of January 1, 2013	126,091,629	504.5	2,416.1	(3.3)	(24.2)	41.4	8,479.3	11,413.8	704.9	12,118.7
Total comprehensive income					(91.1)	28.4	59.6	(3.1)	(26.6)	(29.7)
Increase/decrease in share capital	110,059	0.4	8.2					8.6		8.6
Treasury shares ⁽³⁾	(35,508)			(7.1)			(20.9)	(28.0)		(28.0)
Valuation of share-based payment							8.2	8.2	(0.3)	7.9
Dividends paid and interim dividends							(785.3) (27.6)	(785.3) (27.6)	(26.0) (42.7)	(811.3) (70.3)
Changes in Group structure										
As of December 31, 2013	126,166,180	504.9	2,424.3	(10.4)	(115.3)	69.8	7,713.3	10,586.6	609.3	11,195.9
Total comprehensive income					62.4	(156.7)	534.7	440.4	36.5	476.9
Increase/decrease in share capital	39,729	0.2	3.1					3.3		3.3
Treasury shares ⁽³⁾	39,044			7.0			(10.2)	(3.2)		(3.2)
Valuation of share-based payment							1.9	1.9		1.9
Dividends paid and interim dividends							(473.3)	(473.3)	(21.9)	(495.2)
Changes in Group structure and other changes							78.4	78.4	4.3	82.7
As of December 31, 2014⁽²⁾	126,244,953	505.1	2,427.4	(3.4)	(52.9)	(86.9)	7,844.8	10,634.1	628.2	11,262.3

(1) Shares with a par value of €4 each.

(2) Number of shares outstanding as of December 31, 2014: 126,266,490.

(3) Net of tax.

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note 1 – introduction

Kering, the Group's parent company, is a *société anonyme* (French joint stock company) with a Board of Directors, incorporated under French law, whose registered office is located at 10 avenue Hoche, 75008 Paris, France. It is registered with the Paris Trade and Companies Registry under reference 552 075 020 RCS Paris, and is listed on the Paris Euronext stock exchange.

The consolidated financial statements for the year ended

December 31, 2014 reflect the accounting position of Kering and its subsidiaries, together with its interests in associates and joint ventures.

The Board of Directors approved the consolidated financial statements for the year ended December 31, 2014 and authorised their publication on February 16, 2015. These consolidated financial statements will only be considered as final after their adoption by the Annual General Meeting.

note 2 – accounting policies and methods

2.1. General principles and statement of compliance

Pursuant to European Regulation No. 1606/2002 of July 19, 2002, the consolidated financial statements of the Kering group for the year ended December 31, 2014 were prepared in accordance with applicable international accounting standards published and adopted by the European Union and mandatorily applicable as of that date.

These international standards comprise International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

The financial statements presented do not reflect the draft standards and interpretations that were at the exposure draft stage with the International Accounting Standards Board (IASB) and the IFRIC on the date these financial statements were prepared.

All accounting standards and guidance adopted by the European Union may be consulted on the European Commission's website: http://ec.europa.eu/finance/accounting/ias/index_en.htm.

2.2. IFRS basis adopted

2.2.1. Standards, amendments and interpretations effective as of January 1, 2014

The Group's consolidated financial statements comply with the following amendments to published standards and interpretations which came into effect on January 1, 2014 and have been adopted by the European Union:

- IFRS 10, IFRS 11 and IFRS 12 on consolidation and amendments to IAS 28R;
- amendments to IFRS 10, IFRS 12 and IAS 27 – *Investment Entities*;

- amendments to IFRS 10, IFRS 11 and IFRS 12 – *Transition Guidance*;
- amendment to IAS 32 – *Offsetting Financial Assets and Financial Liabilities*;
- amendment to IAS 36 – *Recoverable Amount Disclosures for Non-Financial Assets*;
- amendment to IAS 39 – *Novation of Derivatives and Continuation of Hedge Accounting*.

The application of these standards did not have a material impact on the Group's consolidated financial statements.

2.2.2. Standards, amendments and interpretations published but not yet mandatorily applicable at January 1, 2014

The Group has elected not to early adopt the standards, amendments and interpretations adopted by the European Union whose application is not mandatory for financial periods beginning on or after January 1, 2014.

The Group is currently assessing the impacts of IFRIC 21 on the levies imposed by governments but these impacts are not material. This interpretation, which specifies the date on which provisions must be set aside for taxes imposed by governments, has been adopted by the European Union.

The other standards and interpretations that have not yet been adopted by the European Union are primarily as follows:

- IFRS 9 – *Financial Instruments*, which sets out the requirements for recognising and reporting financial assets and financial liabilities. This standard will ultimately replace IAS 39 – *Financial Instruments*;
- IFRS 15 – *Revenue from Contracts with Customers*, which establishes principles for recognising revenue and will ultimately replace IAS 18 – *Revenue*;
- amendment to IAS 16 and IAS 38 – *Clarification of Acceptable Methods of Depreciation and Amortisation*.

The Group is currently assessing the impacts of these standards and interpretations.

2.2.3. Summary of options used on the first-time adoption of IFRS

On its transition to International Financial Reporting Standards in 2005, the Group applied the IFRS adopted by the European Union and effective as of December 31, 2005 with retroactive effect from January 1, 2004 in accordance with IFRS 1, with the exception of the following exemptions provided by the standards:

- **business combinations:** in accordance with IFRS 3, the Group elected to restate business combinations retroactively to January 1, 1999;
- **employee benefits:** the Group adopted the IFRS 1 option of recognising all actuarial gains and losses at the transition date, offset against opening equity;
- **cumulative translation differences:** the Group decided to use the optional exemption allowing the elimination of cumulative translation differences at the transition date through an offsetting entry in consolidated reserves;
- **assets and liabilities of subsidiaries, associates and joint venture partners:** IFRS 1 states that if the parent company of a group adopts IFRS for the first time in its consolidated financial statements after a subsidiary, the parent company must, in its opening IFRS consolidated balance sheet, value the assets and liabilities at the same carrying amount as that appearing in the subsidiary's financial statements, taking into account any consolidation adjustments. Since Gucci was already preparing its financial statements in accordance with IFRS before the transition date, the Group complied with this treatment when preparing its opening balance sheet;
- **share-based payment:** in accordance with the option allowed by IFRS 2 for equity-settled plans, the Group decided to apply this standard solely to plans issued after November 7, 2002 which had not vested as of January 1, 2005.

In addition, subsequent to the choice offered by the regulator as to the date of adoption of IAS 32 and IAS 39 on financial instruments, the Group opted to apply these standards as from January 1, 2005. Accordingly:

- for the liability component of a **hybrid instrument** that is no longer outstanding at the date of transition to IAS 32 and IAS 39, the Group opted not to separate the equity portion relating to the cumulative interest accreted on the liability component from the initial equity component;
- **financial assets and liabilities recorded prior** to the transition date were designated at fair value through the income statement or as available for sale on the transition date (January 1, 2005).

2.3. Basis of preparation of the consolidated financial statements

2.3.1. Basis of measurement

The consolidated financial statements are prepared in accordance with the historical cost convention, with the exception of:

- certain financial assets and liabilities measured at fair value;
- interests retained in a subsidiary or associate, which are measured at fair value at the date control or significant influence is lost;
- non-current assets held for sale, which are measured and recognised at the lower of net carrying amount and fair value less costs to sell as soon as their sale is considered highly probable. These assets are no longer depreciated from the time they qualify as assets (or disposal groups) held for sale.

2.3.2. Use of estimates and judgement

The preparation of consolidated financial statements requires Group management to make estimates and assumptions that can affect the carrying amounts of certain assets and liabilities, income and expenses, and the disclosures in the accompanying notes. Group management reviews these estimates and assumptions on a regular basis to ensure their pertinence with respect to past experience and the current economic situation. Items in future financial statements may differ from current estimates as a result of changes in these assumptions. The impact of changes in accounting estimates is recognised during the period in which the change occurs and all affected future periods.

The main estimates made by management in the preparation of the financial statements concern the valuations and useful lives of operating assets, property, plant and equipment, intangible assets and goodwill, the amount of contingency provisions and other provisions relating to operations, and assumptions underlying the calculation of obligations relating to employee benefits, share-based payment, deferred tax balances and derivatives. The Group notably uses discount rate assumptions based on market data to estimate the value of long-term assets and liabilities.

The main assumptions made by the Group are detailed in specific sections of the notes to the consolidated financial statements, and in particular:

- Note 7 – Share-based payment;
- Note 11 – Income taxes;
- Note 19 – Impairment tests on non-financial assets;
- Note 26 – Employee benefits;
- Note 27 – Provisions;
- Note 30 – Exposure to interest rate, foreign exchange and equity risk;

- Note 31 – Accounting classification and market value of financial instruments.

In addition to the use of estimates, Group management uses judgement to determine the appropriate accounting treatment for certain transactions, pending the clarification of certain IFRS or where prevailing standards do not cover the issue at hand. This is notably the case for put options granted to non-controlling interests.

Put options granted to non-controlling interests

The Group has undertaken to repurchase the non-controlling interests of shareholders of certain subsidiaries. The strike price of these put options may be set or determined according to a predefined calculation formula, and the options may be exercised at any time or on a specific date.

The appropriate accounting treatment for acquisitions of additional shares in a subsidiary after control is obtained is prescribed by IFRS. As permitted by the French financial markets authority (*Autorité des marchés financiers* – AMF), the Group has decided to apply two different accounting methods to these put options, depending on whether they were granted before or after the date the revised standard first came into effect.

Put options granted before January 1, 2009: existing goodwill method retained

The Group records a financial liability in respect of the put options granted to holders of non-controlling interests in the entities concerned. The corresponding non-controlling interests are reclassified and included in this financial liability. The difference between the debt representing the commitment to repurchase the non-controlling interests and the carrying amount of reclassified non-controlling interests is recorded as goodwill.

This liability is initially recognised at its present value. Subsequent changes in the value of the commitment are recorded by an adjustment to goodwill.

Put options granted after January 1, 2009

According to IFRS, all equity transactions with non-controlling interests that do not result in a loss of control are to be recognised within equity. The Group records a financial liability at its present value in respect of the put options granted to holders of non-controlling interests in the entities concerned. Subsequent changes in the value of the commitment are recorded by an adjustment to equity.

The offsetting entry for this financial liability will differ depending on whether the non-controlling interests have maintained access at present to the economic benefits of the entity.

In the first case (access at present to the economic benefits), non-controlling interests are maintained in the statement of financial position and the liability is recognised against equity attributable to owners of the parent. In the second case, the corresponding non-controlling interests are

derecognised. The difference between the debt representing the commitment to repurchase the non-controlling interests and the carrying amount of reclassified non-controlling interests is recorded as a deduction from equity attributable to owners of the parent.

2.3.3. Statement of cash flows

The Group's statement of cash flows is prepared in accordance with IAS 7 – *Statement of Cash Flows*. The Group prepares its statement of cash flows using the indirect method.

2.4. Consolidation principles

The consolidated financial statements include the financial statements of companies acquired as from the acquisition date and companies sold up until the date of disposal.

2.4.1. Subsidiaries

Subsidiaries are all entities (including special-purpose entities) over which the Group exercises control. Control is defined according to three criteria: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to use power over the investee to affect the amount of the investor's returns. This definition of control implies that power over an investee can take many forms, not just the ability to direct the relevant activities of the investee. The existence and effect of potential voting rights are considered when assessing control, if the rights are substantive. This situation generally implies directly or indirectly holding more than 50% of the voting rights but can also exist when less than 50% of the voting rights are held.

Subsidiaries are consolidated from the effective date of control.

Inter-company assets and liabilities and transactions between consolidated companies are eliminated. Gains and losses on internal transactions with controlled companies are fully eliminated.

Accounting policies and methods are modified where necessary to ensure consistency of accounting treatment at Group level.

2.4.2. Associates

Associates are all entities in which the Group exercises a significant influence over the entity's management and financial policy, without exercising control, and generally implies holding 20% to 50% of the voting rights.

Associates are recognised using the equity method and initially measured at cost, except when the associates were previously controlled by the Group, in which case they are measured at fair value through the income statement as of the date control is lost.

Subsequently, the share in profits or losses of the associate attributable to owners of the parent is recognised in "Share in earnings of associates", and the share in other comprehensive income of associates is carried on a separate line of the statement of comprehensive income. If the Group's share in the losses of an associate equals or exceeds its investment in that associate, the Group no longer recognises its share of losses, unless it has legal or constructive obligations to make payments on behalf of the associate.

Goodwill related to an associate is included in the carrying amount of the investment, presented separately within "Investments in associates" in the statement of financial position.

Gains or losses on internal transactions with equity-accounted associates are eliminated in the amount of the Group's investment in these companies.

The accounting policies and methods of associates are modified where necessary to ensure consistency of accounting treatment at Group level.

2.4.3. Business combinations

Business combinations, where the Group acquires control of one or more other activities, are recognised using the acquisition method.

Business combinations carried out after January 1, 2009 are recognised and measured in accordance with the provisions of the revised IFRS 3. Accordingly, the consideration transferred (acquisition price) is measured at the fair value of the assets transferred, equity interests issued and liabilities incurred by the acquirer at the date of exchange. Identifiable assets and liabilities are generally measured at their fair value on the acquisition date. Costs directly attributable to the business combination are recognised in expenses.

The excess of the consideration transferred over the Group's interest in the net fair value of the identifiable assets and liabilities of the acquired entity is recognised as goodwill. The Group may choose to measure any non-controlling interests resulting from a business combination at fair value. In this case, goodwill is recognised on all of the identifiable assets and liabilities (full goodwill method).

Goodwill is determined at the date control over the acquired entity is obtained and may not be adjusted after the measurement period. No additional goodwill is recognised on any subsequent acquisition of non-controlling interests. Acquisitions and disposals of non-controlling interests are recognised directly in consolidated equity.

If the consideration transferred is less than the Group's interest in the net assets of the subsidiary acquired measured at fair value, the difference is recognised directly in net income for the period.

The accounting for a business combination must be completed within 12 months of the acquisition date. This applies to the measurement of identifiable assets and

liabilities, consideration transferred and non-controlling interests.

2.5. Foreign currency translation

2.5.1. Functional and presentation currency

Items included in the financial statements of each Group entity are valued using the currency of the primary economic environment in which the entity operates (functional currency). The Group's consolidated financial statements are presented in euros, which serves as the presentation currency.

2.5.2. Foreign currency transactions

Transactions denominated in foreign currencies are recognised in the entity's functional currency at the exchange rate prevailing on the transaction date.

Monetary items in foreign currencies are translated at the end of each reporting period using the closing rate. Translation adjustments arising from the settlement of these items are recognised in income or expenses for the period.

Non-monetary items in foreign currencies valued at historical cost are translated at the rate prevailing on the transaction date, and non-monetary items in foreign currencies measured at fair value are translated at the rate prevailing on the date the fair value is determined. When a gain or loss on a non-monetary item is recognised directly in other comprehensive income, the foreign exchange component is also recognised in other comprehensive income. Otherwise, the component is recognised in income or expenses for the period.

The treatment of foreign exchange rate hedges in the form of derivatives is described in the section on derivative instruments in Note 2.11 – Financial assets and liabilities.

2.5.3. Translation of the financial statements of foreign subsidiaries

The results and financial statements of Group entities with a functional currency that differs from the presentation currency are translated into euros as follows:

- items recorded in the statement of financial position other than equity are translated at the exchange rate at the end of the reporting period;
- income and cash flow statement items are translated at the average rate for the period, corresponding to an approximate value for the rate at the transaction date in the absence of significant fluctuations;
- foreign exchange differences are recognised as translation adjustments in the statement of comprehensive income under other comprehensive income. These include gains and losses on foreign currency borrowings used to hedge foreign currency investments and on permanent advances to foreign subsidiaries.

Goodwill and fair value adjustments arising from a business combination with a foreign activity are recognised in the functional currency of the entity acquired. They are subsequently translated at the closing exchange rate into the Group's presentation currency, and any resulting differences transferred to other comprehensive income within the statement of comprehensive income.

2.5.4. Net investment in a foreign subsidiary

Foreign exchange gains or losses arising on the translation of a net investment in a foreign subsidiary are recognised in the consolidated financial statements as a separate component within the statement of comprehensive income, and in income on disposal of the net investment.

Foreign exchange gains or losses in respect of foreign currency borrowings hedging foreign currency investments or permanent advances to foreign subsidiaries are also recognised in other comprehensive income (to the extent that the hedge is effective), within the statement of comprehensive income, and in income on disposal of the net investment.

2.6. Goodwill

Goodwill is determined as indicated in Note 2.4.3.

Goodwill represents the excess of the consideration transferred in a business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities on the acquisition date. If the Group chooses to measure non-controlling interests in a given business combination at fair value, goodwill is calculated on all identifiable assets and liabilities and the proportion corresponding to non-controlling interests is recognised.

Goodwill is allocated as of the acquisition date to cash-generating units (CGUs) or groups of CGUs defined by the Group based on the characteristics of the core business, market or geographical segment of each brand. The CGUs or groups of CGUs to which goodwill has been allocated are tested for impairment during the second half of each fiscal year or whenever events or circumstances indicate that an impairment loss is likely.

Any impairment losses are recorded in "Other non-recurring operating income and expenses" in the consolidated income statement as part of operating income.

2.7. Brands and other intangible assets

Intangible assets acquired as part of a business combination, which are controlled by the Group and are separable or arise from contractual or other legal rights, are recognised separately from goodwill. These assets, in the same way as intangible assets acquired separately, are amortised over their useful life where this is finite and written down if their recoverable amount is less than their net carrying amount. Intangible assets with indefinite useful lives are not amortised but are tested for impairment at least

annually or more frequently when there is an indication that an impairment loss is likely.

Any impairment losses recognised at the time of impairment tests are recorded in the consolidated income statement under "Other non-recurring operating income and expenses" as part of operating income.

Brands representing a predominant category of the Group's intangible assets are recognised separately from goodwill when they meet the criteria set out in IAS 38. Recognition and durability criteria are then taken into account to assess the useful life of the brand.

A brand representing an intangible asset with an indefinite useful life is not amortised but is tested for impairment at least annually or more frequently when there is an indication that an impairment loss is likely. In addition to the projected future cash flows method, the Group applies the royalties method, which consists of determining the value of a brand based on future royalty revenue receivable where it is assumed that the brand will be operated under licence by a third party.

Software acquired as part of recurring operations is usually amortised over a period not exceeding 12 months.

Software developed in-house by the Group and meeting all the criteria set out in IAS 38 is capitalised and amortised on a straight-line basis over its useful life, which is generally between three and ten years.

2.8. Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and impairment losses with the exception of land, which is presented at cost less impairment losses. The various components of property, plant and equipment are recognised separately when their estimated useful life and therefore their depreciation periods are significantly different. The cost of an asset includes the expenses that are directly attributable to its acquisition.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate component, where necessary, if it is probable that future economic benefits will flow to the Group and the cost of the asset can be reliably measured. All other routine repair and maintenance costs are expensed in the year they are incurred.

Depreciation is calculated using the straight-line method, based on the purchase or production cost, less any residual value which is reviewed annually if considered material, over a period corresponding to the useful life of each asset category, i.e., 10 to 40 years for buildings and improvements to land and buildings, and 3 to 10 years for equipment.

Property, plant and equipment are tested for impairment when an indication of impairment loss exists, such as a scheduled closure, a redundancy plan or a downward revision of market forecasts. When the asset's recoverable amount is less than its net carrying amount, an impairment

loss is recognised. Where the recoverable amount of an individual asset cannot be determined precisely, the Group determines the recoverable amount of the CGU or group of CGUs to which the asset belongs.

Lease contracts

Agreements whose fulfilment depends on the use of one or more specific assets and which transfer the right to use the asset are classified as lease contracts.

Lease contracts which transfer to the Group substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases.

Assets acquired under finance leases are recognised in property, plant and equipment against the corresponding debt recognised in borrowings for the same amount, at the lower of the fair value of the asset and the present value of minimum lease payments. The corresponding assets are depreciated over a useful life identical to that of property, plant and equipment acquired outright, or over the term of the lease, whichever is shorter.

Lease contracts that do not transfer substantially all the risks and rewards incidental to ownership are classified as operating leases. Payments made under operating leases are recognised in recurring operating expenses on a straight-line basis over the term of the lease.

Capital gains on the sale and leaseback of assets are recognised in full in income at the time of disposal when the lease qualifies as an operating lease and the transaction is performed at fair value.

The same accounting treatment is applied to agreements that, while not presenting the legal form of a lease contract, confer on the Group the right to use a specific asset in exchange for a payment or series of payments.

2.9. Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated sale price in the normal course of operations, net of costs to be incurred to complete the sale.

The same method for determining costs is adopted for inventories of a similar nature and use within the Group. Inventories are valued using the retail, first-in-first-out (FIFO) or weighted average cost method, depending on the Group activity.

Interest expenses are excluded from inventories and expensed as finance costs in the year they are incurred.

The Group may recognise an inventory allowance based on expected turnover, if inventory items are damaged, have become wholly or partially obsolete, the selling price has declined, or if the estimated costs to completion or to be incurred to make the sale have increased.

2.10. Asset impairment

Goodwill and intangible assets with an indefinite life, such as certain brands, and CGUs or groups of CGUs containing these items, are tested for impairment at least annually during the second half of each reporting period.

An impairment test is also performed when events or circumstances indicate that goodwill, other intangible assets, property, plant and equipment, and CGUs or groups of CGUs may be impaired. Such events or circumstances concern material unfavourable changes of a permanent nature affecting either the economic environment or the assumptions or objectives used on the acquisition date.

Impairment tests seek to determine whether the recoverable amount of an asset, a CGU or a group of CGUs is less than its net carrying amount.

The recoverable amount of an asset, a CGU or a group of CGUs is the higher of its fair value less costs to sell and its value in use.

The value in use is determined with respect to future cash flow projections, taking into account the time value of money and the specific risks attributable to the asset or CGU or group of CGUs.

Future cash flow projections are based on medium-term budgets and plans. These plans are drawn up for a period of four years with the exception of certain CGUs or groups of CGUs undergoing strategic repositioning, for which a longer period may be applied. To calculate value in use, a terminal value equal to the perpetual capitalisation of a normative annual cash flow is added to the estimated future cash flows.

Fair value less costs to sell is the amount obtainable from the sale of an asset or group of assets in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. These values are determined based on market data (comparison with similar listed companies, values adopted in recent transactions and stock market prices).

When the recoverable amount of an asset, CGU or group of CGUs is less than its net carrying amount, an impairment loss is recognised in respect of the asset or group of assets.

For a CGU or group of CGUs, impairment is charged first to goodwill where appropriate, and recognised under "Other non-recurring operating income and expenses" in the income statement.

Impairment losses recognised in respect of property, plant and equipment and other intangible assets may be reversed at a later date up to the amount of the losses initially recognised, when the recoverable amount once again exceeds the net carrying amount. Impairment losses in respect of goodwill may not be reversed.

Goodwill relating to the partial disposal of a CGU is measured on a proportionate basis, except where an alternative method is more appropriate.

2.11. Financial assets and liabilities

Derivative instruments are recognised in the statement of financial position at fair value, in assets (positive fair value) or liabilities (negative fair value).

2.11.1. Financial assets

Pursuant to IAS 39, financial assets are classified within one of the following four categories:

- financial assets at fair value through the income statement;
- loans and receivables;
- held-to-maturity investments;
- available-for-sale financial assets.

The classification determines the accounting treatment for the instrument. It is defined by the Group on the initial recognition date, based on the objective behind the asset's purchase. Purchases and sales of financial assets are recognised on the trade date, which is the date the Group is committed to the purchase or sale of the asset. A financial asset is derecognised if the contractual rights to the cash flows from the financial asset expire or the asset is transferred.

1. *Financial assets at fair value through the income statement*

These are financial assets held by the Group for short-term profit, or assets voluntarily classified in this category.

These assets are measured at fair value, with changes in fair value recognised in income.

The instruments primarily comprise eligible mutual or similar funds, and are classified as current assets under cash equivalents.

2. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market and are not held for trading purposes or classified as available for sale.

These assets are initially recognised at fair value and subsequently at amortised cost using the effective interest method. Short-term receivables without a stated interest rate are valued at the amount of the original invoice unless the effective interest rate has a material impact.

These assets are subject to impairment tests when there is an indication of impairment loss. An impairment loss is recognised if the carrying amount exceeds the estimated recoverable amount.

Loans and receivables due from non-consolidated investments, other loans and receivables and trade receivables are included in this category and are presented in non-current financial assets, trade receivables and other non-current financial assets.

3. *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets, other than loans or receivables, with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. These assets are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

These assets are subject to impairment tests when there is an indication of impairment loss. An impairment loss is recognised if the carrying amount exceeds the estimated recoverable amount.

Held-to-maturity investments are presented in non-current financial assets.

4. *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are not included in the aforementioned categories. They are recognised at fair value. Unrealised capital gains or losses are recognised in other comprehensive income until the disposal of the assets. However, where there is an objective indication of loss in value of an available-for-sale financial asset, the accumulated loss is recognised in income. Impairment losses recognised in respect of shares cannot be reversed through the income statement at the end of a subsequent reporting period.

For listed securities, fair value corresponds to a market price. For unlisted securities, fair value is determined by reference to recent transactions or using valuation techniques based on reliable and objective indicators. However, when the fair value of a security cannot be reasonably estimated, it is recorded at historical cost. These assets are subject to impairment tests in order to assess whether they are recoverable.

This category mainly comprises non-consolidated investments and marketable securities that do not meet other financial asset definitions. They are presented in non-current financial assets.

2.11.2. Financial liabilities

The measurement of financial liabilities depends on their IAS 39 classification. Excluding put options granted to non-controlling interests, derivative liabilities and financial liabilities accounted for under the fair value option, the Group recognises all financial liabilities and particularly borrowings, trade payables and other liabilities initially at fair value less transaction costs and subsequently at amortised cost, using the effective interest method.

The effective interest rate is determined for each transaction and corresponds to the rate that would provide the net carrying amount of the financial liability by discounting its estimated future cash flows until maturity or the nearest date the price is reset to the market rate. The calculation includes transaction costs and any premiums

and/or discounts. Transaction costs correspond to the costs directly attributable to the acquisition or issue of a financial liability.

The net carrying amount of financial liabilities that qualify as hedged items as part of a fair value hedging relationship and are valued at amortised cost, is adjusted with respect to the hedged risk.

Hedging relationships are described in the section on derivative instruments.

Financial liabilities accounted for under the fair value option, other than derivative liabilities, are carried at fair value. Changes in fair value are taken to the income statement. Transaction costs incurred in setting up these financial liabilities are recognised immediately in expenses.

2.11.3. Hybrid instruments

Certain financial instruments have both a standard debt component and an equity component.

For the Group, this concerns in particular OCEANE bonds (bonds convertible or exchangeable into new or existing shares).

Under IAS 32, convertible bonds are considered hybrid instruments insofar as the conversion option provides for the repayment of the instrument against a fixed number of equity instruments. There are several components:

- a financial liability (corresponding to the contractual commitment to pay cash), representing the bond component;
- the option converting the bonds into a fixed number of ordinary shares, offered to the subscriber, similar to a call option written by the issuer, representing an equity instrument;
- potentially one or more embedded derivatives.

The accounting policies applicable to each of these components, at the issue date and at the end of each subsequent reporting period, are as follows:

- debt component: the amount initially recognised as debt corresponds to the present value of the future cash flows arising from interest and principal payments at the market rate for a similar bond with no conversion option. If the convertible bond contains embedded derivatives closely related to the borrowing within the meaning of IAS 39, the value of these components is allocated to the debt in order to determine the value of the equity component. The debt component is subsequently recognised at amortised cost;
- embedded derivatives not closely related to the debt are recognised at fair value with changes in fair value recognised in income;
- equity component: the value of the conversion option is determined by deducting the value of any embedded derivatives from the amount of the issue less the carrying amount of the debt component. The conversion option

continues to be recorded in equity at its initial value. Changes in value are not recognised;

- transaction costs are allocated pro rata to each component.

2.11.4. Derivative instruments

The Group uses various financial instruments to reduce its exposure to foreign exchange, interest rate and equity risk. These instruments are listed on organised markets or traded over the counter with leading counterparties.

All derivatives are recognised in the statement of financial position under other current or non-current assets and liabilities depending on their maturity and accounting classification, and are valued at fair value as of the trade date. Changes in the fair value of derivatives are always recorded in income except in the case of cash flow and net investment hedges.

Derivatives designated as hedging instruments are classified by category of hedge based on the nature of the risks being hedged:

- a cash flow hedge is used to hedge the risk of changes in cash flow from recognised assets or liabilities or a highly probable transaction that would impact consolidated net income;
- a fair value hedge is used to hedge the risk of changes in the fair value of recognised assets or liabilities or a firm commitment not yet recognised that would impact consolidated net income;
- a net investment hedge is used to hedge the foreign exchange risk arising on foreign activities.

Hedge accounting can only be applied if all the following conditions are met:

- there is a clearly identified, formalised and documented hedging relationship as of the date of inception;
- the effectiveness of the hedging relationship can be demonstrated on a prospective and retrospective basis. The results obtained must attain a confidence level of between 80% and 125%.

The accounting treatment of financial instruments qualified as hedging instruments, and their impact on the income statement and the statement of financial position, depends on the type of hedging relationship:

- cash flow and net investment hedges:
 - the effective portion of fair value gains and losses on the hedging instrument is recognised directly in other comprehensive income. These amounts are released to the income statement to match the recognition of the hedged items, mainly in gross profit for trading transaction hedges and in net finance costs for financial transaction hedges;
 - the ineffective portion of the hedge is recognised in the income statement;

- for fair value hedges, the hedged component of these items is measured on the statement of financial position at fair value. Fair value gains and losses are recorded in the income statement and offset, to the extent effective, by matching fair value gains and losses on the hedging instrument.

2.11.5. Cash and cash equivalents

The "Cash and cash equivalents" line item recorded on the assets side of the consolidated statement of financial position comprises cash, mutual or similar funds, short-term investments and other highly liquid instruments that are readily convertible to known amounts of cash, subject to an insignificant risk of changes in value, and have a maximum maturity of three months as of the purchase date.

Investments with a maturity exceeding three months, and blocked or pledged bank accounts, are excluded from cash. Bank overdrafts are presented in borrowings on the liabilities side of the statement of financial position.

In the statement of cash flows, cash and cash equivalents include accrued interest receivable on assets presented in cash and cash equivalents and bank overdrafts. A schedule reconciling cash per the statement of cash flows and per the statement of financial position is provided in Note 33.

2.11.6. Definition of Group consolidated net debt

The concept of net debt used by Group companies comprises gross debt including accrued interest receivable less net cash as defined by French national accounting board (*Conseil National de la Comptabilité* – CNC) recommendation No. 2009-R.03. Net debt includes fair value hedging instruments recorded in the statement of financial position relating to bank borrowings and bonds whose interest rate risk is fully or partly hedged as part of a fair value hedging relationship.

2.12. Treasury shares

Treasury shares, whether specifically allocated for grant to employees or allocated to the liquidity agreement or in any other case, as well as directly related transaction costs, are deducted from consolidated equity. On disposal, the consideration received for these shares, net of transaction costs and the related tax impacts, is recognised in equity.

2.13. Treasury share options

Treasury share options are treated according to their characteristics as derivative instruments, equity instruments or financial liabilities.

Options classified as derivatives are recorded at fair value through the income statement. Options classified as equity instruments are recorded in equity for their initial amount. Changes in value are not recognised. The accounting treatment of financial liabilities is described in Note 2.11.2.

2.14. Share-based payment

Free share plans, stock purchase plans and stock subscription plans are awarded by the Group and settled in shares. In accordance with IFRS 2 – *Share-based Payment*, the fair value of these plans, determined by reference to the fair value of services rendered by the beneficiaries, is assessed at the grant date. The mathematical models used in these calculations are described in Note 7.

During the rights vesting period, the fair value of options and free shares calculated as described above is amortised in proportion to the vesting of rights. This expense is recorded in payroll expenses with an offsetting increase in equity.

Share appreciation rights (SARs) granted by the Group also result in the recognition of payroll expenses spread over the rights vesting period and a matching liability which is measured at fair value through income at the end of each reporting period.

2.15. Income taxes

The income tax charge for the period comprises the current and deferred tax charge.

Deferred tax is calculated using the liability method on all temporary differences between the carrying amount recorded in the consolidated statement of financial position and the tax value of assets and liabilities, except for goodwill that is not deductible for tax purposes. The valuation of deferred tax balances depends on the way in which the Group intends to recover or settle the carrying amount of assets and liabilities, using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are not discounted and are classified in the statement of financial position within non-current assets and liabilities.

A deferred tax asset is recognised on deductible temporary differences and for tax loss carry-forwards and tax credits to the extent that their future offset is probable.

A deferred tax liability is recognised on taxable temporary differences relating to investments in subsidiaries, associates and joint ventures unless the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16. Provisions

Provisions for litigation and disputes, and miscellaneous contingencies and losses are recognised as soon as a present obligation arises from past events, which is likely to result in an outflow of resources embodying economic benefits, the amount of which can be reliably estimated.

Provisions maturing in more than one year are valued at the discounted amount representing the best estimate of the expense necessary to extinguish the current obligation

at the end of the reporting period. The discount rate used reflects current assessments of the time value of money and specific risks related to the liability.

A restructuring provision is recognised when there is a formal and detailed restructuring plan and the plan has begun to be implemented or its main features have been announced before the end of the reporting period. Restructuring costs for which a provision is made essentially represent employee costs (severance pay, early retirement plans, payment in lieu of notice, etc.), work stoppages and compensation for breaches of contract with third parties.

2.17. Post-employment benefits and other long-term employee benefits

Based on the laws and practices of each country, the Group recognises various types of employee benefits.

Under defined contribution plans, the Group is not obliged to make additional payments over and above contributions already made to a fund, if the fund does not have sufficient assets to cover the benefits corresponding to services rendered by personnel during the current period and prior periods. Contributions paid into these plans are expensed as incurred.

Under defined benefit plans, obligations are valued using the projected unit credit method based on agreements in effect in each company. Under this method, each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation. The obligation is then discounted. The actuarial assumptions used to determine the obligations vary according to the economic conditions of the country where the plan is established. These plans are valued by independent actuaries on an annual basis for the most significant plans and at regular intervals for the other plans. The valuations take into account the level of future compensation, the probable active life of employees, life expectancy and staff turnover.

Actuarial gains and losses are primarily due to changes in assumptions and the difference between estimated results based on actuarial assumptions and actual results. All actuarial differences in respect of defined benefit plans are recognised in other comprehensive income.

The past service cost designating the increase in an obligation following the introduction of a new plan or changes to an existing plan, is expensed immediately whether the benefit entitlement has already vested or is still vesting.

Expenses relating to this type of plan are recognised in recurring operating income (service cost) and net finance costs (net interest on the net defined benefit liability or asset). Curtailments, settlements and past service costs are recognised in recurring operating income. The provision recognised in the statement of financial position corresponds to the present value of the obligations calculated as described above, less the fair value of plan assets.

2.18. Non-current assets (and disposal groups) held for sale

The Group applies IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*. This requires the separate recognition and presentation of non-current assets (or disposal groups) held for sale and discontinued operations.

Non-current assets, or groups of assets and liabilities directly associated with those assets, are considered as held for sale if it is highly probable that their carrying amount will be recovered principally through a sale rather than through continuing use. Non-current assets (or disposal groups) held for sale are measured and recognised at the lower of their net carrying amount and their fair value less the costs of disposal. These assets are no longer depreciated from the time they qualify as assets (or disposal groups) held for sale. They are presented on separate lines in the consolidated statement of financial position, without restatement for previous periods.

A discontinued operation is defined as a component of an entity that generates cash flows that can be clearly distinguished from the rest of the entity and represents a separate major line of business or geographical area of operations. For all periods presented, the net income (loss) from these activities is shown on a separate line of the income statement ("Discontinued operations"), and is restated in the statement of cash flows.

2.19. Revenue recognition

Revenue mainly comprises sales of goods for resale, consumer goods and Luxury Goods, together with income from sales-related services, royalties and operating licences.

Revenue is valued at the fair value of the consideration received for goods and services sold, royalties and licences, excluding taxes, net of rebates and discounts and after elimination of inter-company sales.

In the event of deferred payment beyond the usual credit terms that is not assumed by a financing institution, the revenue from the sale is equal to the discounted price, with the difference between the discounted price and the cash payment recognised in financial income over the life of the deferred payment if the transaction is material.

Sales of goods are recognised when a Group entity has transferred the risks and rewards incidental to ownership to the buyer (generally on delivery), when revenue can be reliably measured, when recovery is reasonably assured and when the probability of the goods being returned can be estimated with sufficient reliability.

Services such as those directly related to the sale of goods are recognised over the period in which such services are rendered or, if the Group company acts as an intermediary in the sale of these services, as of the date the contractual agreement is signed by the customer.

2.20. Operating income

Operating income includes all revenue and expenses directly related to Group activities, whether these revenue and expenses are recurring or arise from non-recurring decisions or transactions.

Recurring operating income is an analytical balance intended to facilitate the understanding of the entity's operating performance.

Other non-recurring operating income and expenses consists of items, which by their nature, amount or frequency, could distort the assessment of Group entities' economic performance, and includes:

- impairment of goodwill and other intangible assets;
- gains or losses on disposals of non-current assets;
- restructuring costs and costs relating to employee adaptation measures.

2.21. Earnings per share

Earnings per share is calculated by dividing net income attributable to owners of the parent by the weighted average number of outstanding shares during the year, after deduction of the weighted average number of treasury shares held by consolidated companies.

Fully diluted earnings per share is calculated by adjusting net income attributable to owners of the parent and the number of outstanding shares for all instruments granting deferred access to the share capital of the Company, whether issued by Kering or one of its subsidiaries. Dilution is determined separately for each instrument based on the following conditions:

- when the proceeds corresponding to potential future share issues are received at the time dilutive securities are issued (e.g., convertible bonds), the numerator is equal to net income before dilution plus the interest expense that would be saved in the event of conversion, net of tax;
- when the proceeds are received at the time the rights are exercised (e.g., stock subscription options), the dilution attached to the options is determined using the treasury

shares method (theoretical number of shares purchased at market price [average over the period] based on the proceeds received at the time the rights are exercised).

In the case of material non-recurring items, earnings per share excluding non-recurring items is calculated by adjusting net income attributable to owners of the parent for non-recurring items net of taxes and non-controlling interests. Non-recurring items taken into account for this calculation correspond to all the items included under "Other non-recurring operating income and expenses" in the income statement.

2.22. Operating segments

In accordance with IFRS 8 – *Operating Segments*, segment information is reported on the same basis as used internally by the Chairman and Chief Executive Officer and Deputy CEO – the Group's chief operating decision makers – in order to allocate resources to segments and assess their performance.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker, and for which discrete financial information is available.

Each operating segment is monitored separately for internal reporting purposes, according to performance indicators common to all of the Group's segments.

The segments presented are operating segments or groups of similar operating segments.

2.23. Restatement of comparative information

For 2014, the Group has identified non-current assets held for sale and discontinued operations within the meaning of IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*. These concern Redcats and Sergio Rossi, as described in Note 12 to the consolidated financial statements.

In accordance with IFRS 5, the income statement and statement of cash flows for comparative periods have been restated. The impacts of restatements related to non-current assets held for sale and discontinued operations are as follows:

Consolidated income statement for the year ended December 31, 2013:

<i>(in € millions)</i>	2013 Published in February 2014	IFRS 5	2013 restated
CONTINUING OPERATIONS			
Revenue	9,748.4	(92.7)	9,655.7
Cost of sales	(3,657.9)	42.7	3,615.2
Gross margin	6,090.5	(50.0)	6,040.5
Payroll expenses	(1,534.7)	19.2	(1,515.5)
Other recurring operating income and expenses	(2,805.7)	31.9	(2,773.8)
Recurring operating income	1,750.1	1.1	1,751.2
Other non-recurring operating income and expenses	(442.5)	1.8	(440.7)
Operating income	1,307.6	2.9	1,310.5
Finance costs, net	(212.3)	1.8	(210.5)
Income before tax	1,095.3	4.7	1,100.0
Corporate income tax	(235.4)	(1.5)	(236.9)
Share in earnings of associates	1.6		1.6
Net income from continuing operations	861.5	3.2	864.7
o/w attributable to owners of the parent	869.4	3.1	872.5
o/w attributable to non-controlling interests	(7.9)	0.1	(7.8)
DISCONTINUED OPERATIONS			
Net income (loss) from discontinued operations	(821.5)	(3.2)	(824.7)
o/w attributable to owners of the parent	(819.8)	(3.1)	822.9
o/w attributable to non-controlling interests	(1.7)	(0.1)	(1.8)
Net income of consolidated companies	40.0		40.0
o/w attributable to owners of the parent	49.6		49.6
o/w attributable to non-controlling interests	(9.6)		(9.6)
Net income attributable to owners of the parent	49.6		49.6
Earnings per share <i>(in €)</i>	0.39		0.39
Fully diluted earnings per share <i>(in €)</i>	0.39		0.39
Net income from continuing operations attributable to owners of the parent	869.4	3.1	872.5
Earnings per share <i>(in €)</i>	6.91	0.02	6.93
Fully diluted earnings per share <i>(in €)</i>	6.90	0.02	6.92
Net income from continuing operations (excluding non-recurring items) attributable to owners of the parent	1,229.3	2.0	1,231.3
Earnings per share <i>(in €)</i>	9.76	0.02	9.78
Fully diluted earnings per share <i>(in €)</i>	9.75	0.02	9.77

Consolidated statement of cash flows for the year ended December 31, 2013:

<i>(in € millions)</i>	2013 Published in February 2014	IFRS 5	2013 restated
Net income from continuing operations	861.5	3.2	864.7
Net recurring charges to depreciation, amortisation and provisions on non-current operating assets	295.8	(3.7)	292.1
Other non-cash income and expenses	389.9	(2.1)	387.8
Cash flow from operating activities	1,547.2	(2.6)	1,544.6
Interest paid/received	120.5	(1.5)	119.0
Dividends received	(0.3)		(0.3)
Net income tax payable	315.7	4.4	320.1
Cash flow from operating activities before tax, dividends and interest	1,983.1	0.3	1,983.4
Change in working capital requirement	(74.5)	(0.5)	(75.0)
Change in customer loans			
Corporate income tax paid	(383.7)	(3.5)	(387.2)
Net cash from operating activities	1,524.9	(3.7)	1,521.2
Purchases of property, plant and equipment and intangible assets	(677.7)	2.8	(674.9)
Proceeds from disposals of property, plant and equipment and intangible assets	10.3		10.3
Acquisitions of subsidiaries, net of cash acquired	(345.0)	2.9	(342.1)
Proceeds from disposals of subsidiaries, net of cash transferred	24.7	(1.1)	23.6
Purchases of other financial assets	(57.9)		(57.9)
Proceeds from sales of other financial assets	5.1		5.1
Interest and dividends received	70.0		70.0
Net cash used in investing activities	(970.5)	4.6	(965.9)
Increase/decrease in share capital	(85.4)	1.1	(84.3)
Treasury share transactions	(39.0)		(39.0)
Dividends paid to owners of the parent company	(471.2)		(471.2)
Dividends paid to non-controlling interests	(26.0)		(26.0)
Bond issues	938.9		938.9
Bond redemptions	(740.0)		(740.0)
Increase/decrease in other borrowings	(309.9)	1.7	(308.2)
Interest paid and equivalent	(187.1)	1.5	(185.6)
Net cash used in financing activities	(919.7)	4.3	(915.4)
Net cash used in discontinued operations	(437.5)	(5.9)	(443.4)
Impact of exchange rate variations	65.3	0.7	66.0
Net increase (decrease) in cash and cash equivalents	(737.5)		(737.5)
Cash and cash equivalents at beginning of year	1,975.1		1,975.1
Cash and cash equivalents at end of year	1,237.6		1,237.6

note 3 – highlights

The Kering group's consolidated financial statements for the year ended December 31, 2014 include the financial statements of the companies listed in Note 37.

3.1. Kering reorganises its Luxury businesses to accelerate the growth of its brands

In April 2014, Kering announced the creation of two new divisions – "Luxury – Couture & Leather Goods" and "Luxury – Watches & Jewellery" – both reporting to François-Henri Pinault, the Group's Chairman and CEO.

To foster the continuing expansion of Kering's Luxury business resulting from both its organic growth and the acquisitions carried out in 2012 and 2013, the Group has put in place a more specialised oversight structure for the business. The underlying aim of this reorganisation is to strengthen the Group's monitoring processes and more specifically focus on the expertise that it provides to its brands in order to accelerate their growth. It will not in any way interfere with the autonomy of each of Kering's brands, which will remain under the operational responsibility of their respective CEOs.

In the second half of 2014, the new CEOs took up their roles in the new divisions and Marco Bizzarri, CEO of the Luxury – Couture & Leather Goods division since April 2014, was appointed CEO of Gucci further to Patrizio di Marco's departure at the end of December 2014.

3.2. Finalisation of the sale of Redcats

On June 3, 2014, Kering announced that it had closed the sale of La Redoute and Relais Colis to Nathalie Balla, Chairman and CEO of La Redoute, and Eric Courteille, Chief Administrative Officer of Redcats, in accordance with the conditions specified in the sale agreement and in keeping with all the commitments made within the framework of the disposal process.

On December 3, 2014, Kering sold its stake in Diam to the Prenant group after having recapitalised the company, and announced that it had signed an agreement for the sale of Movitex, which was completed in January 2015. This agreement marks the end of the disposal process for Redcats.

The results of Redcats' businesses during the year represented a €355 million loss which was recorded under "Net income (loss) from discontinued operations". This amount includes mainly the cost of financing the social guarantees to be granted to the employees concerned by the modernisation measures at La Redoute and Relais Colis for €200 million. It also includes a provision for vendor warranties given in connection with the sale.

3.3. Acquisition of Ulysse Nardin

On November 19, 2014, Kering announced that it had finalised the acquisition of 100% of Ulysse Nardin. The brand will join Kering's "Luxury – Watches & Jewellery" division, which is headed by Albert Bensoussan.

Founded in 1846 by Ulysse Nardin with its roots in the nautical world, the eponymous watchmaking house was taken over and re-launched in 1983 by Rolf W. Schnyder who transformed it into a highly profitable business with a strong financial structure. The company has a very strong brand identity based on its historical expertise in marine chronometres and ultra-complex timepieces.

Ulysse Nardin is consolidated in the Group's financial statements with effect from November 1, 2014. The provisional purchase price accounting for this acquisition was still in progress at end-December 2014.

3.4. Other highlights

In the first six months of 2014, Kering redeemed the remaining €550.1 million of the bond that was issued in 2009 and matured in April 2014. The bond was originally issued in two tranches representing an aggregate €800 million, of which €249.9 million was redeemed in 2011. Also during this period, the Group redeemed the €150 million bond issued in June 2009 and maturing in June 2014. To extend the maturity of its debt, Kering carried out a bond issue in second-half 2014 involving €500 million worth of seven-year bonds paying interest of 1.375%.

note 4 – operating segments

The policies applied to determine the operating segments presented are set out in Note 2.22.

Information provided on operating segments is prepared in accordance with the same accounting rules as in the consolidated financial statements and set out in the notes thereto.

The performance of each operating segment is measured based on recurring operating income, which is the method used by the Group's chief operating decision maker.

Net recurring charges to depreciation, amortisation and provisions on non-current operating assets reflect net charges to depreciation, amortisation and provisions on intangible assets and property, plant and equipment recognised in recurring operating income.

Purchases of property, plant and equipment and intangible assets correspond to gross non-current asset purchases, including cash timing differences but excluding purchases of assets under finance leases.

Non-current segment assets comprise goodwill, brands and other intangible assets, property, plant and equipment and other non-current assets.

Segment assets comprise non-current segment assets, inventories, trade receivables and other current assets.

Segment liabilities comprise deferred tax liabilities on brands, trade payables and other current liabilities.

4.1. Information by segment

<i>(in € millions)</i>	Gucci	Bottega Veneta
December 31, 2014		
Revenue	3,497.2	1,130.5
– Non-Group	3,497.2	1,130.5
– Group		
Recurring operating income (loss)	1,056.0	357.2
Recurring charges to depreciation, amortisation and provisions on non-current operating assets	143.2	31.6
Other non-cash recurring operating income and expenses	(78.8)	(27.0)
Purchases of property, plant and equipment and intangible assets, gross	186.4	40.8
Segment assets	8,478.7	1,378.0
Segment liabilities	2,105.7	306.4
December 31, 2013		
Revenue	3,560.8	1,015.8
– Non-Group	3,560.8	1,015.8
– Group		
Recurring operating income (loss)	1,131.8	330.6
Recurring charges to depreciation, amortisation and provisions on non-current operating assets	144.0	24.2
Other non-cash recurring operating income and expenses	(116.5)	(39.6)
Purchases of property, plant and equipment and intangible assets, gross	214.6	62.0
Segment assets	8,239.2	706.2
Segment liabilities	1,884.1	174.8

Yves Saint Laurent	Other brands	Luxury Division	PUMA	Other brands	Sport & Lifestyle Division	Corporate	Total
707.3	1,423.6	6,758.6	2,990.2	254.9	3,245.1	33.8	10,037.5
707.3	1,423.6	6,758.6	2,990.2	254.9	3,245.1	33.8	10,037.5
105.1	147.3	1,665.6	128.0	9.5	137.5	(139.1)	1,664.0
25.8	53.0	253.6	50.6	3.1	53.7	19.4	326.7
(7.8)	(31.4)	(145.0)	(4.8)	(3.0)	(7.8)	128.4	(24.4)
54.2	91.0	372.4	75.9	9.6	85.5	93.5	551.4
731.4	3,108.5	13,696.6	6,149.0	414.4	6,563.4	389.6	20,649.6
184.6	557.4	3,154.1	1,750.7	137.3	1,888.0	274.5	5,316.6
556.9	1,244.0	6,377.5	3,001.9	245.1	3,247.0	31.2	9,655.7
556.9	1,244.0	6,377.5	3,001.9	245.1	3,247.0	31.2	9,655.7
76.6	144.7	1,683.7	191.9	8.5	200.4	(132.9)	1,751.2
16.4	42.4	227.0	54.5	3.4	57.9	7.2	292.1
(16.0)	(26.6)	(198.7)	(5.6)	(2.7)	(8.3)	105.4	(101.6)
65.3	90.9	432.8	67.7	7.1	74.8	167.3	674.9
1,246.3	2,522.8	12,714.5	5,960.8	546.5	6,507.3	236.9	19,458.7
241.6	587.6	2,888.1	1,625.8	128.8	1,754.6	230.3	4,873.0

4.2. Information by geographic area

The presentation of revenue by geographic area is based on the geographic location of customers. Non-current segment assets are not broken down by geographic area since a significant portion of these assets consists of

goodwill and brands, which are to be analysed based on the revenue they generate in each region, and not based on their geographic location.

<i>(in € millions)</i>	2014	2013
Western Europe	3,152.3	3,022.0
North America	2,146.7	2,031.6
Japan	962.5	967.8
Sub-total – mature markets	6,261.5	6,021.4
Eastern Europe, Middle East and Africa	728.5	709.6
South America	464.7	475.3
Asia-Pacific (excluding Japan)	2,582.8	2,449.4
Sub-total – emerging markets	3,776.0	3,634.3
Total revenue	10,037.5	9,655.7

4.3. Reconciliation of segment assets and liabilities

The reconciliation of total segment assets and non-current segment assets with total Group assets is as follows:

<i>(in € millions)</i>	2014	2013
Goodwill	4,039.9	3,770.1
Brands and other intangible assets	10,748.1	10,702.8
Property, plant and equipment	1,887.2	1,676.9
Other non-current assets	36.2	30.1
Non-current segment assets	16,711.4	16,179.9
Inventories	2,234.7	1,805.5
Trade receivables	1,030.0	949.9
Other current assets	673.5	523.4
Segment assets	20,649.6	19,458.7
Investments in associates	23.2	17.3
Non-current financial assets	400.0	316.8
Deferred tax assets	758.0	649.9
Current tax receivables	138.4	119.1
Other current financial assets	106.3	107.7
Cash and cash equivalents	1,089.9	1,419.2
Assets classified as held for sale	88.5	722.1
Total assets	23,253.9	22,810.8

The reconciliation of total segment liabilities with total Group equity and liabilities is as follows:

<i>(in € millions)</i>	2014	2013
Deferred tax liabilities on brands	2,682.8	2,734.6
Trade payables	982.8	766.1
Other current liabilities	1,651.0	1,372.3
Segment liabilities	5,316.6	4,873.0
Total equity	11,262.3	11,195.9
Non-current borrowings	3,192.2	3,132.4
Other non-current financial liabilities	2.8	0.7
Non-current provisions for pensions and other post-employment benefits	111.9	92.8
Other non-current provisions	49.3	113.2
Other deferred tax liabilities	109.0	75.6
Current borrowings	2,288.4	1,737.4
Other current financial liabilities	346.8	213.2
Current provisions for pensions and other post-employment benefits	7.2	7.2
Other current provisions	225.6	152.7
Current tax liabilities	277.9	310.1
Liabilities associated with assets classified as held for sale	63.9	906.6
Total equity and liabilities	23,253.9	22,810.8

note 5 – revenue

<i>(in € millions)</i>	2014	2013
Net sales of goods	9,829.3	9,479.0
Net sales of services	1.9	2.4
Revenue from concessions and licences	163.5	168.4
Other revenue	42.8	5.9
Total	10,037.5	9,655.7

note 6 – payroll expenses

Payroll expenses primarily include fixed and variable remuneration, social security charges, charges relating to employee profit-sharing and other incentives, training

costs, share-based payment expenses (see Note 7) and expenses relating to employee benefits recognised in recurring operating income (see Note 26).

<i>(in € millions)</i>	2014	2013
Luxury Division	(969.6)	(966.3)
Sport & Lifestyle Division	(463.6)	(452.4)
Corporate	(112.0)	(96.8)
Total	(1,545.2)	(1,515.5)

In 2014, payroll expenses recorded under "Corporate" include a €1.2 million charge (€3.1 million in 2013) relating to the application of IFRS 2 to all transactions based on Kering shares and settled in equity instruments (see Note 7.1).

The average headcount of continuing operations, on a full-time equivalent basis, breaks down as follows:

	2014	2013
Luxury Division	20,122	18,517
Sport & Lifestyle Division	11,645	11,521
Corporate	1,123	844
Total	32,890	30,882

The total headcount of continuing operations is as follows:

	2014	2013
Luxury Division	22,088	20,407
Sport & Lifestyle Division	14,135	13,921
Corporate	1,218	906
Total	37,441	35,234

note 7 – share-based payment

In consideration for services rendered, the Group grants certain employees share-based plans settled in shares or cash.

The Group recognises its obligation as services are rendered by beneficiaries, over the period from the grant date to the vesting date.

- For transactions based on Kering shares, the grant date is the date at which plans were individually approved by the Executive Board, in the case of plans prior to May 19, 2005, or by the Board of Directors of Kering for plans after this date.
- For transactions based on Kering Holland NV and PUMA shares, the grant date is the date at which plans were individually approved by the Boards of Kering Holland NV and PUMA AG, respectively.

- The vesting date is the date at which all vesting conditions are satisfied.

Vested rights may only be exercised by beneficiaries at the end of a lock-in period, the length of which varies depending on the type of plan.

7.1. Share-based payment transactions settled in Kering equity instruments

In accordance with the transitional provisions of IFRS 2 on equity-settled plans, only those plans issued after November 7, 2002 and not having vested as of January 1, 2005 were measured. As of December 31, 2014, there were no longer any plans falling outside the scope of IFRS 2 (i.e., plans issued prior to November 7, 2002).

The nature and key characteristics of eligible plans are presented below:

	2004/1 Plan	2005/1 Plan	2005/2 Plan	2005/3 Plan	2005/4 Plan	2006/1 Plan
Stock option and free share plans	Subscription options	Subscription options	Subscription options	Subscription options	Subscription options	Purchase options
Grant date	05/25/2004	01/03/2005	05/19/2005	05/19/2005	07/06/2005	05/23/2006
Expiry date	05/24/2014	01/02/2015	05/18/2015	05/18/2015	07/05/2015	05/22/2014
Vesting of rights	(a)	(a)	(b)	(b)	(b)	(b)
Number of beneficiaries	846	13	458	22	15	450
Number initially granted	540,970	25,530	333,750	39,960	20,520	403,417
Number outstanding as of Jan. 1, 2014	34,265	750	34,580	800	400	111,455
Number forfeited in 2014		500	3,280	400	400	220
Number exercised in 2014	21,925		17,804			91,838
Number of shares issued						
Number expired in 2014	12,340					19,397
Number outstanding as of Dec. 31, 2014		250	13,496	400		
Number exercisable as of Dec. 31, 2014		250	13,496	400		
Strike price (in €)	85.57	75.29	78.01	78.97	85.05	101.83
Fair value at measurement date (in €)	15.75	11.61	11.19	10.98	12.38	13.62
Weighted average price of options exercised/ shares issued (in €)	128.03	129.00	128.24	131.97	130.63	130.15

	2007/1 Plan	2007/2 Plan	2010/2 Plan	2011/2 Plan	2012/1 Plan	2012/2 Plan
Stock option and free share plans	Purchase options	Purchase options	Free shares	Free shares	Free shares	Free shares
Grant date	05/14/2007	09/17/2007	05/19/2010	05/19/2011	04/27/2012	04/27/2012
Expiry date	05/13/2015	09/16/2015	N/A	N/A	N/A	N/A
Vesting of rights	(b)	(b)	(d)	(d)	(c)	(d)
Number of beneficiaries	248	14	108	76	198	88
Number initially granted	355,500	51,300	25,035	9,455	69,399	39,640
Number outstanding as of Jan. 1, 2014	145,170	38,900	23,300	8,285	65,097	38,305
Number forfeited in 2014	5,630	6,500	4,414	195	25,137	185
Number exercised in 2014	13,500	29,500				
Number of shares issued			18,886		39,960	
Number expired in 2014						
Number outstanding as of Dec. 31, 2014	126,040	2,900		8,090		38,120
Number exercisable as of Dec. 31, 2014	126,040	2,900				
Strike price (in €)	127.58	127.58	N/A	N/A	N/A	N/A
Fair value at measurement date (in €)	20.99	24.74	60.62	69.91	88.73	74.62
Weighted average price of options exercised/ shares issued (in €)	138.62	131.58				

No new shares are issued on the exercise of stock purchase options or free share grants.

Under all these plans, shares are subject to a four-year lock-in period, commencing on the grant date.

- Options vest at a rate of 25% per full year of presence within the Group, except in the event of retirement (when rights vest in full). If a beneficiary is dismissed for gross negligence or misconduct, all rights are lost, including after the lock-in period.
- Options vest at a rate of 25% per full year of presence within the Group, except in the event of retirement (when rights vest in full) or resignation (when all rights are lost). If a beneficiary is dismissed for gross negligence or misconduct, all rights are lost, including after the lock-in period.
- Shares vest two years after being granted, except in the event of resignation or dismissal for gross negligence or misconduct (when all rights are lost). The final number of shares granted is subject to stock market performance conditions. The vesting period is followed by a two-year non-transferability period.
- Shares vest four years after being granted, except in the event of resignation or dismissal for gross negligence or misconduct (when all rights are lost). The final number of shares granted is subject to

stock market performance conditions. These shares are not subject to a non-transferability period.

The value of services rendered by beneficiaries is determined on the grant date of the plans:

- for stock purchase and stock subscription plans, by using a Black & Scholes model with a trinomial algorithm and exercise thresholds, which takes into account the number of potentially exercisable options at the end of the vesting period;
- for free share plans, by using a Black & Scholes model with a Monte Carlo algorithm and two underlyings.

The exercise thresholds and probability assumptions used for the stock subscription and stock purchase option plans are as follows:

Threshold as a % of the strike price	Probability of exercise
125%	15%
150%	20%
175%	20%
200%	20%

Based on these assumptions, 25% of beneficiaries do not elect to exercise their options prior to the expiry date.

The main valuation assumptions for the various plans are summarised below:

	2004/1 Plan	2005/1 Plan	2005/2 Plan	2005/3 Plan
Stock option and free share plans	Subscription options	Subscription options	Subscription options	Subscription options
Volatility	25.65%	23.75%	21.00%	21.00%
Risk-free interest rate	4.45%	3.83%	3.49%	3.49%

	2005/4 Plan	2006/1 Plan	2007/1 Plan	2007/2 Plan
Stock option and free share plans	Subscription options	Purchase options	Purchase options	Purchase options
Volatility	20.50%	23.00%	23.00%	24.50%
Risk-free interest rate	3.38%	4.08%	4.49%	4.47%

	2010/2 Plan	2011/2 Plan	2012/1 Plan	2012/2 Plan
Stock option and free share plans	Free shares	Free shares	Free shares	Free shares
Volatility	35.00%	28.00%	29.00%	29.00%
Risk-free interest rate	1.85%	2.32%	0.97%	0.97%

The above volatilities represent the expected volatilities of each plan based on the maturities and strike prices available at the grant date. The dividends used for valuation purposes are those expected by the market at the grant date.

The risk-free interest rates correspond to the one-to-ten year interest rate curve for interbank swaps at the grant date.

The total charge recognised in 2014 in respect of stock option and free share plans was €1.2 million (€3.1 million in 2013).

7.2. Share-based payment transactions settled in equity instruments of subsidiaries

PUMA set up stock subscription option plans based on its own shares for certain employees. The characteristics of the plans still in effect as of December 31, 2014 and their movements during the year are as follows:

	2008/II Plan	2008/III Plan	2008/IV Plan	2008/V Plan
	Subscription options	Subscription options	Subscription options	Subscription options
Grant date	04/14/2009	04/22/2010	04/15/2011	04/30/2012
Expiry date	04/13/2014	04/21/2015	04/21/2016	04/21/2017
Number initially granted	139,002	126,184	151,290	145,375
Number outstanding as of Jan. 1, 2014	1,500	98,693	103,463	113,469
Number exercised in 2014				
Number forfeited/(reinstated) in 2014	1,500			
Number outstanding as of Dec. 31, 2014		98,693	103,463	113,469
Number exercisable as of Dec. 31, 2014		98,693	103,463	
Weighted average price of options exercised (in €)	214.57			

Rights vest after a two-year period.

The number of shares attributed to beneficiaries is determined based on the share price at the exercise date and the number of options exercised. The exercise of options is subject to a PUMA share performance condition.

The value of services rendered by beneficiaries at the grant date is primarily determined on the basis of the following assumptions:

	2008/II Plan	2008/III Plan	2008/IV Plan	2008/V Plan
Volatility	47.70%	34.50%	29.20%	26.80%
Risk-free interest rate	1.97%	1.60%	2.40%	0.30%

In 2014, PUMA recognised an expense of €0.4 million (€1.1 million in 2013).

7.3. Cash-settled share-based payment transactions

The Group (Kering Holland NV and Kering SA) also grants certain employees Share Appreciation Rights (SARs) and Kering Monetary Units (KMUs) that constitute cash-settled share-based plans.

7.3.1. Characteristics of SARs granted by Kering Holland NV

SAR plans have a term of six to ten years from their grant date.

SARs vest at a rate of 20% per full year of presence in the Group, except in the event of dismissal (excluding dismissal for gross negligence or misconduct) when all rights vest immediately. If an employee is dismissed for gross negligence or misconduct, all rights are lost.

The SAR strike price is determined by applying financial ratios for a basket of comparable companies to the results of the Luxury Division.

The value of services rendered by beneficiaries is recalculated at the end of each reporting period by an independent expert using an option pricing model corresponding to the intrinsic value, to which a time value is added.

In 2014, no additional expense in respect of SARs was recognised by Kering Holland NV within recurring operating income (€0.9 million expense recognised in 2013).

The strike price of SARs outstanding as of December 31, 2014 is between €40.18 and €94.85 and the weighted average remaining contractual term is 1.2 years (1.3 years as of end-2013).

The carrying amount of the liability relating to these SARs was €0.3 million as of December 31, 2014, with an intrinsic value of €0.3 million (€3.1 million and €2.3 million, respectively, as of December 31, 2013).

Plan movements	2014	2013
SARs outstanding as of January 1	17,004	17,204
Weighted average strike price (in €)	79.84	79.94
SARs granted during the year		
Weighted average strike price (in €)		
SARs exercised during the year	15,600	200
Weighted average strike price (in €)	83.30	82.26
SARs forfeited during the year		
Weighted average strike price (in €)		
SARs outstanding as of December 31	1,404	17,004
Weighted average strike price (in €)	46.26	79.91
SARs exercisable as of December 31	1,400	12,000
Weighted average strike price (in €)	42.25	79.84

7.3.2. Characteristics of KMUs granted by Kering SA

Since 2013, the Group has granted Kering Monetary Units (KMUs) instead of free shares.

The unit value of the KMUs awarded (and any changes in that value) is determined based on the intrinsic value of the Kering share price in comparison with the average increase in a basket of nine stocks from the Luxury and Sports industries.

On July 21, 2013, 124,126 KMUs were granted, with a unit value of €152.

On April 22, 2014, 122,643 KMUs were granted, with a unit value of €144.

Subject to the beneficiaries' continued presence within the Group, the KMUs granted will be settled in cash at the end of the three-year vesting period. The vesting period will be followed by a two-year period (January to December) during which beneficiaries may opt, in April or October, to cash out some or all of their KMUs, at their discretion, based on the most recently determined value.

The value of services rendered by beneficiaries is recalculated by an independent expert at the end of each reporting period.

In 2014, the Group recognised a €10.1 million expense in respect of KMUs within recurring operating income.

note 8 – recurring operating income

Recurring operating income is the primary indicator of the Group's operating performance, and breaks down as follows:

<i>(in € millions)</i>	2014	2013
Luxury Division	1,665.6	1,683.7
Sport & Lifestyle Division	137.5	200.4
Corporate	(139.1)	(132.9)
Total	1,664.0	1,751.2

Charges to depreciation, amortisation and provisions on non-current operating assets included in recurring operating income amounted to €326.7 million in 2014

(€292.1 million in 2013). Other net non-cash operating income amounted to €24.4 million in 2014 (€102.7 million in 2013).

note 9 – other non-recurring operating income and expenses

<i>(in € millions)</i>	2014	2013
Non-recurring operating expenses	(309.2)	(441.1)
Restructuring costs	(61.1)	(27.1)
Asset impairment	(247.5)	(361.2)
Capital losses on disposals	(0.6)	(2.7)
Other		(50.1)
Non-recurring operating income	197.1	0.4
Capital gains on disposals	192.2	0.4
Other	4.9	
Total	(112.1)	(440.7)

The Group's other non-recurring operating income and expenses consist of unusual items that could distort the assessment of each brand's economic performance. The net balance of this caption was an expense of €112.1 million in 2014 and included the following items:

- restructuring costs of €61.1 million, mainly concerning the Luxury Division;
- asset impairment totalling €247.5 million, including €189.0 million charged against the goodwill of other Sport & Lifestyle brands;
- net capital gains on disposals totalling €191.6 million, mainly including the sale of a property complex.

The net balance of this caption was an expense of €440.7 million in 2013 and included the following items:

- restructuring costs of €27.1 million, mainly concerning the Luxury Division;
- asset impairment totalling €361.2 million, including €280.1 million charged against PUMA goodwill;
- net capital losses of €2.3 million on asset disposals;
- other income and expenses relating primarily to new brand acquisition fees, the impacts of the restructuring measures put in place at PUMA as part of the new management's strategy, and litigation and disputes with third parties (see Note 27).

note 10 – finance costs (net)

This caption breaks down as follows:

<i>(in € millions)</i>	2014	2013
Cost of net debt	(151.3)	(174.4)
Income from cash and cash equivalents	7.9	9.3
Finance costs at amortised cost	(160.6)	(181.9)
Finance costs on financial liabilities at fair value through income		(4.8)
Gains and losses on borrowings hedged by fair value hedges	1.4	2.8
Gains and losses on fair value hedging derivatives		0.2
Other financial income and expenses	(46.1)	(36.1)
Net losses on available-for-sale financial assets	(4.9)	(7.6)
Gains and losses on financial liabilities at fair value through income		11.5
Foreign exchange gains and losses	(7.7)	(17.4)
Ineffective portion of cash flow hedges	(21.8)	(11.3)
Gains and losses on derivative instruments not qualifying for hedge accounting (foreign exchange and interest rate hedges)	1.1	0.5
Impact of discounting assets and liabilities	(9.1)	(9.0)
Other finance costs	(3.7)	(2.8)
Total	(197.4)	(210.5)

note 11 – income taxes

11.1. Analysis of the income tax expense in respect of continuing operations

11.1.1. Income tax expense

<i>(in € millions)</i>	2014	2013
Income before tax	1,354.5	1,100.0
Taxes paid out of operating income	(365.7)	(320.1)
Other taxes payable not impacting operating cash flow	(5.2)	(8.9)
Income tax payable	(370.9)	(329.0)
Deferred tax income/(expense)	45.3	92.1
Total tax charge	(325.6)	(236.9)
Effective tax rate	24.0 %	21.5 %

Income tax expense on dividends was recognised in an amount of €14.2 million in 2014 (€23.6 million in 2013).

The maximum income tax expense on the balance of dividends to be paid in 2015 in respect of 2014 is estimated at €9.5 million.

11.1.2. Reconciliation of the tax rate

(as a % of pre-tax income)

	2014	2013
Tax rate applicable in France	38.0 %	38.0 %
Impact of taxation of foreign subsidiaries	-17.9 %	-14.2 %
Theoretical tax rate	20.1 %	23.8 %
Effect of items taxed at reduced rates	0.7 %	-1.1 %
Effect of permanent differences	-0.5 %	-1.8 %
Effect of unrecognised temporary differences	1.5 %	0.1 %
Effect of unrecognised tax losses carried forward	-2.7 %	-3.4 %
Effect of changes in tax rates	0.2 %	-0.1 %
Other	4.8 %	4.0 %
Effective tax rate	24.0 %	21.5 %

In 2014, the income tax rate applicable in France was the standard rate of 33.33%, plus the social surtax of 3.3% and a 10.7% one-off levy for French companies with revenue over €250 million, bringing the total to 38%.

The "Other" line includes regional taxes in Italy (IRAP), local taxes related to the sale of a property complex, the tax on dividends, the levy on value added paid by French companies, and the impact of tax reassessments.

11.1.3. Recurring tax rate

Excluding non-recurring items, the Group income tax rate is as follows:

(in € millions)

	2014	2013
Income before tax	1,354.5	1,100.0
Non-recurring items	(112.1)	(440.7)
Recurring income before tax	1,466.6	1,540.7
Total tax charge	(325.6)	(236.9)
Tax on non-recurring items	(57.6)	31.3
Recurring tax charge	(268.0)	(268.2)
Recurring tax rate	18.3%	17.4%

11.2. Movement in statement of financial position headings

11.2.1. Net current tax liabilities

Changes in net current tax liabilities are set out in the table below:

<i>(in € millions)</i>	2013	Net income	Cash outflows relating to operating activities	Cash outflows relating to investing activities	Other changes in Group structure	Other items recognised in equity	2014
Current tax receivables	119.1						138.4
Current tax liabilities	(310.1)						(277.9)
Net current tax liabilities	(191.0)	(365.7)	422.7	(8.2)	(3.3)	6.0	(139.5)

The impact on income tax expense for the periods presented is described in Note 11.1.1.

11.2.2. Deferred tax

Changes in deferred taxes as shown in the consolidated statement of financial position are set out below:

<i>(in € millions)</i>	2013	Net income	Non-current assets held for sale and discontinued operations	Other changes in Group structure	Other items recognised in equity	2014
Intangible assets	(2,639.2)	9.4	18.2	(64.2)		(2,675.8)
Property, plant and equipment	9.0	(12.0)	0.1	19.9		17.0
Other non-current assets	(13.3)	44.7	0.5	56.0	1.1	89.0
Other current assets	306.1	5.9	(0.3)	(27.3)		284.4
Total equity	10.9			(9.9)		1.0
Borrowings	(20.7)	0.2		20.4		(0.1)
Provisions for pensions and other post-employment benefits	51.7	(7.5)	(1.4)	16.2	3.5	62.5
Other provisions	16.6	(34.4)	0.9	3.5		(13.4)
Other current liabilities	98.2	22.3	1.0	(35.2)	(2.4)	83.9
Recognised tax losses and tax credits	20.4	16.7		80.6		117.7
Net deferred tax assets (liabilities)	(2,160.3)	45.3	19.0	60.0	2.2	(2,033.8)
Deferred tax assets	649.9					758.0
Deferred tax liabilities	(2,810.2)					(2,791.8)
Deferred tax	(2,160.3)	45.3	19.0	60.0	2.2	(2,033.8)

The impact on income tax expense for the periods presented is described in Note 11.1.1.

11.3. Unrecognised deferred tax

Cumulative tax losses and tax credits not recognised as deferred tax assets amounted to €2,471.2 million as of December 31, 2014 (€2,234.1 million as of December 31, 2013).

Changes in unused tax losses and tax credits and the associated expiry schedule are set out below:

(in € millions)

As of January 1, 2013	2,260.3
Losses generated during the year	170.0
Losses utilised and time barred during the year	(68.4)
Effect of changes in Group structure and exchange rate adjustments	(127.8)
As of December 31, 2013	2,234.1
Losses generated during the year	386.5
Losses utilised and time barred during the year	(100.4)
Effect of changes in Group structure and exchange rate adjustments	(49.0)
As of December 31, 2014	2,471.2
Ordinary tax loss carry-forwards	430.6
Expiring in less than five years	263.4
Expiring in more than five years	167.2
Indefinite tax loss carry-forwards	2,040.6
Total	2,471.2

There were no unrecognised deferred taxes in respect of temporary differences relating to investments in subsidiaries, associates and joint ventures as of December 31, 2014.

note 12 – non-current assets held for sale and discontinued operations

During 2014, Kering closed the sale of La Redoute and Relais Colis to Nathalie Balla, Chairman and CEO of La Redoute, and Eric Courteille, Chief Administrative Officer of Redcats, in accordance with the conditions specified in the sale agreement and in keeping with all the commitments made within the framework of the disposal process.

In December, Kering also finalised the sale of Diam to the Prenant group in accordance with the terms and conditions stipulated in the sale agreement. An asset sale agreement was signed with Movitex's management team for the sale of the Movitex group. This transaction was completed on January 15, 2015.

During the second half of 2014, Kering launched a process for the sale of Sergio Rossi. In accordance with IFRS 5, Sergio Rossi is shown within "Non-current assets held for sale and discontinued operations" in the 2014 consolidated financial statements.

For all periods presented, assets held for sale and discontinued operations mainly comprise Redcats, Sergio Rossi and Groupe Fnac activities.

In accordance with IFRS 5, the Group measured these disposal groups and the related assets at the lower of their carrying amount and recoverable amount. Recoverable amount is defined as value in use or fair value less costs to sell.

For all periods presented, the net income or loss from these activities is shown separately on the face of the income statement within "Discontinued operations", and is restated in the statement of cash flows.

Assets and liabilities relating to assets held for sale are presented on separate lines in the Group's statement of financial position, without restatement for previous periods.

Assets and liabilities relating to discontinued operations are not presented on separate lines in the Group's statement of financial position.

Impact on the financial statements

The income statement and statement of cash flows for non-current assets held for sale and discontinued operations are as follows:

<i>(in € millions)</i>	2014	2013
Revenue	582.9	3,176.0
Cost of sales	(249.0)	(1,825.2)
Gross margin	333.9	1,350.8
Payroll expenses	(114.5)	(539.2)
Other recurring operating income and expenses	(276.1)	(874.8)
Recurring operating income (loss)	(56.7)	(61.0)
Other non-recurring operating income and expenses	(381.5)	(710.2)
Operating income (loss)	(438.2)	(773.4)
Finance costs, net	(10.8)	(15.4)
Income (loss) before tax	(449.0)	(788.8)
Corporate income tax	13.8	(32.6)
Share in earnings (losses) of associates		0.9
Net income (loss) on disposal of discontinued operations	(43.6)	(7.2)
Net income (loss)	(478.8)	(824.7)
o/w attributable to owners of the parent	(478.8)	(822.9)
o/w attributable to non-controlling interests		(1.8)

In 2014, the Redcats group and Sergio Rossi were the main contributors to the net loss arising on "Non-current assets held for sale and discontinued operations".

The Group reported a €478.8 million net loss from discontinued operations during the period, of which a loss of €355 million related to Redcats.

This mainly includes the cost of financing the social guarantees to be granted to the employees concerned by the modernisation measures at La Redoute and Relais Colis. This €200 million financing led Kering to set up a trust guaranteeing the application of the employee measures approved in a majority collective agreement with trade unions. The net loss also includes a provision recorded to cover vendor

warranties granted in connection with the sale of La Redoute and Relais Colis as well as impairment losses recognised against the residual assets of these companies. It also includes an expense recognised in the second half of the year with regard to the Redcats UK pension fund and the transfer of all of the assets in this fund to an insurer in December of that year, as well as the impacts of the sale of the residual assets of Redcats, Diam and Movitex.

The remainder of the overall net loss from discontinued operations reported by the Group in 2014 mainly comprised the net loss posted by Sergio Rossi, in particular a writedown against the residual value of the brand for €52 million.

<i>(in € millions)</i>	2014	2013
Net cash from (used in) operating activities	(141.6)	(150.8)
Net cash from (used in) investing activities	19.4	512.4
Net cash from (used in) financing activities	(537.4)	(694.3)
Impact of exchange rate variations	3.2	10.8
Net change in cash and cash equivalents	(656.4)	(321.9)
Opening cash and changes in intra-Group cash flows	213.7	(121.5)
Net cash from (used in) discontinued operations⁽¹⁾	(442.7)	(443.4)

⁽¹⁾ Line item in the consolidated statement of cash flows.

The main cash flows related to discontinued operations concern the recapitalisation of La Redoute and Relais Colis and the financing of the trust.

The impact of assets held for sale on the Group's consolidated statement of financial position was as follows:

<i>(in € millions)</i>	2014	2013
Assets classified as held for sale	88.5	722.1
Liabilities associated with assets classified as held for sale	63.9	906.6

note 13 – earnings per share

Basic earnings per share are calculated on the basis of the weighted average number of shares outstanding, after deduction of the weighted average number of shares held by consolidated companies.

Fully diluted earnings per share are based on the weighted average number of shares as defined above for the calculation of basic earnings per share, plus the weighted

average number of potentially dilutive ordinary shares. Potentially dilutive shares correspond to shares granted to employees as part of equity-settled share-based payment plans (see Note 7).

Earnings are adjusted for the theoretical interest charge, net of tax, on convertible and exchangeable instruments.

13.1. Earnings per share

Earnings per share as of December 31, 2014

<i>(in € millions)</i>	Consolidated Group	Continuing operations	Discontinued operations
Net income (loss) attributable to ordinary shareholders	528.9	1,007.7	(478.8)
Weighted average number of ordinary shares outstanding	126,264,178	126,264,178	126,264,178
Weighted average number of treasury shares	(342,549)	(342,549)	(342,549)
Weighted average number of ordinary shares	125,921,629	125,921,629	125,921,629
Basic earning (loss) per share (in €)	4.20	8.00	(3.80)
Net income (loss) attributable to ordinary shareholders	528.9	1,007.7	(478.8)
Convertible and exchangeable instruments			
Diluted net income (loss) attributable to owners of the parent	528.9	1,007.7	(478.8)
Weighted average number of ordinary shares	125,921,629	125,921,629	125,921,629
Potentially dilutive ordinary shares	23,049	23,049	23,049
Weighted average number of diluted ordinary shares	125,944,678	125,944,678	125,944,678
Fully diluted earnings (loss) per share (in €)	4.20	8.00	(3.80)

Earnings per share as of December 31, 2013

<i>(in € millions)</i>	Consolidated Group	Continuing operations	Discontinued operations
Net income (loss) attributable to ordinary shareholders	49.6	872.5	(822.9)
Weighted average number of ordinary shares outstanding	126,245,102	126,245,102	126,245,102
Weighted average number of treasury shares	(332,896)	(332,896)	(332,896)
Weighted average number of ordinary shares	125,912,206	125,912,206	125,912,206
Basic earnings (loss) per share (in €)	0.39	6.93	(6.54)
Net income (loss) attributable to ordinary shareholders	49.6	872.5	(822.9)
Convertible and exchangeable instruments			
Diluted net income (loss) attributable to owners of the parent	49.6	872.5	(822.9)
Weighted average number of ordinary shares	125,912,206	125,912,206	125,912,206
Potentially dilutive ordinary shares	114,760	114,760	114,760
Weighted average number of diluted ordinary shares	126,026,966	126,026,966	126,026,966
Fully diluted earnings (loss) per share (in €)	0.39	6.92	(6.53)

13.2. Earnings per share from continuing operations excluding non-recurring items

Non-recurring items consist of the income statement line "Other non-recurring operating income and expenses" reported net of tax and non-controlling interests.

<i>(in € millions)</i>	2014	2013
Net income attributable to ordinary shareholders	1,007.7	872.5
Other non-recurring operating income and expenses	(112.1)	(440.7)
Income tax on other non-recurring operating income and expenses	(57.6)	31.3
Non-controlling interests in other non-recurring operating income and expenses		50.6
Net income excluding non-recurring items	1,177.4	1,231.3
Weighted average number of ordinary shares outstanding	126,264,178	126,245,102
Weighted average number of treasury shares	(342,549)	(332,896)
Weighted average number of ordinary shares	125,921,629	125,912,206
Basic earnings per share excluding non-recurring items (in €)	9.35	9.78
Net income excluding non-recurring items	1,177.4	1,231.3
Convertible and exchangeable instruments		
Diluted net income attributable to owners of the parent	1,177.4	1,231.3
Weighted average number of ordinary shares	125,921,629	125,912,206
Potentially dilutive ordinary shares	23,049	114,760
Weighted average number of diluted ordinary shares	125,944,678	126,026,966
Fully diluted earnings per share (in €)	9.35	9.77

note 14 – other comprehensive income

The components of other comprehensive income include:

- gains and losses arising from translating the financial statements of foreign operations;
- the effective portion of gains and losses on cash flow hedging instruments;
- gains and losses on remeasuring available-for-sale financial assets and other financial instruments;
- components relating to the measurement of employee benefit obligations: unrecognised surplus of pension plan assets and actuarial gains and losses on defined benefit plans.

The amounts of these components before and after the related tax effects, together with reclassification adjustments taken to income, are shown in the table below:

<i>(in € millions)</i>	Gross	Income tax	Net
Foreign exchange gains and losses	(111.4)		(111.4)
Cash flow hedges	34.0	(4.3)	29.7
– change in fair value	129.2		
– gains and losses reclassified to income	(95.2)		
Available-for-sale financial assets	4.7	(1.6)	3.1
– change in fair value	4.7		
– gains and losses reclassified to income			
Unrecognised surplus of pension plan assets	7.1		7.1
Actuarial gains and losses	2.7	(0.9)	1.8
Share in other comprehensive income (expense) of associates			
Other comprehensive income as of December 31, 2013	(62.9)	(6.8)	(69.7)

<i>(in € millions)</i>	Gross	Income tax	Net
Foreign exchange gains and losses	74.7		74.7
Cash flow hedges	(147.1)	(4.0)	(151.1)
– change in fair value	(137.1)		
– gains and losses reclassified to income	(10.0)		
Available-for-sale financial assets	(1.1)	0.4	(0.7)
– change in fair value	(1.1)		
– gains and losses reclassified to income			
Unrecognised surplus of pension plan assets	10.0		10.0
Actuarial gains and losses	(9.4)	4.1	(5.3)
Share in other comprehensive income (expense) of associates			
Other comprehensive income as of December 31, 2014	(72.9)	0.5	(72.4)

A negative amount on the "Gains and losses reclassified to income" line item corresponds to a gain recognised in the income statement.

Gains and losses on available-for-sale financial assets reclassified to income are recognised under net finance costs.

Gains and losses on cash flow hedging instruments reclassified to income are recognised under gross margin.

note 15 – non-controlling interests

The Group performed quantitative and qualitative analyses of its non-controlling interests as of December 31, 2014. No individual non-controlling interest is material with regard to the Group's consolidated financial statements. Materiality was determined on a case-by-case basis using two methods: (i) a gross method based on the assets and

liabilities of non-controlling interests as a percentage of the Group's total consolidated balance sheet and (ii) a net method based on the percentage of non-controlling interests in consolidated equity. A materiality threshold of 5% was set for these two methods.

note 16 – goodwill

<i>(in € millions)</i>	Gross	Impairment losses	Net
Goodwill as of January 1, 2013	3,929.2	(58.2)	3,871.0
Acquisitions	172.2		172.2
Impairment losses		(280.1)	(280.1)
Put options granted to non-controlling shareholders	38.4		38.4
Translation adjustments	(30.9)	1.0	(29.9)
Other movements	(1.5)		(1.5)
Goodwill as of December 31, 2013	4,107.4	(337.3)	3,770.1
Acquisitions	392.9		392.9
Assets classified as held for sale and discontinued operations	(17.8)	17.8	
Impairment losses (see Note 19)		(194.5)	(194.5)
Put options granted to non-controlling shareholders	2.0		2.0
Translation adjustments	39.6	(17.6)	22.0
Other movements	47.4		47.4
Goodwill as of December 31, 2014	4,571.5	(531.6)	4,039.9

All goodwill recognised in 2014 was allocated to CGUs at the end of the reporting period.

The breakdown of the net amount of goodwill by division is as follows:

<i>(in € millions)</i>	2014	2013
Luxury Division	2,943.5	2,523.4
Sport & Lifestyle Division	1,096.4	1,246.7
Total	4,039.9	3,770.1

note 17 – brands and other intangible assets

<i>(in € millions)</i>	Brands	Other intangible assets	Total
Gross amount as of December 31, 2013	10,556.0	659.7	11,215.7
Changes in Group structure			
Acquisitions		107.0	107.0
Assets classified as held for sale and discontinued operations	(129.9)	(15.3)	(145.2)
Other disposals		(25.4)	(25.4)
Translation adjustments	51.4	2.8	54.2
Other movements	8.8	(1.7)	7.1
Gross amount as of December 31, 2014	10,486.3	727.1	11,213.4
Accumulated amortisation and impairment as of December 31, 2013	(86.0)	(426.9)	(512.9)
Changes in Group structure			
Assets classified as held for sale and discontinued operations	64.6	11.0	75.6
Other disposals		23.9	23.9
Amortisation	(0.2)	(54.3)	(54.5)
Impairment losses (see Note 19)			
Translation adjustments		2.6	2.6
Other movements	0.1	(0.1)	
Accumulated amortisation and impairment as of December 31, 2014	(21.5)	(443.8)	(465.3)
Carrying amount as of December 31, 2013	10,470.0	232.8	10,702.8
Changes in Group structure			
Acquisitions		107.0	107.0
Assets classified as held for sale and discontinued operations	(65.3)	(4.3)	(69.6)
Other disposals		(1.5)	(1.5)
Amortisation	(0.2)	(54.3)	(54.5)
Impairment losses (see Note 19)			
Translation adjustments	51.4	5.4	56.8
Other movements	8.9	(1.8)	7.1
Carrying amount as of December 31, 2014	10,464.8	283.3	10,748.1

<i>(in € millions)</i>	Brands	Other intangible assets	Total
Gross amount as of December 31, 2012	10,341.3	611.3	10,952.6
Changes in Group structure	230.0	9.6	239.6
Acquisitions	0.4	82.6	83.0
Other disposals		(11.0)	(11.0)
Translation adjustments	(16.6)	(6.4)	(23.0)
Other movements	0.9	(26.4)	(25.5)
Gross amount as of December 31, 2013	10,556.0	659.7	11,215.7
Accumulated amortisation and impairment as of December 31, 2012	(85.3)	(377.4)	(462.7)
Changes in Group structure		(6.3)	(6.3)
Other disposals		9.7	9.7
Amortisation		(83.2)	(83.2)
Impairment losses (see Note 19)			
Translation adjustments		2.6	2.6
Other movements	(0.7)	27.7	27.0
Accumulated amortisation and impairment as of December 31, 2013	(86.0)	(426.9)	(512.9)
Carrying amount as of December 31, 2012	10,256.0	233.9	10,489.9
Changes in Group structure	230.0	3.3	233.3
Acquisitions	0.4	82.6	83.0
Other disposals		(1.3)	(1.3)
Amortisation		(83.2)	(83.2)
Impairment losses (see Note 19)			
Translation adjustments	(16.6)	(3.8)	(20.4)
Other movements	0.2	1.3	1.5
Carrying amount as of December 31, 2013	10,470.0	232.8	10,702.8

The breakdown of net brand value by division is as follows:

<i>(in € millions)</i>	2014	2013
Luxury Division	6,577.5	6,629.0
Sport & Lifestyle Division	3,887.3	3,841.0
Total	10,464.8	10,470.0

note 18 – property, plant and equipment

<i>(in € millions)</i>	Land and buildings	Plant and equipment	Other PP&E	Total
Gross amount as of December 31, 2013	967.2	1,943.1	248.3	3,158.6
Changes in Group structure	25.4	26.8	0.3	52.5
Acquisitions	9.2	339.0	110.5	458.7
Assets classified as held for sale and discontinued operations	(15.9)	(26.9)	(0.5)	(43.3)
Disposals	(51.7)	(111.5)	(19.6)	(182.8)
Translation adjustments	18.4	127.9	8.4	154.7
Other movements	0.5	71.4	(69.6)	2.3
Gross amount as of December 31, 2014	953.1	2,369.8	277.8	3,600.7
Accumulated depreciation and impairment as of December 31, 2013	(217.5)	(1,136.8)	(127.4)	(1,481.7)
Changes in Group structure	(10.3)	(22.0)	(0.2)	(32.5)
Assets classified as held for sale and discontinued operations	2.7	19.8	0.1	22.6
Disposals	20.2	104.6	14.5	139.3
Depreciation	(23.0)	(238.4)	(19.4)	(280.8)
Impairment losses (see Note 19)				
Translation adjustments	(6.4)	(73.7)	(4.7)	(84.8)
Other movements	(0.7)	2.0	3.1	4.4
Accumulated depreciation and impairment as of December 31, 2014	(235.0)	(1,344.5)	(134.0)	(1,713.5)
Carrying amount as of December 31, 2013	749.7	806.3	120.9	1,676.9
Changes in Group structure	15.1	4.8	0.1	20.0
Acquisitions	9.2	339.0	110.5	458.7
Assets classified as held for sale and discontinued operations	(13.2)	(7.1)	(0.4)	(20.7)
Disposals	(31.5)	(6.9)	(5.1)	(43.5)
Depreciation	(23.0)	(238.4)	(19.4)	(280.8)
Impairment losses (see Note 19)				
Translation adjustments	12.0	54.2	3.7	69.9
Other movements	(0.2)	73.4	(66.5)	6.7
Carrying amount as of December 31, 2014	718.1	1,025.3	143.8	1,887.2
o/w assets owned outright	662.4	1,025.3	143.4	1,831.1
o/w assets held under finance leases	55.7		0.4	56.1

<i>(in € millions)</i>	Land and buildings	Plant and equipment	Other PP&E	Total
Gross amount as of December 31, 2012	752.8	1,700.7	275.3	2,728.8
Changes in Group structure	17.1	41.0	(0.2)	57.9
Acquisitions	207.7	325.8	50.9	584.4
Assets classified as held for sale and discontinued operations		0.7	8.3	9.0
Disposals		(97.3)	(19.7)	(117.0)
Translation adjustments	(27.0)	(79.2)	(14.3)	(120.5)
Other movements	16.6	51.4	(52.0)	16.0
Gross amount as of December 31, 2013	967.2	1,943.1	248.3	3,158.6
Accumulated depreciation and impairment as of December 31, 2012	(188.1)	(1,027.6)	(136.8)	(1,352.5)
Changes in Group structure	(7.2)	(22.8)		(30.0)
Assets classified as held for sale and discontinued operations		0.2		0.2
Disposals		89.5	19.9	109.4
Depreciation	(26.1)	(208.5)	(21.1)	(255.7)
Impairment losses (see Note 19)				
Translation adjustments	4.2	46.5	7.2	57.9
Other movements	(0.3)	(14.1)	3.4	(11.0)
Accumulated depreciation and impairment as of December 31, 2013	(217.5)	(1,136.8)	(127.4)	(1,481.7)
Carrying amount as of December 31, 2012	564.7	673.1	138.5	1,376.3
Changes in Group structure	9.9	18.2	(0.2)	27.9
Acquisitions	207.7	325.8	50.9	584.4
Assets classified as held for sale and discontinued operations		0.9	8.3	9.2
Disposals		(7.8)	0.2	(7.6)
Depreciation	(26.1)	(208.5)	(21.1)	(255.7)
Impairment losses (see Note 19)				
Translation adjustments	(22.8)	(32.7)	(7.1)	(62.6)
Other movements	16.3	37.3	(48.6)	5.0
Carrying amount as of December 31, 2013	749.7	806.3	120.9	1,676.9
o/w assets owned outright	691.1	806.3	120.2	1,617.6
o/w assets held under finance leases	58.6		0.7	59.3

Charges to depreciation are recognised under "Cost of sales" and "Other recurring operating income and expenses" in the income statement.

note 19 – impairment tests on non-financial assets

The principles governing the impairment of non-financial assets are set out in Note 2.10.

The main items of goodwill, brands and other intangible assets are broken down by division in Notes 16 and 17.

19.1. Assumptions underlying impairment tests

The pre-tax discount and perpetual growth rates applied to expected cash flows in connection with the economic assumptions and forecast operating conditions retained by the Group are as follows:

	Discount rate		Perpetual growth rate	
	2014	2013	2014	2013
Luxury Division	8.3% - 11%	8.9% - 10.4%	3.0%	3.5%
Sport & Lifestyle Division	9.8% - 11.7%	10.1% - 12.2%	2.25%	2.5%

The growth rates are appropriate in view of the country mix (the Group now operates in regions whose markets are enjoying faster-paced growth than in Europe), the rise in the cost of raw materials and inflation.

As discussed in Note 2.10, the business plans for certain CGUs are drawn up over longer periods of 10 years. These CGUs currently being repositioned are Boucheron, Volcom, Brioni, Sowind, Christopher Kane and Qeelin.

19.2. Impairment tests on major items

In the case of the Gucci CGU, which accounts for a significant portion of the goodwill in the Luxury Division, the CGU's recoverable amount was determined on the basis of its value in use. Value in use is determined with respect to projected future cash flows, taking into account the time value and specific risks associated with the CGU. Future cash flow projections were prepared during the second half of the year on the basis of budgets and medium-term plans with a four-year timescale. To calculate value in use, a terminal value equal to the perpetual capitalisation of a normative annual cash flow is added to the estimated future cash flows.

The growth rate used to extrapolate projected cash flows to perpetuity is 3.0%.

The pre-tax discount rate applied to projected cash flows is 8.4%.

In the case of the Gucci brand, which is the highest-valued brand in the Luxury Division, the value based on future royalty revenue receivable on the assumption that the brand will be operated under licence by a third party was calculated using a royalty rate of 15.0%, a 3.0% perpetual growth rate and an 8.3% pre-tax discount rate.

In the case of the PUMA CGU, which accounts for a significant portion of the goodwill in the Sport & Lifestyle Division, the CGU's recoverable amount was determined on the basis of its value in use. Value in use is determined with respect to projected future cash flows, taking into account the time value and specific risks associated with the CGU. Future cash flow projections were prepared during the

second half of the year on the basis of budgets and medium-term plans with a four-year timescale. To calculate value in use, a terminal value equal to the perpetual capitalisation of a normative annual cash flow is added to the estimated future cash flows.

The growth rate used to extrapolate projected cash flows to perpetuity is 2.25%.

The pre-tax discount rate applied to projected cash flows is 9.9%.

For information purposes, PUMA's market capitalisation was €2.6 billion as of December 31, 2014. This valuation does not represent a relevant indication of impairment given the limited free float and resulting lack of liquidity of the PUMA share. As of December 31, 2014, Kering holds an 85.81% controlling interest in PUMA.

In the case of the PUMA brand, which is the highest-valued brand in the Sport & Lifestyle Division, the value based on future royalty revenue receivable on the assumption that the brand will be operated under licence by a third party was calculated using a royalty rate of 8.0%, a 2.25% perpetual growth rate and a 9.8% pre-tax discount rate.

The impairment tests carried out by the Group in 2014 gave rise to the recognition of an impairment loss against the goodwill of other Sport & Lifestyle brands amounting to €189.0 million (see Note 19.3). Besides this goodwill impairment loss, the Group considers that, based on events that are foreseeable within reason, any changes impacting the key assumptions described below would not give rise to the recognition of impairment against other CGUs.

The sensitivity to changes in key assumptions is shown below:

(in € millions)	Value of net intangible assets concerned as of Dec. 31, 2014	10 basis point increase in post-tax discount rate	Impairment loss due to:	
			10 basis point decrease in perpetual growth rate	10 basis point decrease in normative cash flows
Luxury Division	9,714	-	-	-
Sport & Lifestyle Division	5,004	77	63	43
Gucci brand	4,800	-	-	-
PUMA brand	3,500	-	-	-

Sensitivity to a rise of 0.1 basis points in the post-tax discount rate and a decrease of 0.1 basis points in the perpetual growth rate and in the normative cash flows concerns the PUMA CGU only.

19.3. Impairment losses recognised during the period

The impairment tests carried out by the Group in 2014 gave rise to the recognition of an impairment loss against the goodwill of other Sport & Lifestyle brands amounting to

€189.0 million. This loss reflects the difference between the carrying amount of the other Sport & Lifestyle brands CGU and its recoverable amount, against a backdrop of pressure on margins in the Action Sport segment.

The impairment loss is recognised in the income statement under "Other non-recurring operating income and expenses" (see Note 9).

The impairment tests carried out by the Group in 2013 led to the recognition of an impairment loss against PUMA goodwill totalling €280.1 million.

note 20 – investments in associates

(in € millions)	2014	2013
Investments in associates	23.2	17.3

As of December 31, 2014, investments in associates essentially included Wilderness, Tomas Maier and Altuzarra shares.

The market value of the Group's interest in Wilderness amounts to €18.6 million. Wilderness' consolidated financial statements are available on its website, at <http://www.wilderness-holdings.com>.

note 21 – non-current financial assets

Non-current financial assets break down as follows:

(in € millions)	2014	2013
Non-consolidated investments	140.3	74.7
Derivative financial instruments (see Note 31)	0.4	0.4
Available-for-sale financial assets	20.0	74.7
Loans and receivables due from non-consolidated investments	17.9	21.6
Deposits and guarantees	141.7	116.1
Other	79.7	29.3
Total	400.0	316.8

note 22 – inventories

<i>(in € millions)</i>	2014	2013
Commercial inventories	2,399.1	1,996.5
Industrial inventories	445.4	377.7
Gross amount	2,844.5	2,374.2
Allowances	(609.8)	(568.7)
Carrying amount	2,234.7	1,805.5

Movements in allowances	2014	2013
As of January 1	(568.7)	(552.3)
Additions	(40.2)	(39.3)
Reversals	22.1	7.3
Changes in Group structure		(2.4)
Assets classified as held for sale and discontinued operations	(5.5)	
Translation adjustments	(17.5)	18.0
As of December 31	(609.8)	(568.7)

No inventories were pledged to secure liabilities as of December 31, 2014 (€0.7 million pledged as of December 31, 2013). The amount of inventories recognised during the period under "Cost of sales" is €263.7 million (€126.9 million in 2013).

note 23 – trade receivables

<i>(in € millions)</i>	2014	2013
Trade receivables	1,103.9	1,036.4
Allowances	(73.9)	(86.5)
Carrying amount	1,030.0	949.9

Movements in allowances	2014	2013
As of January 1	(86.5)	(97.9)
Net reversals	16.1	10.3
Changes in Group structure	(3.1)	
Assets classified as held for sale and discontinued operations	0.8	(0.5)
Translation adjustments	(1.2)	1.6
As of December 31	(73.9)	(86.5)

Provisions are calculated on the basis of the probability of recovering the receivables concerned. Trade receivables break down by age as follows:

<i>(in € millions)</i>	2014	2013
Not past due	848.8	787.9
Less than one month past due	121.1	124.4
One to six months past due	75.1	54.6
More than six months past due	58.9	69.5
Allowance for doubtful receivables	(73.9)	(86.5)
Carrying amount	1,030.0	949.9

No trade receivables were pledged to secure liabilities as of December 31, 2014 or December 31, 2013.

note 24 – other current assets and liabilities

(in € millions)	2013	Working capital cash flows	Other cash flows	Changes in Group structure	Translation adjustments and other	2014
Inventories	1,805.5	248.8		152.9	27.5	2,234.7
Trade receivables	949.9	21.8		30.5	27.8	1,030.0
Other current financial assets and liabilities	(105.5)	(14.7)	(10.7)		(109.6)	(240.5)
Current tax receivables/payables	(191.0)		48.8	(3.3)	6.0	(139.5)
Trade payables	(766.1)	(196.7)		(5.0)	(15.0)	(982.8)
Other	(848.9)	101.1		(1.2)	(228.5)	(977.5)
Other current assets and liabilities	843.9	160.3	38.1	173.9	(291.8)	924.4

Other current financial assets and liabilities primarily comprise derivative financial instruments (see Note 31).

Given the nature of its activities, the Group's exposure to

customer default cannot have a material impact on its business, financial position or net assets.

note 25 – equity

As of December 31, 2014, the share capital amounted to €505,065,960, comprising 126,266,490 fully paid-up shares with a par value of €4 each (126,226,761 shares with a par value of €4 each as of December 31, 2013).

25.1. Kering treasury shares and options on Kering shares

In 2014, treasury shares decreased by 39,044 as a result of the following transactions:

- the acquisition of 1,726,437 shares under the liquidity agreement;
- the disposal of 1,726,437 shares under the liquidity agreement;
- the acquisition of 55,000 Kering shares to be allotted to employees under 2010 and 2012 free share plans;
- the allotment of 59,206 shares to employees under the May 2010 and April 2012 free share plans;
- the acquisition of 100,000 Kering shares to be allotted to employees under the 2006 and 2007 stock purchase option plans;
- the disposal of 134,838 shares to employees under the 2006 and 2007 stock purchase option plans.

As a result of the various stock subscription options exercised in 2014, the share capital increased by 39,729 shares.

As of December 31, 2014, Kering's share capital therefore comprises 126,266,490 shares with a par value of €4 each.

On May 26, 2004, Kering signed an agreement with a financial broker in order to improve the liquidity of the Group's shares and ensure share price stability. This agreement complies with the Professional Code of Conduct drawn up by the French Association of Financial and Investment Firms (*Association française des marchés financiers* – AMAFI) and approved by the French financial markets authority (*Autorité des marchés financiers* – AMF). The agreement was initially endowed with €40.0 million, half of which was provided in cash and half in Kering shares. An additional €20.0 million in cash was allocated to the agreement on September 3, 2004, and a further €30.0 million on December 18, 2007.

As of December 31, 2014, Kering did not hold any treasury shares in connection with the liquidity agreement (no treasury shares were held under the agreement as of December 31, 2013). Outside the scope of the liquidity agreement, Kering held 21,537 treasury shares (60,581 treasury shares held as of December 31, 2013).

25.2. Appropriation of 2014 net income

At its February 16, 2015 meeting, the Board decided that at the Annual General Meeting to be held to approve the financial statements for the year ended December 31, 2014, it will ask shareholders to approve a cash payment for the 2014 dividend, corresponding to €4.00 per share.

An interim dividend in the amount of €1.50 per share was paid on January 26, 2015 pursuant to a decision by the Board of Directors on December 8, 2014.

If this dividend is approved, the total dividend cash payout – to be made in 2015 – would amount to €505.0 million.

The cash dividend paid for 2013 amounted to €3.75 per share, representing a total amount of €473.2 million (no dividends are paid on treasury shares).

note 26 – employee benefits

In accordance with the laws and practices in each country, Group employees receive long-term or post-employment benefits in addition to their short-term remuneration. These additional benefits take the form of defined contribution or defined benefit plans.

Under defined contribution plans, the Group is not obliged to make any additional payments beyond contributions already made. Contributions to these plans are expensed as incurred.

An actuarial valuation of defined benefit plans is carried out by independent experts. These benefits primarily concern retirement termination payments and long-service bonuses in France, final salary type supplementary pension plans in the United Kingdom, statutory dismissal compensation in Italy (TFR), and mandatory supplementary pension plans (LPP) in Switzerland.

- **Retirement termination payments and long-service bonuses – France**

In France, retirement termination payments are fixed and paid by the company to the employee on retirement. The amount paid depends on the years of service on retirement and is defined in the relevant collective bargaining agreements.

Payments under retirement plans do not confer any vested entitlement to employees until they reach retirement age (unvested rights).

Termination payments are not related to other statutory retirement benefits such as pensions paid by social security bodies or top-up pension funds such as ARRCO and AGIRC in France.

Long-service bonuses are not compulsory in France (there is no legal option to pay such awards to employees), but hold a symbolic value. Nevertheless, the French entities of the Kering group choose to pay long-service bonuses to their employees after 20, 30, 35 and 40 years of service.

- **Final salary type supplementary pension plans – UK**

In the UK, the Group operates two pension plans: a standard plan and a special plan for managerial-grade employees (cadres).

These plans are subject to the minimum funding requirement introduced in the UK by the Pensions Act 2004. The value of the plans is assessed at least once every three years to determine if the minimum funding requirement is satisfied.

The plans are managed by a Board of Trustees appointed by plan participants. The Board is responsible for obtaining plan valuations, fixing the desired funding threshold and the contributions payable by the Company, managing benefit payments, investing plan assets, and determining the plan's investment strategy after consulting with the Company.

- **Statutory dismissal compensation (TFR) – Italy**

The TFR (*Trattamento di Fine Rapporto*) plans in Italy were created by Act no. 297 adopted on May 29, 1982.

They offer a deferred benefit and are applicable to all workers in the private sector.

Payments are due under these plans on termination of employment. The benefits paid are the same regardless of the reason for departure (resignation, termination at the employer's initiative, death, incapacity, retirement).

Since 2007, companies with at least 50 employees (i.e., most Kering group entities in Italy) are required to transfer their TFR funding to an external fund manager.

- **Mandatory supplementary pension plans (LPP) – Switzerland**

In Switzerland, pension plans are defined contribution plans which guarantee a minimum yield and provide for a fixed salary conversion rate on retirement.

The pension plan operated by each entity in Switzerland offers benefits over and above those stipulated in the LPP/BVG pension law, which contains a minimum requirement for Swiss companies to sponsor pension plans.

Most of the Group's pension plans in Switzerland are operated as separate legal entities. The Board of Trustees of the foundation, comprising an equal number of employer and employee representatives, is responsible for administering the plan. The foundation bears any investment and longevity risks.

Other plans operated by the Group's Swiss entities are affiliated to two different plans, or collective foundations. The pensions committee is responsible for supervising the plan, and comprises an equal number of employer and employee representatives. The foundation bears any investment and longevity risks and insures some of its risk with an insurance company.

The large majority of plans operated by Kering group companies in Switzerland are currently over-funded compared to local practices and no additional funding is therefore required.

26.1. Changes during the year

Changes in the present value of the defined benefit obligation and fair value of plan assets during the year are shown below:

(in € millions)	2014					
	Present value of obligation	Fair value of plan assets	Financial position	Change	Provision	Other comprehensive income
Expense recognised						
As of January 1	328.9	214.7	114.2	9.3	123.5	
Current service cost	9.0		9.0		9.0	(9.0)
Curtailments and settlements	(3.1)	(1.4)	(1.7)		(1.7)	3.1
Interest cost	5.6		5.6		5.6	(5.6)
Interest income on plan assets		2.8	(2.8)		(2.8)	2.8
Past service cost	(1.5)		(1.5)		(1.5)	1.5
Actuarial gains and losses						
Impact of changes in demographic assumptions	(0.2)		(0.2)		(0.2)	0.2
Impact of changes in financial assumptions	25.0		25.0		25.0	(25.0)
Impact of experience adjustments	4.4		4.4		4.4	(4.4)
Return on plan assets (excluding interest income)		2.5	(2.5)		(2.5)	2.5
Effect of asset ceiling						
Benefits paid	(12.8)	1.1	(13.9)		(13.9)	
Contributions paid by beneficiaries	4.8		4.8		4.8	
Contributions paid by employer		6.8	(6.8)		(6.8)	
Changes in Group structure	(25.5)	(0.3)	(25.2)		(25.2)	
Non-current assets held for sale and discontinued operations	(110.4)	(121.3)	10.9	(9.3)	1.6	27.3
Insurance premium for risks benefits	(0.9)	(0.9)				
Administrative expense		(0.6)	0.6		0.6	(0.5)
Exchange differences	4.0	3.2	0.8		0.8	
As of December 31	227.3	106.6	120.7		120.7	0.6
<i>a/w continuing operations</i>					119.1	(7.7)
<i>a/w discontinued operations</i>					1.6	(27.3)

2013

<i>(in € millions)</i>	Present value of obligation	Fair value of plan assets	Financial position	Change	Provision	Other comprehensive income	Expense recognised
As of January 1	439.6	223.7	215.9	15.6	231.5		
Current service cost	9.3		9.3		9.3		(9.3)
Curtailments and settlements	(1.0)	(1.0)					1.0
Interest cost	5.4		5.4		5.4		(5.4)
Interest income on plan assets		2.3	(2.3)		(2.3)		2.3
Past service cost	(0.7)		(0.7)	0.7			
Actuarial gains and losses							
<i>Impact of changes in demographic assumptions</i>	3.8		3.8		3.8	(3.8)	
<i>Impact of changes in financial assumptions</i>	(3.3)		(3.3)		(3.3)	3.3	
<i>Impact of experience adjustments</i>	(4.8)		(4.8)		(4.8)	4.8	
<i>Return on plan assets (excluding interest income)</i>		2.9	(2.9)		(2.9)	2.9	
<i>Effect of asset ceiling</i>				(7.1)	(7.1)	7.1	
Benefits paid	(9.8)	(4.3)	(5.5)		(5.5)		
Contributions paid by beneficiaries	3.4	3.4					
Contributions paid by employer		5.3	(5.3)		(5.3)		
Changes in Group structure	(115.6)	(15.6)	(100.0)	0.1	(99.9)		
Non-current assets held for sale and discontinued operations	6.0	0.4	5.6		5.6	(4.5)	(3.0)
Insurance premium for risks benefits	(0.8)	(0.8)					0.8
Administrative expense		(0.3)	0.3		0.3		(0.3)
Exchange differences	(2.6)	(1.3)	(1.3)		(1.3)		
As of December 31	328.9	214.7	114.2	9.3	123.5	9.8	(13.9)
<i>o/w continuing operations</i>					100		(10.9)
<i>o/w discontinued operations</i>					23.5		(3.0)

As of December 31, 2014, the decrease in the present value of the obligation compared to December 31, 2013 reflects the transfer of the assets of the Redcats UK pension fund to an insurer in December 2014.

As of December 31, 2014, the present value of the obligation amounted to €227.3 million, breaking down as:

- €60.7 million in respect of wholly unfunded plans (€76.5 million as of end-2013);
- €166.6 million in respect of fully or partially funded plans (€252.4 million as of end-2013).

The breakdown of the present value of the obligation by type of plan and country as of December 31, 2014 was as follows:

<i>(in € millions)</i>	2014	2013
Retirement gratuities – France	22.2	43.1
Long-service awards – France	0.1	0.3
Statutory termination indemnities (TFR) – Italy	35.9	31.3
Supplementary plans – United Kingdom	35.2	141.9
Supplementary plans (LPP) – Switzerland	100.6	77.6
Other	33.3	34.7
Present value of obligation as of December 31	227.3	328.9

The Group expects to pay an estimated €6.4 million in contributions in 2015.

<i>(in € millions)</i>	Total 2014	France	Switzerland	Italy	UK	Other
Employer contributions in respect of 2015	6.4		4.3		0.7	1.4
Benefits						
2015	7	0.4	3.4	1.4	0.6	1.2
2016	6.3	0.1	3.1	1.3	0.6	1.2
2017	7.2	0.4	3.4	1.5	0.6	1.3
2018	7.2	0.5	3.4	1.4	0.6	1.3
2019	6.9	0.4	2.9	1.5	0.7	1.4
2020/ 2023	360.7	327.1	13.8	9.4	3.9	6.5

Funded defined benefit plan assets break down as follows:

- debt instruments account for 31.6%, or €33.6 million (51.2%, or €109.8 million at end-2013);
- equity instruments account for 19.7%, or €21.0 million (26.0%, or €55.9 million at end-2013);
- insurance policies account for 13.8%, or €14.7 million, and investment funds 16.5%, or €17.6 million (13.4% of the total fair value of plan assets, or €28.5 million, at end-2013);
- property accounts for 11.0%, or €11.7 million (4.8%, or €10.4 million at end-2013);

- and other assets account for 7.5%, or €8.0 million (4.6%, or €10.3 million at end-2013).

In accordance with the option provided under IAS 19 as revised in December 2004 and the obligation set out in IAS 19R effective as of January 1, 2013, the Group recognises actuarial gains and losses on defined benefit plans in other comprehensive income for the period.

In 2014, actuarial gains were recognised for a total of €9.4 million (see Note 14).

Cumulative actuarial gains and losses recognised in other comprehensive income since January 1, 2004 amounted to €102.3 million as of December 31, 2014.

26.2. Actuarial assumptions

The main actuarial assumptions used to estimate the Group's obligations are as follows:

	France		Switzerland		Italy		UK	
	2014	2013	2014	2013	2014	2013	2014	2013
Average maturity of plans	12.0	11.1	17.0	18.3	11.0	14.6	24.0	15.3
Discount rate	2.00%	3.25%	1.50%	2.30%	2.00%	3.25%	4.10%	4.08%
Expected rate of increase in salaries	3.15%	2.90%	1.91%	1.90%	3.00%	3.00%	4.20%	4.30% ⁽¹⁾
Inflation rate	2.00%	2.00%	0.80%	0.60%	2.00%	2.00%	2.50%	3.20%

(1) Only applicable to current employees.

Based on the actuarial assumptions in the table above, the sensitivity tests carried out show that the impact of a 50 basis-point increase or decrease in the discount rate would not be material and would represent less than 0.3% of consolidated equity.

The Group's discount rate is determined by reference to the yield on corporate bonds rated AA with a maturity similar to the plans in question.

note 27 – provisions

<i>(in € millions)</i>	2013	Charge	Reversal (utilised provision)	Reversal (surplus provision)	Translation adjustments	Other	2014
Provisions for restructuring costs							
Provisions for claims and litigation	14.4	1.1	(4.1)			(3.4)	8.0
Other	98.8	3.4	(38.9)	(29.4)	2.5	4.9	41.3
Other non-current provisions	113.2	4.5	(43.0)	(29.4)	2.5	1.5	49.3
Provisions for restructuring costs	33.7	15.5	(17.0)	(4.8)	1.2	(0.2)	28.4
Provisions for claims and litigation	56.2	11.4	(3.9)		0.3	14.0	78.0
Other	62.8	104.4	(36.0)	(2.5)	0.3	(9.8)	119.2
Other current provisions	152.7	131.3	(56.9)	(7.3)	1.8	4.0	225.6
Total	265.9	135.8	(99.9)	(36.7)	4.3	5.5	274.9
Impact on income	(63.6)	(135.8)		36.7			(99.1)
– on recurring operating income	(15.4)	(14.3)		4.0			(10.3)
– on other non-recurring operating income and expenses	(44.6)	(18.5)		9.9			(8.6)
– on net finance costs							
– on income taxes							
– on income (loss) from discontinued operations	(3.6)	(103.0)		22.8			(80.2)

Provisions for claims and litigation mainly relate to claims brought by third parties and litigation with tax authorities in various countries. Provisions for restructuring costs chiefly reflect additions recognised and write-backs utilised during the year in connection with PUMA's

Transformation Programme. "Other" chiefly covers the impact of restructuring measures implemented at PUMA in 2013 as part of the new management's strategy and risks relating to vendor warranties (see Note 34.1.).

note 28 – cash and cash equivalents

28.1. Breakdown by category

Cash and cash equivalents break down as follows:

<i>(in € millions)</i>	2014	2013
Cash	1,033.3	1,161.6
Cash equivalents	56.6	257.6
Total	1,089.9	1,419.2

As of December 31, 2014, cash equivalents include UCITS, certificates of deposit and term deposits with a maturity of less than three months.

The items classified by the Group as cash and cash equivalents strictly comply with the AMF's position published in 2008 and updated in 2011 and 2013. In

particular, cash investments are reviewed on a regular basis in accordance with Group procedures and in strict compliance with the eligibility criteria set out in IAS 7 and the AMF's recommendations. As of December 31, 2014, no reclassifications were made as a result of these reviews.

28.2. Breakdown by currency

<i>(in € millions)</i>	2014	%	2013	%
EUR	446.3	41.0%	868.4	61.2%
USD	159.3	14.6%	165.9	11.7%
CHF	74.2	6.8%	35.8	2.5%
HKD	73.6	6.7%	52.4	3.7%
GBP	42.6	3.9%	32.0	2.3%
CNY	40.5	3.7%	35.2	2.5%
KRW	38.7	3.6%	9.8	0.7%
Other currencies	214.7	19.7%	219.7	15.4%
Total	1,089.9		1,419.2	

note 29 – borrowings

29.1. Breakdown of borrowings by maturity

(in € millions)	2014	Y+1	Y+2	Y+3	Y+4	Y+5	Beyond
Non-current borrowings	3,192.2		184.1	442.5	540.5	535.8	1,489.3
Bonds	2,640.4			349.1	497.6	496.2	1,297.5
Confirmed lines of credit							
Other bank borrowings	188.2		58.5	70.3	31.3	3.8	24.3
Obligations under finance leases	64.7		4.3	4.6	4.9	5.1	45.8
Other borrowings	298.9		121.3	18.5	6.7	30.7	121.7
Current borrowings	2,288.4	2,288.4					
Bonds	750.0	750.0					
Confirmed lines of credit							
Drawdowns on unconfirmed lines of credit	133.9	133.9					
Other bank borrowings	75.8	75.8					
Obligations under finance leases	6.9	6.9					
Bank overdrafts	284.5	284.5					
Commercial paper	969.8	969.8					
Other borrowings	67.5	67.5					
Total	5,480.6	2,288.4	184.1	442.5	540.5	535.8	1,489.3
%		41.7%	3.4%	8.1%	9.9%	9.8%	27.1%

(in € millions)	2013	Y+1	Y+2	Y+3	Y+4	Y+5	Beyond
Non-current borrowings	3,132.4		814.7	61.0	359.6	504.6	1,392.5
Bonds	2,589.6		750.6		349.0	497.0	993.0
Confirmed lines of credit							
Other bank borrowings	152.1		58.0	57.0	6.6	3.7	26.8
Obligations under finance leases	67.0		4.0	4.0	4.0	3.9	51.1
Other borrowings	323.7		2.1				321.6
Current borrowings	1,788.8	1,788.8					
Bonds	700.9	700.9					
Confirmed lines of credit							
Drawdowns on unconfirmed lines of credit	152.8	152.8					
Other bank borrowings	302.1	302.1					
Obligations under finance leases	4.1	4.1					
Bank overdrafts	181.6	181.6					
Commercial paper	358.0	358.0					
Other borrowings	89.3	89.3					
Total	4,921.2	1,788.8	814.7	61.0	359.6	504.6	1,392.5
%		36.3%	16.6%	1.2%	7.3%	10.3%	28.3%

All gross borrowings as of December 31, 2014 are recognised at amortised cost based on an effective interest rate determined after taking into account any identified issue costs and redemption or issue premiums relating to each liability.

As of December 31, 2013, a fair value adjustment of €1.4 million was recognised in respect of borrowings – mainly bond issues – partially or fully hedged in a fair value hedging relationship.

Bond issues represented 61.9% of gross borrowings as of December 31, 2014 and 66.9% as of end-2013.

Borrowings with a maturity of more than one year represented 58.3% of total gross borrowings as of December 31, 2014 and 63.7% as of December 31, 2013.

The total amount of confirmed lines of credit was €4,144.2 million at the end of the reporting period, including €18.7 million available in the form of short-term loans.

Short-term drawdowns on facilities backed by confirmed lines of credit maturing in more than one year are included in non-current borrowings.

Accrued interest is recorded in "Other borrowings".

29.2. Breakdown by repayment currency

(in € millions)	2014	Non-current borrowings	Current borrowings	%	2013	%
EUR	4,738.5	2,857.8	1,880.7	86.5%	4,233.0	86.0%
JPY	374.0	146.3	227.7	6.8%	334.5	6.8%
CHF	163.0	128.9	34.1	3.0%	179.6	3.7%
CNY	84.8		84.8	1.5%	80.3	1.6%
USD	60.1	42.8	17.3	1.1%	54.1	1.1%
HKD	12.9	7.0	5.9	0.2%	6.9	0.1%
Other currencies	47.3	9.4	37.9	0.9%	32.8	0.7%
Total	5,480.6	3,192.2	2,288.4		4,921.2	

Borrowings denominated in currencies other than the euro are distributed to Group subsidiaries for local financing purposes.

29.3. Breakdown of gross borrowings by category

The Kering group's gross borrowings break down as follows:

(in € millions)	2014	2013
Bonds	3,390.4	3,290.5
Other bank borrowings	264.0	454.2
Confirmed lines of credit		
Drawdowns on unconfirmed lines of credit	133.9	152.8
Commercial paper	969.8	358.0
Obligations under finance leases	71.6	71.1
Bank overdrafts	284.5	181.6
Other borrowings	366.4	413.0
Total	5,480.6	4,921.2

Group borrowings primarily consist of bonds, bank borrowings, drawdowns on confirmed lines of credit and commercial paper issues, which account for 91.1% of gross borrowings as of December 31, 2014 (91.8% as of December 31, 2013).

As of December 31, 2014, other borrowings include €310.2 million in respect of put options granted to non-controlling shareholders (see Note 2.3.2), including the liability in respect of the put options granted to Sowind and Pomellato group shareholders.

29.4. Description of the main bond issues

Kering bond issues

The Group has a Euro Medium Term Notes (EMTN) programme capped at €5,000 million as of December 31, 2014.

This programme was signed and approved by Luxembourg's financial sector supervisory commission (*Conseil de Surveillance du Secteur Financier* – CSSF) on December 4, 2014. The programme existing as of December 31, 2014 expires on December 4, 2015.

As of December 31, 2014, the bonds issued under this programme totalled €3,400 million.

All borrowings benefit from the rating awarded to the Kering group by Standard & Poor's ("BBB" with a stable outlook) and are not subject to any financial covenants.

(in € millions)

Par value	Issue interest rate	Effective interest rate	Issue date	Documented/ non-documented hedge	Maturity	2014	2013
550.1 ⁽¹⁾	8.625% fixed	8.86% & 7.86%	04/03/2009	-	04/03/2014		549.8
150.0 ⁽²⁾	7.75% fixed	7.94%	06/03/2009	6-month Euribor floating rate swap for €150 million Documented under IFRS	06/03/2014		151.1
150.0 ⁽³⁾	6.50% fixed	6.57%	06/29/2009	-	06/29/2017	149.6	149.6
200.0 ⁽⁴⁾	6.50% fixed	6.57%	11/06/2009	-	11/06/2017	199.5	199.4
750.0 ⁽⁵⁾	3.75% fixed	3.87% & 3.24%	04/08/2010 & 01/26/2012	-	04/08/2015	750.0	750.6
500.0 ⁽⁶⁾	3.125% fixed	3.31%	04/23/2012	-	04/23/2019	496.2	495.4
500.0 ⁽⁷⁾	2.50% fixed	2.58%	07/15/2013	-	07/15/2020	497.9	497.6
500.0 ⁽⁸⁾	1.875% fixed	2.01%	10/08/2013	-	10/08/2018	497.6	497.0
300.0 ⁽⁹⁾	2.75% fixed	2.81% & 2.57% & 2.50%	04/08/2014 & 05/30/2014 & 06/26/2014	-	04/08/2024	302.8	
500.0 ⁽¹⁰⁾	1.375% fixed	1.47%	10/01/2014	-	10/01/2021	496.8	

(1) Issue price: bond issue, comprising 550,100 bonds with a par value of €1,000 each under the EMTN programme, with 600,000 bonds issued on April 3, 2009 and 200,000 additional bonds issued on May 13, 2009, thereby raising the issue to 800,000 bonds. A total of 249,900 of these bonds were redeemed on April 26, 2011.

Redemption: in full on April 3, 2014.

(2) Issue price: bond issue on June 3, 2009, comprising 150,000 bonds with a par value of €1,000 each under the EMTN programme.

Redemption: in full on June 3, 2014.

(3) Issue price: bond issue on June 29, 2009, comprising 3,000 bonds with a par value of €50,000 each under the EMTN programme.

Redemption: in full on June 29, 2017.

(4) Issue price: bond issue on November 6, 2009, comprising 4,000 bonds with a par value of €50,000 each under the EMTN programme.

Redemption: in full on November 6, 2017.

(5) Issue price: bond issue on April 8, 2010, comprising 500,000 bonds with a par value of €1,000 each under the EMTN programme, and 250,000 additional bonds issued on January 26, 2012, thereby raising the issue to 750,000 bonds.

Redemption: in full on April 8, 2015.

(6) Issue price: bond issue on April 23, 2012, comprising 500,000 bonds with a par value of €1,000 each under the EMTN programme.

Redemption: in full on April 23, 2019.

(7) Issue price: bond issue on July 15, 2013, comprising 5,000 bonds with a par value of €100,000 each under the EMTN programme.

Redemption: in full on July 15, 2020.

(8) Issue price: bond issue on October 8, 2013, comprising 5,000 bonds with a par value of €100,000 each under the EMTN programme.

Redemption: in full on October 8, 2018.

(9) Issue price: bond issue on April 8, 2014, comprising 1,000 bonds with a par value of €100,000 each under the EMTN programme, 1,000 additional bonds issued on May 30, 2014 and 1,000 additional bonds issued on June 26, 2014, thereby raising the issue to 3,000 bonds.

Redemption: in full on April 8, 2024.

(10) Issue price: bond issue on October 1, 2014, comprising 5,000 bonds with a par value of €100,000 each under the EMTN programme.

Redemption: in full on October 1, 2021.

The bonds issued between 2009 and 2014 within the scope of the EMTN programme are all subject to change-of-control clauses entitling bondholders to request early redemption at par if Kering's rating is downgraded to non-investment grade following a change of control.

In addition, the bonds issued in 2009 and 2010 – including the bonds added in January 2012 to those issued in April 2010 – include a “step-up coupon” clause that applies in the event that Kering's rating is downgraded to non-investment grade.

The corresponding amounts are recognised in the statement of financial position at amortised cost based on the effective interest rate, taking account of the fair value adjustment resulting from the hedging relationship documented in accordance with IAS 39.

Accrued interest is recorded in “Other borrowings”.

29.5. Main bank borrowings and confirmed lines of credit

29.5.1. Breakdown of main bank borrowings

The Group has the following bank borrowings:

Long- and medium-term borrowings contracted by Kering

(in € millions)

Par value	Issue interest rate	Effective interest rate	Issue date	Documented/ non-documented hedge	Maturity	2014	2013
83.0	Floating 3-month Euribor + 3.09 %	-	06/24/2009	3-month Euribor floating rate swap for the full amount <i>Not documented under IFRS</i>	06/24/2014		83.0
69.5	Floating 3-month Euribor + 3.30 %	-	06/24/2009	3-month Euribor floating rate swap for the full amount <i>Not documented under IFRS</i>	06/24/2014		69.5

Long- and medium-term borrowings contracted by the Luxury Division*(in € millions)*

Par value	Issue interest rate	Effective interest rate	Issue date	Documented/ non-documented hedge	Maturity	2014	2013
35.0 ⁽¹⁾	Floating Euribor +0.70%	-	03/29/2004	-	06/30/2014		1.4
27.5 ⁽²⁾	Floating JPY Tiber +0.35%	-	03/31/2011	-	03/31/2016	8.3	13.8
41.3 ⁽³⁾	Floating JPY Tiber +0.38%	-	05/15/2011	-	04/15/2014		32.6
27.5 ⁽⁴⁾	Floating JPY Tiber +0.45%	-	12/14/2011	-	12/14/2014		27.6
29.3 ⁽⁵⁾	Floating JPY Tiber +0.45%	-	12/14/2011	-	09/15/2016	11.7	17.6
32.4 ⁽⁶⁾	Floating JPY Tiber +0.50%	-	09/27/2012	-	09/28/2015	10.9	21.7
39.6 ⁽⁷⁾	Floating JPY Tiber +0.45%	-	09/30/2013	-	09/30/2016	33.8	38.6
31.4 ⁽⁸⁾	Floating JPY Tiber +0.38%	-	04/15/2014	-	04/15/2017	29.2	
27.5 ⁽⁹⁾	Floating JPY Tiber +0.40%	-	12/14/2014	-	12/14/2018	27.5	

(1) Loan redeemable as from 2006 initially contracted for €35 million.

(2) Redeemable loan contracted in March 2011 for JPY 4,000 million (€27.5 million). The outstanding balance on this loan was JPY 1,200 million (€8.3 million) as of December 31, 2014.

(3) Redeemable loan contracted in May 2011 for JPY 6,000 million (€41.3 million).

(4) Loan contracted in December 2011 for JPY 4,000 million (€27.5 million).

(5) Redeemable loan contracted in December 2011 for JPY 4,250 million (€29.3 million). The outstanding balance on this loan was JPY 1,700 million (€11.7 million) as of December 31, 2014.

(6) Redeemable loan contracted in September 2012 for JPY 4,700 million (€32.4 million). The outstanding balance on this loan was JPY 1,580 million (€10.9 million) as of December 31, 2014.

(7) Redeemable loan contracted in September 2013 for JPY 5,756 million (€39.6 million). The outstanding balance on this loan was JPY 4,905 million (€33.8 million) as of December 31, 2014.

(8) Redeemable loan contracted in April 2014 for JPY 4,560 million (€31.4 million). The outstanding balance on this loan was JPY 4,240 million (€29.2 million) as of December 31, 2014.

(9) Loan contracted in December 2014 for JPY 4,000 million (€27.5 million).

29.5.2. Confirmed lines of credit available to the Group

As of December 31, 2014, the Group had access to €4,144.2 million in confirmed lines of credit (versus €4,148.0 million as of December 31, 2013).

29.5.3. Breakdown of confirmed lines of credit

Kering and Kering Finance SNC: €3,901.0 million breaking down by maturity as follows:

<i>(in € millions)</i>	2014	Less than one year	One to five years	More than five years	2013
Confirmed lines of credit	3,901.0		3,901.0		3,901.0

The confirmed lines of credit include a syndicated facility for €2.5 billion signed on June 27, 2014 and maturing in June 2019. This facility provides for two one-year loan extension options. The facility is intended to refinance ahead of term the syndicated loan set up on January 14, 2011 for an equivalent amount and falling due in January 2016.

This June 2014 syndicated loan had not been drawn by the Group as of December 31, 2014. Total confirmed undrawn credit lines available to Kering and Kering Finance SNC amounted to €3,901.0 million as of December 31, 2014.

Other confirmed lines of credit: €243.2 million breaking down by maturity as follows:

<i>(in € millions)</i>	2014	Less than one year	One to five years	More than five years	2013
PUMA ⁽¹⁾	243.2	243.2			247.0

(1) PUMA: including €18.7 million drawn down in the form of bank borrowings as of the end of December 2014.

The Group's confirmed bank lines of credit are governed by the standard commitment and default clauses customarily included in this type of agreement: *pari passu* ranking, a negative-pledge clause that limits the security that can be granted to other lenders, and a cross-default obligation.

Kering and Kering Finance SNC confirmed lines of credit include a default clause (early repayment) in the event of failure to comply with the following financial covenant: Consolidated net debt/Consolidated EBITDA less than or equal to 3.75. This ratio is calculated based on pro forma data.

As of December 31, 2014, Kering and Kering Finance SNC had not drawn down any of the €3,901.0 million available under confirmed lines of credit subject to this covenant.

The Group was in compliance with all these covenants as of December 31, 2014 and there is no foreseeable risk of breach.

The undrawn balance on these confirmed lines of credit as of December 31, 2014 was €4,125.5 million (€4,125.9 million as of December 31, 2013).

The undrawn confirmed lines of credit guarantee the Group's liquidity and back the commercial paper issue programme, on which a total of €969.8 million remained outstanding as of December 31, 2014 (€358.0 million as of December 31, 2013).

note 30 – exposure to interest rate, foreign exchange and equity risk

The Group uses derivative financial instruments to manage its exposure to market risks.

Derivatives used by the Group as of December 31, 2014 are described below.

30.1. Exposure to interest rate risk

To manage interest rate risk on its financial assets and liabilities, and particularly on its borrowings, the Kering group uses instruments with the following outstanding notional amounts:

<i>(in € millions)</i>	2014	Y+1	Y+2	Y+3	Y+4	Y+5	Beyond	2013
Swaps: fixed-rate lender	400.0	400.0						650.0
Swaps: fixed-rate borrower	13.1						13.1	14.3
Other interest rate instruments ⁽¹⁾	200.0			200.0				252.5
Total	613.1	400.0		200.0			13.1	916.8

⁽¹⁾ Including floating/floating rate swaps.

As part of the Group's interest rate hedging strategy, these instruments are primarily designed to:

- convert fixed-rate bonds into floating-rate debt;
- convert fixed-rate negotiable debt securities, borrowings and credit line drawdowns into floating-rate debt.

The Group has also entered into fixed-rate lender swaps in an amount of €600 million.

In accordance with IAS 39, these financial instruments were analysed with respect to hedge accounting eligibility criteria.

As of December 31, 2014, documented and non-documented financial instruments can be analysed as follows:

<i>(in € millions)</i>	2014	Fair value hedges	Cash flow hedges	Non-documented hedges
Swaps: fixed-rate lender	400.0			400.0
Swaps: fixed-rate borrower	13.1		13.1	
Other interest rate instruments	200.0			200.0
Total	613.1		13.1	600.0

These interest rate derivatives are recognised in the statement of financial position at their market value at the end of the reporting period.

The accounting treatment of fair value movements depends on the purpose of the derivative instrument and the resulting accounting classification.

In the case of interest rate derivatives designated as fair value hedges, fair value movements are recognised in net income for the period, fully or partly offsetting symmetrical changes in the fair value of the hedged debt. The ineffective portion impacts net finance costs for the period.

In the case of interest rate derivatives designated as cash flow hedges, the effective portion of changes in fair value is initially recognised in other comprehensive income and subsequently taken to income when the hedged position itself affects income. The ineffective portion impacts net finance costs for the period.

Movements in the fair value of non-documented derivative instruments are recognised directly in income, with an impact on net finance costs for the period.

As of December 31, 2014, derivative instruments that did not qualify for hedge accounting under IAS 39 primarily comprised options in the form of interest rate swaps intended to hedge revolving financing issued at fixed rates.

The Group's exposure to interest rate risk **before the impact of hedging** is presented below, with a distinction made between:

- fixed-rate financial assets and liabilities, exposed to a price risk before hedging:

(in € millions)	2014	2014 maturities			2013
		Less than one year	One to five years	More than five years	
Fixed-rate financial assets	60.1	17.0	43.1		79.0
Bonds	3,390.4	750.0	1,342.9	1,297.5	3,290.5
Commercial paper	929.8	929.8			358.0
Other borrowings	28.1	0.6	25.5	2.0	4.4
Fixed-rate financial liabilities	4,348.3	1,680.4	1,368.4	1,299.5	3,652.9

- floating-rate financial assets and liabilities, exposed to a cash flow risk before hedging:

(in € millions)	2014	2014 maturities			2013
		Less than one year	One to five years	More than five years	
Floating-rate financial assets	1,125.2	1,083.4	4.0	37.8	1,397.2
Bonds					
Commercial paper	40.0	40.0			
Other borrowings	1,092.3	568.0	334.5	189.8	1,268.3
Floating-rate financial liabilities	1,132.3	608.0	334.5	189.8	1,268.3

The Group's exposure to interest rate risk **after the impact of hedging** is presented below, with a distinction made between:

- fixed-rate financial assets and liabilities, exposed to a price risk after hedging:

(in € millions)	2014	2014 maturities			2013
		Less than one year	One to five years	More than five years	
Fixed-rate financial assets	60.1	17.0	43.1		79.0
Bonds	3,190.4	750.0	1,142.9	1,297.5	2,897.4
Commercial paper	529.8	529.8			
Other borrowings	41.2	1.8	30.9	8.5	18.7
Fixed-rate financial liabilities	3,761.4	1,281.6	1,173.8	1,306.0	2,916.1

- floating-rate financial assets and liabilities, exposed to a cash flow risk after hedging:

(in € millions)	2014	2014 maturities			2013
		Less than one year	One to five years	More than five years	
Floating-rate financial assets	1,125.2	1,083.4	4.0	37.8	1,397.2
Bonds	200.0		200.0		393.1
Commercial paper	440.0	440.0			358.0
Other borrowings	1,079.2	566.8	329.1	183.3	1,254.0
Floating-rate financial liabilities	1,719.2	1,006.8	529.1	183.3	2,005.1

Financial assets and liabilities consist of interest-bearing items recorded in the statement of financial position.

The breakdown of gross borrowings by type of interest rate before and after hedging transactions is as follows:

(in € millions)	2014	Before hedging		After hedging	
		Fixed-rate	Floating-rate	Fixed-rate	Floating-rate
Gross borrowings	5,480.6	4,348.3	1,132.3	3,761.4	1,719.2
%		79.3%	20.7%	68.6%	31.4%

(in € millions)	2013	Before hedging		After hedging	
		Fixed-rate	Floating-rate	Fixed-rate	Floating-rate
Gross borrowings	4,921.2	3,652.9	1,268.3	2,916.1	2,005.1
%		74.2%	25.8%	59.3%	40.7%

Analysis of sensitivity to interest rate risk

Based on the fixed/floating rate mix after hedging, a sudden 50 basis-point increase or decrease in interest rates would have a full-year impact of €8.4 million on pre-tax consolidated net income. As of December 31, 2013, the impact of a sudden 50 basis-point increase or decrease in interest rates was estimated at €4.9 million (assumption consistent with relative interest rate levels observed at the end of the reporting period).

Based on market data at the end of the reporting period, and the particularly low benchmark interest rates for the Group, the impact of interest rate derivatives and financial liabilities carried at fair value through income was determined assuming a sudden increase or decrease of 50 basis points in the euro yield curve as of December 31, 2014.

(in € millions)	Impact on reserves	Impact on income
As of December 31, 2014		
Increase of 50 basis points		(2.8)
Decrease of 50 basis points		2.0
As of December 31, 2013		
Increase of 50 basis points		1.6
Decrease of 50 basis points		(2.0)

All other market variables were assumed to remain unchanged for the purpose of the sensitivity analysis.

The impact on equity is generated by interest rate instruments eligible for cash flow hedge accounting and was not material as of December 31, 2014.

The impact on net finance costs arises from interest rate instruments not eligible for hedge accounting and from financial liabilities carried at fair value through income.

These amounts are shown before tax.

30.2. Exposure to foreign exchange risk

The outstanding notional amounts of instruments used by the Kering group to manage its foreign exchange risk are shown below:

<i>(in € millions)</i>	2014	2013
Currency forwards and currency swaps	(3,008.1)	(2,028.2)
Currency options – export tunnels	(267.7)	(214.2)
Currency options – purchases	22.7	98.9
Currency options – sales	(22.7)	(61.7)
Total	(3,275.8)	(2,205.2)

The Group primarily uses forward currency contracts and/or currency/cross-currency swaps to hedge commercial import/export risks and to hedge the financial risks stemming in particular from inter-company refinancing transactions in foreign currencies.

The Group may also implement plain vanilla option strategies (purchases of options or tunnels) to hedge future exposures.

These derivative financial instruments were analysed with respect to IAS 39 hedge accounting eligibility criteria. The Group has no derivatives eligible for net investment hedge accounting.

As of December 31, 2014, documented and non-documented derivative instruments were as follows:

(in € millions)

	2014	USD	JPY	GBP
Cash flow hedges				
Forward purchases and forward purchase swaps	716.4	716.0		
Forward sales and forward sale swaps	(2,112.4)	(1,075.1)	(3.9)	(158.9)
Currency options – purchases of export tunnels	(267.7)		(267.7)	
Fair value hedges				
Forward purchases and forward purchase swaps	276.1	97.4	60.2	25.2
Forward sales and forward sale swaps	(1,024.4)	(189.1)	(66.0)	(172.9)
Not documented				
Forward purchases and forward purchase swaps	316.8	220.7	2.8	26.2
Forward sales and forward sale swaps	(1,089.0)	(722.6)	(2.7)	(33.9)
Cross currency swaps	(91.6)		(91.6)	
Currency options – purchases	22.7	17.5		2.9
Currency options – sales	(22.7)	(17.5)		(2.9)
Maturity				
Less than one year				
Forward purchases and forward purchase swaps	1,280.1	1,004.9	63.0	51.4
Forward sales and forward sale swaps	(4,161.3)	(1,962.5)	(68.9)	(365.7)
Currency options – purchases of export tunnels	(253.2)		(253.2)	
Currency options – purchases	22.7	17.5		2.9
Currency options – sales	(22.7)	(17.5)		(2.9)
More than one year				
Forward purchases and forward purchase swaps	29.2	29.2		
Forward sales and forward sale swaps	(64.5)	(24.3)	(3.7)	
Cross currency swaps	(91.6)		(91.6)	
Currency options – purchases of export tunnels	(14.5)		(14.5)	
Currency options – purchases				
Currency options – sales				

Foreign exchange derivatives are recognised in the statement of financial position at their market value at the end of the reporting period.

Derivatives qualifying as cash flow hedges are used to hedge highly probable future cash flows (not yet recognised) based on a budget for the current budget period (season or catalogue, quarter, half-year, etc.) or certain future cash flows not yet recognised (firm orders).

As of December 31, 2014, the majority of foreign exchange derivatives qualifying as cash flow hedges had a residual maturity of less than one year and are used to hedge cash flows expected to be realised and accounted for in the coming reporting period.

Derivatives qualifying as fair value hedges are used to hedge items recognised in the consolidated statement of financial position at the end of the reporting period, or certain future cash flows not yet recognised (firm orders). Hedges of items recognised in the statement of financial position chiefly concern brands in the Luxury Division.

Certain foreign exchange derivatives treated as hedges for management purposes are not documented in accordance with IAS 39 hedge accounting and are therefore recorded as derivatives, with any changes in their fair value impacting net finance costs.

These derivatives mainly hedge items recorded in the statement of financial position and future cash flows which do not satisfy the “highly probable” criteria required by IAS 39.

CHF	HKD	CNY	SGD	TWD	KRW	Other	2013
					0.4		787.8
	(324.4)	(311.2)	(19.0)	(27.2)	(116.1)	(76.6)	(1,597.0)
							(214.2)
6.6	36.0	16.6	2.1	3.1	12.5	16.4	232.8
(4.75)	(125.4)	(218.2)	(13.4)	(14.9)	(38.7)	(138.3)	(763.0)
55.4						11.7	304.8
(316.6)						(13.2)	(993.6)
1.5						0.8	98.9
(1.5)						(0.8)	(61.7)
62.0	36.0	16.6	2.1	3.1	12.9	28.1	1,267.5
(364.1)	(449.8)	(502.2)	(32.4)	(40.3)	(147.8)	(227.6)	(3,332.2)
							(206.3)
1.5						0.8	98.9
(1.5)						(0.8)	(61.7)
		(27.2)		(1.8)	(7.0)	(0.5)	57.9
							(21.4)
							(7.9)

As of December 31, 2014, the exposure to foreign exchange risk on the statement of financial position was as follows:

(in € millions)	2014	USD	JPY	GBP
Monetary assets	2,817.8	983.0	195.2	208.4
Monetary liabilities	1,266.2	389.1	407.6	77.3
Gross exposure in the statement of financial position	1,551.6	593.9	(212.4)	131.1
Forecast gross exposure	1,631.8	359.0	267.7	158.9
Gross exposure before hedging	3,183.4	952.9	55.3	290.0
Hedging instruments	(3,275.8)	(952.7)	(369.0)	(314.3)
Gross exposure after hedging	(92.4)	0.2	(313.7)	(24.3)

Monetary assets comprise loans and receivables, bank balances, investments and cash equivalents maturing within three months of the acquisition date.

Monetary liabilities comprise borrowings, operating payables and other payables.

Most of these monetary items are denominated in the functional currency in which the subsidiary operates or are converted into the Group's functional currency using foreign exchange derivatives in accordance with applicable procedures.

Analysis of sensitivity to foreign exchange risk

This analysis excludes the impact of translating the financial statements of each Group entity into the presentation currency (euro) and the measurement of the foreign exchange position of the statement of financial position, not considered material as of the end of the reporting period.

Based on market data as of December 31, 2014, the impact of foreign exchange derivative instruments in the event of a sudden 10% increase or decrease in the euro exchange rate against the principal currencies to which the Group is exposed (USD, JPY and CNY) would be as follows:

As of December 31, 2014

(in € millions)	Impact on reserves		Impact on income	
	+10% increase	-10% decrease	+10% increase	-10% decrease
USD	32.6	(39.8)	0.7	(0.8)
JPY	24.6	(29.3)	(0.1)	(0.3)
CNY	28.3	(34.6)	(0.5)	0.6

As of December 31, 2013

(in € millions)	Impact on reserves		Impact on income	
	+10% increase	-10% decrease	+10% increase	-10% decrease
USD	(7.4)	12.3		2.7
JPY	9.5	(8.7)	(0.1)	(0.1)
CNY	24.2	(29.5)	(0.3)	0.3

All other market variables were assumed to remain unchanged for the purpose of the sensitivity analysis.

The impact on equity is generated by foreign exchange instruments qualifying for cash flow hedge accounting.

The impact on net finance costs arises from foreign exchange instruments not qualifying for cash flow hedge accounting and from the change in the ineffective portion of cash flow hedges.

These amounts are shown before tax.

30.3. Exposure to equity risk

In the normal course of its business, the Group enters into transactions involving shares in consolidated companies or shares issued by Kering.

Shares held in connection with non-consolidated investments represent a low exposure risk for the Group and are not hedged.

As of December 31, 2014, no equity risk hedging transaction had been recognised as a derivative instrument in accordance with IAS 39.

CHF	HKD	CNY	SGD	TWD	KRW	Other	2013
379.0	160.2	256.7	24.2	31.2	74.8	505.1	2,364.2
168.3	26.3	103.0	1.2	6.9	0.7	85.8	1,092.1
210.7	133.9	153.7	23.0	24.3	74.1	419.3	1,272.1
	324.4	311.2	19.0	27.2	115.7	48.7	1,051.6
210.7	458.3	464.9	42.0	51.5	189.8	468.0	2,323.7
(302.1)	(413.8)	(512.8)	(30.2)	(39.0)	(141.9)	(200.0)	(2,200.0)
(91.4)	44.5	(47.9)	11.8	12.5	47.9	268.0	123.7

30.4. Other market risks – Credit risk

The Group uses derivative instruments solely to reduce its overall exposure to foreign exchange, interest rate and equity risk arising in the normal course of business. All transactions involving derivatives are carried out on organised markets or over-the-counter with leading firms.

All bonds issued in 2009 and 2010 within the scope of the EMTN programme, including the additional bonds issued in January 2012 for the April 2010 bond issue, are subject to a "step-up coupon" clause in the event that Kering's rating is downgraded to non-investment grade. This would increase the coupon payable on each issue by 1.25%, and could lead to an increase of €13.8 million in finance costs over a full year.

The Group has a large number of customers in a wide range of business segments and is therefore not exposed to any concentration of credit risk on its receivables. Generally, the Group considers that it is not exposed to any specific credit risk on these financial assets.

30.5. Derivative instruments at market value

As of December 31, 2014, and in accordance with IAS 39, the market value of derivative financial instruments is recognised in assets under the headings "Non-current financial assets" and "Other current financial assets", and in liabilities under the headings "Other non-current financial liabilities" and "Other current financial liabilities".

The fair value of derivatives hedging interest rate risk is recognised in non-current or current assets or liabilities depending on the maturity of the underlying debt.

The fair value of derivatives hedging the foreign exchange risk on commercial transactions is recognised in other current financial assets or liabilities.

The fair value of derivatives hedging the foreign exchange risk on financial transactions is recognised in non-current financial assets or liabilities if their term exceeds one year.

<i>(in € millions)</i>	2014	Interest rate risk	Foreign exchange risk	Other market risks	2013
Derivative assets	96.5	0.7	95.8		101.5
Non-current	0.4	0.4			0.4
At fair value through income	0.4	0.4			0.4
Cash flow hedges					
Fair value hedges					
Current	96.1	0.3	95.8		101.1
At fair value through income	18.8	0.3	18.5		14.7
Cash flow hedges	70.6		70.6		78.6
Fair value hedges	6.7		6.7		7.8
Derivative liabilities	157.7	1.3	156.4		26.3
Non-current	2.8	1.3	1.5		0.7
At fair value through income	1.5		1.5		
Cash flow hedges	1.3	1.3			0.7
Fair value hedges					
Current	154.9		154.9		25.6
At fair value through income	24.5		24.5		5.3
Cash flow hedges	113.5		113.5		19.9
Fair value hedges	16.9		16.9		0.4
TOTAL	(61.2)	(0.6)	(60.6)		75.2

Derivatives qualifying for fair value hedge accounting mainly include debt in the form of bonds and are presented in assets for an amount of €7.7 million as of December 31, 2013.

The effective portion of derivatives hedging future cash flows is recorded against equity.

Changes in the cash flow hedging reserve in 2014 are presented in Note 14.

In accordance with IFRS 13, derivatives were measured as of December 31, 2014 taking into account credit and debit value adjustments (CVA/DVA). The probability of default used is based on market data where this is available for the counterparty. The impact of this revised measurement was not material for the Group as of the end of the reporting period and is recognised in net finance costs.

30.6. Liquidity risk

Liquidity risk management for the Group and each of its subsidiaries is closely monitored and periodically assessed by Kering within the scope of Group financial reporting procedures.

In order to guarantee its liquidity, the Group holds confirmed lines of credit totalling €4,144.2 million. As of December 31, 2014, this includes an amount of €4,125.5 million not yet drawn and available cash of €1,089.9 million.

The table below shows contractual commitments relating to borrowings and trade payables. It includes accrued interest payable and excludes the impact of netting agreements. The table also includes Group commitments relating to derivative instruments recorded in assets or liabilities.

Forecast cash flows relating to interest payable are included in "Other borrowings" and calculated up to the contractual maturity of the borrowings to which they relate. Future floating-rate interest is set based on the last coupon for the current period, based on fixings applicable at the end of the reporting period for flows associated with subsequent maturities.

The future cash flows presented have not been discounted.

Based on data available as of the end of the reporting period, the Group does not expect that the cash flows indicated will materialise before the scheduled date or that the amounts concerned will differ significantly from those set out in the maturity schedule.

This analysis excludes non-derivative financial assets in the statement of financial position and in particular, the cash and cash equivalents and trade receivables captions, which amounted to €1,089.9 million and €1,030.0 million, respectively, as of December 31, 2014.

	2014				
(in € millions)	Carrying amount	Cash flow	Less than one year	One to five years	More than five years
Non-derivative financial instruments					
Bonds	3,390.4	(3,400.0)	(750.0)	(1,350.0)	(1,300.0)
Commercial paper	969.8	(970.0)	(970.0)		
Other borrowings	1,120.3	(1,508.9)	(623.2)	(627.1)	(258.6)
Trade payables	982.8	(982.8)	(982.8)		
Other non-derivative financial instruments associated with assets classified as held for sale	26.6	(26.6)	(24.0)	(2.6)	
Derivative financial instruments					
Interest rate hedges	0.6				
Interest rate swaps		0.5	0.5	0.3	(0.3)
Other interest rate instruments					
Foreign exchange hedges	60.6				
Currency forwards and currency swaps					
Outflows		(4,703.3)	(4,645.5)	(57.8)	
Inflows		4,624.5	4,568.7	55.8	
Other foreign exchange instruments					
Outflows		(392.8)	(286.4)	(106.4)	
Inflows		402.3	296.2	106.1	
Total	6,551.1	(6,957.1)	(3,416.5)	(1,981.7)	(1,558.9)

	2013				
(in € millions)	Carrying amount	Cash flow	Less than one year	One to five years	More than five years
Non-derivative financial instruments					
Bonds	3,290.5	(3,300.1)	(700.1)	(1,600.0)	(1,000.0)
Commercial paper	358.0	(358.0)	(358.0)		
Other borrowings	1,272.7	(1,656.5)	(803.9)	(412.9)	(439.7)
Trade payables	766.1	(766.1)	(766.1)		
Other non-derivative financial instruments associated with assets classified as held for sale	259.1	(259.1)	(252.1)	(7.0)	
Derivative financial instruments					
Interest rate hedges	(7.8)				
Interest rate swaps		8.2	8.4	0.2	(0.4)
Other interest rate instruments					
Foreign exchange hedges	(67.4)				
Currency forwards and currency swaps					
Outflows		(4,056.7)	(3,991.7)	(65.0)	
Inflows		4,085.3	4,020.8	64.5	
Other foreign exchange instruments					
Outflows		(235.7)	(227.8)	(7.9)	
Inflows		262.7	254.1	8.6	
Total	5,871.2	(6,276.0)	(2,816.4)	(2,019.5)	(1,440.1)

note 31 – accounting classification and market value of financial instruments

The basis of measurement for financial instruments and the market value of these instruments as of December 31, 2014 are presented below:

	2014		Breakdown by accounting classification					
	Carrying amount	Market value	Fair value through income	Available-for-sale financial assets	Loans and receivables	Amortised cost	Derivatives qualifying for hedge accounting	Derivatives not qualifying for hedge accounting
(in € millions)								
Non-current assets								
Non-current financial assets	400.0	400.0		160.3	239.3			0.4
Current assets								
Trade receivables	1,030.0	1,030.0				1,030.0		
Other current financial assets	106.3	106.3			10.2		77.3	18.8
Cash and cash equivalents	1,089.9	1,089.9	56.6			1,033.3		
Non-current liabilities								
Non-current borrowings	3,192.2	3,424.9				3,192.2		
Other non-current financial assets	2.8	2.8					1.3	1.5
Current liabilities								
Current borrowings	2,288.4	2,292.2				2,288.4		
Other current financial liabilities	346.8	346.8				191.9	130.4	24.5
Trade payables	982.8	982.8				982.8		

	2013		Breakdown by accounting classification					
	Carrying amount	Market value	Fair value through income	Available-for-sale financial assets	Loans and receivables	Amortised cost	Derivatives qualifying for hedge accounting	Derivatives not qualifying for hedge accounting
(in € millions)								
Non-current assets								
Non-current financial assets	316.8	316.8		149.4	167.0			0.4
Current assets								
Trade receivables	949.9	949.9				949.9		
Other current financial assets	107.7	107.7			6.6		86.4	14.7
Cash and cash equivalents	1,419.2	1,419.2	257.6			1,161.6		
Non-current liabilities								
Non-current borrowings	3,132.4	3,260.6				3,132.4		
Other non-current financial assets	0.7	0.7					0.7	
Current liabilities								
Current borrowings	1,788.8	1,802.7				1,788.8		
Other current financial liabilities	213.2	213.2				187.6	20.3	5.3
Trade payables	766.1	766.1				766.1		

As of December 31, 2014, the following methods were used to price financial instruments:

- Financial instruments other than derivatives recorded in assets:

Carrying amounts are based on reasonable estimates of market value, with the exception of marketable securities and investments in non-consolidated companies, whose market value was determined based on the last known stock market price as of December 31, 2014 for listed securities.

- Financial instruments other than derivatives recorded in liabilities:

The market value of listed bonds was determined on the basis of the last market price at the end of the reporting period.

The market value of other borrowings was calculated using other valuation techniques such as discounted future cash flows, taking into account the Group's credit risk and interest rate conditions as of the end of the reporting period. For indexed bond issues, the valuation also takes into account the Kering share price and volatility assumptions.

- Derivative financial instruments:

The market value of derivative financial instruments was provided by the financial institutions involved in the transactions or calculated using standard valuation methods that factor in market conditions as of the end of the reporting period.

The Group has identified three financial instrument categories based on the two valuation methods used (listed prices and valuation techniques). In accordance with international accounting standards, this classification is used as a basis for presenting the characteristics of financial instruments recognised in the statement of financial position at fair value through income as of the end of the reporting period:

Level 1 category: financial instruments quoted on an active market;

Level 2 category: financial instruments whose fair value is determined using valuation techniques drawing on observable market inputs;

Level 3 category: financial instruments whose fair value is determined using valuation techniques drawing on non-observable inputs (inputs whose value does not result from the price of observable market transactions for the same instrument or from observable market data available as of the end of the reporting period) or inputs which are only partly observable.

The table below shows the fair value hierarchy by financial instrument category as of December 31, 2014:

(in € millions)	Fair value hierarchy			2014
	Market price = Level 1	Models based on observable inputs = Level 2	Models based on non-observable inputs = Level 3	
Non-current assets				
Non-current financial assets	20.0	0.4	379.6	400.0
Current assets				
Trade receivables			1,030.0	1,030.0
Other current financial assets		96.1	10.2	106.3
Cash and cash equivalents	56.3	0.3	1,033.3	1,089.9
Non-current liabilities				
Non-current borrowings			3,192.2	3,192.2
Other non-current financial liabilities		2.8		2.8
Current liabilities				
Current borrowings			2,288.4	2,288.4
Other current financial liabilities		154.9	191.9	346.8
Trade payables			982.8	982.8

(in € millions)	Fair value hierarchy			2013
	Market price = Level 1	Models based on observable inputs = Level 2	Models based on non-observable inputs = Level 3	
Non-current assets				
Non-current financial assets	74.7	0.4	241.7	316.8
Current assets				
Trade receivables			949.9	949.9
Other current financial assets		101.1	6.6	107.7
Cash and cash equivalents	205.8	51.8	1,161.6	1,419.2
Non-current liabilities				
Non-current borrowings			3,132.4	3,132.4
Other non-current financial liabilities		0.7		0.7
Current liabilities				
Current borrowings			1,788.8	1,788.8
Other current financial liabilities		25.6	187.6	213.2
Trade payables			766.1	766.1

note 32 – net debt

Group net debt breaks down as follows:

<i>(in € millions)</i>	2014	2013
Gross borrowings excluding the financing of customer loans	5,480.6	4,869.8
Fair value hedges (interest rate)		(7.7)
Cash and cash equivalents	(1,089.9)	(1,419.2)
Net debt	4,390.7	3,442.9

note 33 – statement of cash flows

Cash and cash equivalents net of bank overdrafts amounted to €805.4 million as of December 31, 2014, reflecting total cash and cash equivalents presented in the statement of cash flows.

<i>(in € millions)</i>	2014	2013
Cash and cash equivalents as reported in the statement of financial position	1,089.9	1,419.2
Bank overdrafts	(284.5)	(181.6)
Cash and cash equivalents as reported in the statement of cash flows	805.4	1,237.6

33.1. Cash flow from operating activities

Cash flow from operating activities breaks down as follows:

<i>(in € millions)</i>	2014	2013
Net income from continuing operations	1,028.1	864.7
Net recurring charges to depreciation, amortisation and provisions on non-current operating assets	326.7	292.1
Expenses relating to share-based payment	(1.9)	(4.8)
Impairment losses on non-current operating assets	247.5	361.2
Gains/(losses) on asset disposals, net of tax	(191.6)	2.3
Income/(expenses) in respect of fair value movements	30.1	8.0
Deferred tax	(45.3)	(92.1)
Share in earnings (losses) of associates	0.8	(1.6)
Other non-cash income and expenses	(134.6)	114.8
Cash flow from operating activities	1,259.8	1,544.6

33.2. Purchases of property, plant and equipment and intangible assets

Purchases of property, plant and equipment and intangible assets totalled €551.4 million in 2014 and €674.9 million in 2013 (see section 1.5 of the activity report).

33.3. Acquisitions and disposals of subsidiaries

<i>(in € millions)</i>	2014	2013
Acquisitions of subsidiaries, net of cash acquired	(593.8)	(342.1)
Proceeds from disposals of subsidiaries and associates, net of cash transferred	3.6	23.6
Total	(590.2)	(318.5)

In 2014, acquisitions of subsidiaries mainly concerned the Ulysee Nardin group (see Note 3.3.).

In 2013, acquisitions of subsidiaries mainly concerned the Pomellato group, Christopher Kane, Qeelin, France Croco and Tannerie de Périers.

The cash flow relating to businesses sold that were restated in accordance with IFRS 5 is shown on the line "Net cash from (used in) discontinued operations".

33.4. Increase/decrease in share capital and other transactions with owners

In 2014, transactions with owners were not material. In 2013, transactions with owners mainly concerned Kering and PUMA's acquisition of PUMA shares, bringing the Group's interest in PUMA to 85.81% as of December 31, 2013.

33.5. Treasury share transactions

In 2014, the impact of acquisitions and disposals of treasury shares resulted from (see Note 25.1):

- the acquisition of 1,726,437 shares and the disposal of 1,726,437 treasury shares held under the liquidity agreement, resulting in a net inflow of €0.5 million;
- the disposal of 134,838 shares following the exercise of stock purchase options under the 2006 and 2007 stock purchase option plans for €14.8 million;

- the acquisition of 100,000 shares in connection with future subscriptions under the 2006 and 2007 stock purchase option plans for €15.6 million;
- the acquisition of 55,000 shares in connection with the 2010 and 2012 free share plans for €8.3 million.

In 2013, the impact of acquisitions and disposals of treasury shares resulted from:

- the acquisition of 1,585,556 shares and the disposal of 1,585,556 treasury shares held under the liquidity agreement, resulting in a net outflow of €0.2 million;
- the disposal of 103,037 shares following the exercise of stock purchase options under the 2006 and 2007 stock purchase option plans for €12.0 million;
- the acquisition of 130,000 shares in connection with future subscriptions under the 2006 and 2007 stock purchase option plans for €21.7 million;
- the acquisition of 106,000 shares in connection with 2009 and 2011 free share plans for €18.9 million;
- the acquisition of 720,000 shares in connection with external growth transactions for €120.9 million;
- the tender of 714,514 shares in connection with external growth transactions for €110.7 million.

33.6. Debt issues and redemptions

(in € millions)

	2014	2013
Bond issues	862.7	938.9
Bond redemptions	(948.1)	(740.0)
Increase/decrease in other borrowings	546.7	(308.2)
Total	461.3	(109.3)

Debt issues during the period include the issue in April 2014 of €100 million worth of 10-year bonds paying interest of 2.75%, which were topped up in May 2014 and June 2014 by two further issues of €100 million each, bringing the total issue to €300 million. Debt issues also include the October 1, 2014 issue of €500 million worth of bonds paying interest of 1.375% and maturing in October 2021.

Bond redemptions during the period mainly concern the repayment of (i) the €550.1 million 8.625% bond issued in 2009 and partially redeemed in 2011, which fell due in April 2014; and (ii) the €150 million 7.75% bond issued in 2009, which fell due in early June 2014.

Long-term floating-rate borrowings set up in 2009 for €152.5 million were also repaid as of June 30, 2014.

Changes in other borrowings chiefly include issues and redemptions of Kering Finance commercial paper.

note 34 – contingent liabilities, contractual commitments not recognised and other contingencies

34.1. Commitments given and received following asset disposals

Vendor warranties given by the Group on the sale of companies are summarised below:

Disposals	Vendor warranties
December 2010 Sale of Conforama	Vendor warranties covering tax-related or similar claims expiring when the period becomes time-barred, capped at €120 million. This disposal is related to the commitment by Kering to continue commercial relations between Conforama and the BNP Paribas group as regards customer loans.
December 2012 Sale of The Sportsman's Guide and The Golf Warehouse	Vendor warranties covering (i) tax-related or similar claims expiring when the period becomes time-barred, (ii) certain fundamental representations (including with respect to organisation, capitalisation and authority) which survive indefinitely and (iii) representations with respect to employment and benefit plans which terminate six months after the applicable statute of limitations. The warranty is capped at USD 21.5 million.
February 2013 Sale of OneStopPlus	Vendor warranty covering (i) tax-related or similar claims expiring when the period becomes time-barred, (ii) certain fundamental representations (including with respect to organisation, capitalisation and authority) which survive indefinitely and (iii) certain environmental obligations. The warranty is capped at USD 52.5 million.
March 2013 Sale of Redcats' Children and Family division	Vendor warranty concerning (i) tax-related or similar claims which expire when the period becomes time-barred; and (ii) representations with respect to employment and benefit plans, trademark and title ownership, which expires five years after the sale transaction date. The warranty is capped at €10 million.
June 2013 Sale of Ellos	Customary vendor warranty expiring after December 31, 2014, except for certain fundamental representations (including with respect to organisation, capitalisation and authority), which survive indefinitely. The warranty is capped at €29 million. Specific vendor warranty covering tax-related or similar claims which expires on June 2, 2019 and is capped at €40 million. This was accompanied by a commitment received as regards the continuation of commercial relations with Finaref, covered by a €70 million bank guarantee expiring in 2023.
June 2014 Sale of La Redoute and Relais Colis	Customary vendor warranty covering certain fundamental representations (in particular as regards the existence of the companies sold, the availability of the shares sold and the power to complete the sale), which expire as applicable when the period becomes time-barred, or on December 31, 2017. This general warranty is capped at €10 million. Vendor warranties covering tax-related claims capped at €10 million, expiring when the period becomes time-barred. Specific vendor warranties for an indefinite amount covering the Group's restructuring operations prior to its sale, commercial litigation and environmental risks, expiring on December 31, 2021.

In addition to the vendor warranties described above, minor vendor warranty agreements with standard terms were set up for the purchasers of the other companies sold by the Group.

34.2. Other commitments given

34.2.1. Contractual obligations

The table below shows all the Group's contractual commitments and obligations, excluding employee benefit obligations presented in the previous notes.

(in € millions)	Payments due by period			2014	2013
	Less than one year	One to five years	More than five years		
Non-current borrowings (see Note 29)	2,288.4	1,702.9	1,489.3	5,480.6	4,921.2
Operating lease agreements	574.0	1,282.8	756.0	2,612.8	2,136.1
Binding purchase commitments	57.3	15.0		72.3	22.6
Total commitments given	2,919.7	3,000.7	2,245.3	8,165.7	7,079.9
Total commitments received					

Operating leases

The amount of contractual obligations presented on the line "Operating lease agreements" represents future minimum lease payments under operating lease agreements for the period, which cannot be cancelled by the lessee. These mainly include non-cancellable rental payments in respect of stores, logistics hubs and other buildings (head offices and administrative offices).

As of December 31, 2014, total future minimum lease payments which the Group expects to receive under non-cancellable sub-lease agreements amounted to €2.3 million (€2.4 million as of December 31, 2013).

The 2014 rental charge in respect of minimum lease payments amounted to €566.0 million (€488.3 million in 2013), and the charge for contingent payments was €364.6 million (€315.9 million in 2013), based on actual revenue.

Sub-lease revenue totalled €0.5 million in 2014 (€0.9 million in 2013).

Finance leases

The present value of future lease payments included in "Borrowings" and relating to capitalised assets meeting the definition of a finance lease set out in IAS 17 is as follows:

(in € millions)	2014	2013
Less than one year	14.9	9.4
One to five years	37.7	36.4
More than five years	43.9	49.1
	96.5	94.9
Finance costs included	(24.9)	(23.9)
Present value of future minimum lease payments	71.6	71.0

As of December 31, 2014, the Group does not expect to receive future minimum lease payments under non-cancellable sub-lease agreements.

34.2.2. Guarantees and other collateral

Guarantees and other collateral granted by the Group break down as follows:

(in € millions)	Pledge start date	Pledge expiry date	Amount of assets pledged as of Dec. 31, 2014	Statement of financial position total (carrying amount)	Corresponding %	Amount of assets pledged as of Dec. 31, 2013
Intangible assets				10,748.1		
Property, plant and equipment	08/24/2004	02/16/2020	162.4	1,887.2	8.6%	222.9
Non-current financial assets			0.0	400.0		0.1
Total non-current assets pledged as collateral			162.4	13,035.3	1.2%	223.0

34.2.3. Individual training entitlement

Pursuant to French Law No. 2004-391 of May 4, 2004 on vocational training, all employees of the Group's French companies receive a 20-hour training credit each year, which can be accumulated over six years and is capped at 120 hours. Any training courses followed within the

framework of this training entitlement are deducted from the number of training hours accumulated.

The total unused cumulative training entitlement accrued by employees represented 0.1 million training hours as of December 31, 2014 and 0.4 million hours as of December 31, 2013.

34.2.4. Other commitments

Other commitments break down as follows:

(in € millions)	Payments due by period			2014	2013
	Less than one year	One to five years	More than five years		
Confirmed lines of credit (see Note 29)	243.2	3,901.0		4,144.2	4,148.0
Letters of credit	22.4			22.4	20.0
Other guarantees received	9.7	7.3	0.7	17.7	19.0
Total commitments received	275.3	3,908.3	0.7	4,184.3	4,187.0
Guarantees given to banks responsible for cash pooling arrangements	2.1	1.7	21.1	24.9	20.4
Rent guarantees, property guarantees	9.9	3.1	1.7	14.7	6.0
Sponsoring and advertising commitments	140.3	388.5	93.9	622.7	536.7
Other commitments	34.4	14.0	3.4	51.8	50.0
Total commitments given	186.7	407.3	120.1	714.1	613.1

Other commitments given primarily include customs warranties and operating guarantees.

To the best of the Group's knowledge, there are no other significant commitments given or contingent liabilities.

34.3. Dependence on patents, licences and supply contracts

The Group is not significantly dependent on any patents, licences or supply contracts.

34.4. Litigation

Group companies are involved in a number of lawsuits or disputes arising in the normal course of business, including litigation with tax, social security and customs authorities. Provisions have been set aside for the probable costs, as estimated by the Group's entities and their counsel.

According to the Group's legal counsel, no litigation currently in progress is likely to have a material impact on normal or foreseeable operations or on the planned development of the Group or any of its subsidiaries.

The Group believes there is no known litigation likely to have a potential material impact on its net assets, earnings or financial position that is not adequately covered by provisions recorded at the end of the reporting period. No individual claim is material to the Company or the Group.

The Group is not aware of any other dispute or arbitration, which has had in the recent past, or is likely to have in the future, a significant impact on the financial position, activity or earnings of the Company or Group.

note 35 – transactions with related parties

35.1. Related party controlling the Group

Kering is controlled by Artémis, which in turn is wholly owned by Société Financière Pinault. As of December 31, 2014, the Artémis group held 40.9% of Kering's share capital and 57.6% of its voting rights.

The main transactions carried out between Kering's consolidated companies and Artémis in 2014 are described below:

- payment of an interim dividend in respect of 2014 totalling €77.5 million in January 2015;
- balancing payment of the cash dividend for 2013 of €116.2 million, further to the payment of an interim dividend of €77.4 million in January 2014 (€193.5 million for 2012);
- recognition of fees totalling €2.5 million (€1.0 million in 2013) for (i) business development consulting services and complex transaction support, and (ii) the supply of development opportunities, new business and cost reduction solutions. These fees are governed by an agreement reviewed by the Audit Committee and approved by the Board of Directors.

35.2. Associates

In the normal course of business, the Group enters into transactions with associates on an arm's length basis.

The main transactions with associates are not material.

35.3. Senior executive remuneration

The table below shows remuneration paid to members of the Board of Directors and the Group's Executive Committee:

<i>(in € millions)</i>	2014	2013
Short-term benefits	18.9	20.0
Payroll taxes	3.6	4.3
High income tax	1.8	2.0
Post-employment benefits	1.1	0.9
Other long-term benefits	2.9	2.0
Termination indemnities	2.5	
Share-based payment	5.9	3.7
Total	36.7	32.9

Short-term benefits, long-term benefits and termination benefits correspond to amounts paid during the year; post-employment benefits and share-based payment correspond to the amounts recognised as expenses.

A list of the members of the Board of Directors and Executive Committee is provided in the "Corporate Governance" section of the Reference Document.

note 36 – subsequent events

36.1. Product partnership with Safilo

In 2014, Kering announced its plan to invest in a dedicated entity specialised in luxury, high-end and sport Eyewear managed by a skilled team of experienced professionals under the direction of Roberto Vedovotto. This innovative management model for the Group's Eyewear business will allow it to leverage the full potential of its brands in this category.

As part of this strategic move, Kering and Safilo agreed to modify the nature of their partnership, and intend to terminate the current Gucci licence agreement two years in advance, i.e., by December 31, 2016. On January 12, 2015, Kering announced that it had signed this agreement, which covers the product development, manufacturing and supply of Gucci Eyewear products. The agreement will be effective as of fourth-quarter 2015 in order to ensure

a seamless transition for Gucci's Eyewear business. The first of three €90 million indemnity payments was paid to Safilo at this date. The subsequent payments are due in December 2016 and September 2018.

36.2. Sale of Movitex

On January 15, 2015, Kering sold the assets of the Moxitex group to Movitex's management team. The sale followed the recapitalisation of the company in accordance with the tentative agreement signed on December 3, 2014.

36.3. Bond issue

On March 20, 2015, Kering has issued a €500 million, 0.875% fixed-rate bond maturing in 7 years.

note 37 – list of consolidated subsidiaries as of december 31, 2014

Details of Group subsidiaries are provided below:

Consolidation method: Consolidation: C

Equity method: E

Company	% interest		
	Dec. 31, 2014	Dec. 31, 2013	
Kering	Parent company		
LUXURY DIVISION			
France			
ALEXANDER MCQUEEN FRANCE SAS	C	100.00	C 100.00
ARCADES PONTTHIEU	C	95.00	C 95.00
BALENCIAGA SA	C	100.00	C 100.00
BOTTEGA VENETA FRANCE SAS	C	100.00	C 100.00
BOUCHERON HOLDING SAS	C	100.00	C 100.00
BOUCHERON PARFUM SAS	C	100.00	C 100.00
BOUCHERON SAS	C	100.00	C 100.00
BRIONI FRANCE SA	C	100.00	C 100.00
C. MENDES SAS	C	100.00	C 100.00
DODO PARIS SAS	C	81.00	C 81.00
FRANCE CROCO SAS	C	85.00	C 85.00
GG FRANCE HOLDING SAS	C	100.00	C 100.00
GG FRANCE SERVICES SAS	C	100.00	C 100.00
GPO HOLDING SAS	C	100.00	C 100.00
GUCCI FRANCE SAS	C	100.00	C 100.00
GUCCI GROUP WATCHES FRANCE SAS	C	100.00	C 100.00
LES BOUTIQUES BOUCHERON SAS	C	100.00	C 100.00
POMELLATO PARIS SA	C	81.00	C 81.00
QEELIN FRANCE SARL	C	100.00	C 100.00
SOWIND FRANCE SAS ⁽¹⁾	C	50.00	C 50.00
STELLA MCCARTNEY FRANCE SAS	C	50.00	C 50.00
TANNERIE DE PERIERS SAS	C	85.00	C 85.00
YSL VENTES PRIVEES FRANCE SAS	C	100.00	C 100.00
YVES SAINT LAURENT BOUTIQUE FRANCE SAS	C	100.00	C 100.00
YVES SAINT LAURENT PARFUMS SAS	C	100.00	C 100.00
YVES SAINT LAURENT SAS ⁽¹⁾	C	100.00	C 100.00
Germany			
BOTTEGA VENETA GERMANY GmbH	C	100.00	C 100.00
DODO DEUTSCHLAND GmbH	C	81.00	C 81.00
GG LUXURY GOODS GmbH	C	100.00	C 100.00
POMELLATO DEUTSCHLAND GmbH	C	81.00	C 81.00

Company	% interest		
	Dec. 31, 2014	Dec. 31, 2013	
TRADEMA GmbH ⁽¹⁾	C	50.00	C 50.00
ULYSSE NARDIN EUROPA GmbH	C	100.00	Acquisition
YVES SAINT LAURENT GERMANY GmbH	C	100.00	C 100.00
Austria			
ALEXANDER MCQUEEN GmbH	C	100.00	Creation
BOTTEGA VENETA AUSTRIA GmbH	C	100.00	C 100.00
GUCCI AUSTRIA GmbH	C	100.00	C 100.00
YVES SAINT LAURENT AUSTRIA GmbH	C	100.00	C 100.00
Belgium			
LA MERIDIANA FASHION SA	C	100.00	C 100.00
SERGIO ROSSI BELGIUM SPRL	C	100.00	C 100.00
Spain			
BALENCIAGA SPAIN SL	C	100.00	Creation
BOTTEGA VENETA ESPAÑA SL	C	100.00	C 100.00
BRIONI RETAIL SPAGNA SRL	C	100.00	C 100.00
DODO SPAIN SA	C	81.00	C 81.00
LUXURY GOODS SPAIN SL	C	100.00	C 100.00
LUXURY TIMEPIECES ESPAÑA SL	C	100.00	C 100.00
NOGA LUXE SL	C	100.00	C 100.00
SERGIO ROSSI ESPAÑA SL	C	100.00	C 100.00
STELLA MCCARTNEY SPAIN SL	C	50.00	C 50.00
YVES SAINT LAURENT SPAIN SA	C	100.00	C 100.00
United Kingdom			
ALEXANDER MCQUEEN TRADING Ltd	C	100.00	C 100.00
AUTUMNPAPER Ltd	C	100.00	C 100.00
BALENCIAGA UK Ltd	C	100.00	C 100.00
BIRDSWAN SOLUTIONS Ltd	C	100.00	C 100.00
BOTTEGA VENETA UK CO. Ltd	C	100.00	C 100.00
BOUCHERON UK Ltd	C	100.00	C 100.00
BRIONI UK Ltd	C	100.00	C 100.00
CHRISTOPHER KANE Ltd ⁽¹⁾	C	80.00	C 80.00
DODO UK Ltd	C	81.00	C 81.00
GUCCI Limited	C	100.00	C 100.00
LUXURY TIMEPIECES (UK) Ltd	C	100.00	C 100.00
PAINTGATE Limited	C	100.00	C 100.00

Company	% interest		
	Dec. 31, 2014	Dec. 31, 2013	
POMELLATO UK Ltd	C	81.00	C 81.00
QEELIN UK Ltd	C	100.00	C 100.00
SERGIO ROSSI UK Ltd	C	100.00	C 100.00
STELLA MCCARTNEY Ltd	C	50.00	C 50.00
YVES SAINT LAURENT UK Ltd	C	100.00	C 100.00
Greece			
LUXURY GOODS GREECE AE	C	94.75	C 94.75
Hungary			
GUCCI HUNGARY KFT	C	100.00	C 100.00
Ireland			
GUCCI IRELAND Ltd	C	100.00	C 100.00
Italy			
ALEXANDER MCQUEEN ITALIA SRL	C	100.00	C 100.00
ALTO VICENTINO PELLETERIE SRL	C	100.00	C 100.00
ARDORA SRL	C	100.00	C 100.00
BRIONI SPA	C	100.00	C 100.00
BRIONI OUTLET SRL	C	100.00	C 100.00
BRIONI RETAIL SRL	C	100.00	C 100.00
BRIONI RETAIL EUROPA SRL	Merger		C 100.00
BRIONI RETAIL ITALIA SRL	C	100.00	C 100.00
BURINI SRL	Merger		C 100.00
BV CALZATURE SRL	C	100.00	C 100.00
BV ITALIA SRL	C	100.00	C 100.00
BV OUTLETS SRL	C	100.00	C 100.00
BV SERVIZI SRL	C	100.00	C 100.00
BOTTEGA VENETA SRL	C	100.00	C 100.00
CALZATURIFICIO CREST SRL	C	100.00	C 100.00
CALZATURIFICIO FLORA SRL	C	100.00	C 100.00
CAPRI GROUP SRL	C	100.00	C 100.00
CARAVEL PELLI PREGIATE SpA	C	100.00	C 100.00
CONCERIA BLU TONIC SpA	C	51.00	C 51.00
DESIGN MANAGEMENT SRL	C	100.00	C 100.00
E_LITE SpA ⁽¹⁾	C	51.00	C 51.00
GARPE SRL ⁽¹⁾	C	100.00	C 100.00
GAUGUIN SRL	C	100.00	C 100.00
G-CARDS EUROPE SRL	-		C 100.00
G COMMERCE EUROPE SpA	C	100.00	C 100.00
GF LOGISTICA SRL	C	100.00	C 100.00
GF SERVICES SRL	C	100.00	C 100.00
GGW ITALIA SRL	C	100.00	C 100.00
GJP SRL	C	100.00	C 100.00
GPA SRL ⁽¹⁾	C	100.00	C 100.00

Company	% interest		
	Dec. 31, 2014	Dec. 31, 2013	
GT SRL ⁽¹⁾	C	100.00	C 100.00
GUCCI IMMOBILIARE LECCIO SRL ⁽¹⁾	C	100.00	C 100.00
GUCCI LOGISTICA SpA	C	100.00	C 100.00
GUCCIO GUCCI SpA	C	100.00	C 100.00
LGM SRL	C	51.00	Creation
LUXURY GOODS ITALIA SpA	C	100.00	C 100.00
LUXURY GOODS OUTLET SRL	C	100.00	C 100.00
MANIFATTURA VENETA PELLETERIE SRL	C	51.00	C 51.00
PIGINI SRL ⁽¹⁾	C	100.00	C 100.00
POMELLATO SpA	C	81.00	C 81.00
POMELLATO EUROPA SpA	C	81.00	C 81.00
ROMAN MODE SRL	Merger		C 100.00
ROMAN STYLE SpA	C	100.00	C 100.00
SERGIO ROSSI MANUFACTURING SRL	C	100.00	C 100.00
SERGIO ROSSI RETAIL SRL	C	100.00	C 100.00
SERGIO ROSSI SpA	C	100.00	C 100.00
SFORZA SRL	C	100.00	C 100.00
SOWIND ITALIA SRL ⁽¹⁾	C	50.00	C 50.00
STELLA MCCARTNEY ITALIA SRL	C	50.00	C 50.00
THE MALL SRL	C	100.00	Creation
TIGER FLEX SRL ⁽¹⁾	C	100.00	C 100.00
ULYSSE NARDIN ITALIA SRL	C	100.00	Acquisition
YVES SAINT LAURENT DEVELOPMENT SRL	C	100.00	C 100.00
YVES SAINT LAURENT LOGISTICA SRL	C	100.00	C 100.00
Luxembourg			
BOTTEGA VENETA INTERNATIONAL SARL	C	100.00	C 100.00
BOUCHERON LUXEMBOURG SARL	C	100.00	C 100.00
CASTERA SARL	C	100.00	C 100.00
LUXURY FASHION LUXEMBOURG SA	C	50.00	C 50.00
QEELIN HOLDING LUXEMBOURG SA	C	100.00	C 100.00
SERGIO ROSSI INTERNATIONAL SARL	C	100.00	C 100.00
Monaco			
BOUCHERON SAM	C	100.00	C 100.00
GUCCI SAM	C	100.00	C 100.00
KERING RETAIL MONACO SAM	C	100.00	Creation
SMHJ SAM	C	80.83	C 81.00
YVES SAINT LAURENT OF MONACO SAM	C	100.00	C 100.00
Netherlands			
BOTTEGA VENETA HOLDING BV	C	100.00	C 100.00
GEMINI ARUBA NV	C	100.00	C 100.00
G DISTRIBUTION BV	C	100.00	C 100.00

Company	% interest		
	Dec. 31, 2014	Dec. 31, 2013	
G OPERATIONS BV	C	100.00	C 100.00
GG MIDDLE EAST BV	C	100.00	C 100.00
GG OTHER TERRITORIES BV	C	100.00	C 100.00
GUCCI ASIAN HOLDING BV	C	100.00	C 100.00
GUCCI NETHERLANDS BV	C	100.00	C 100.00
OLIMA BV	C	100.00	C 100.00
Czech Republic			
BRIONI PRAGUE SRO	C	100.00	C 100.00
LUXURY GOODS CZECH REPUBLIC SRO	C	100.00	C 100.00
Russia			
GUCCI RUS OOO	C	100.00	C 100.00
ULYSSE NARDIN LLC	C	100.00	Acquisition
Serbia			
GUCCI LUXURY TANNERY DOO	C	51.00	C 51.00
Switzerland			
BOUCHERON (SUISSE) SA	C	100.00	C 100.00
BOTTEGA VENETA SA	C	100.00	C 100.00
BRIONI SWITZERLAND SA	C	100.00	C 100.00
DONZE CADRANS SA	C	100.00	Acquisition
FABBRICA QUADRANTI SA	C	51.00	C 51.00
GT SILK SA	C	76.00	Creation
LUXURY FASHION SWITZERLAND SA	C	50.00	C 50.00
LUXURY GOODS INTERNATIONAL SA	C	100.00	C 100.00
LUXURY GOODS LOGISTIC SA	C	51.00	C 51.00
LUXURY GOODS OPERATIONS SA	C	51.00	C 51.00
LUXURY GOODS OUTLET EUROPE SAGL	C	100.00	C 100.00
OCHS & JUNIOR SA	E	32.80	Acquisition
SIGATEC SA	E	50.00	Acquisition
SOWIND GROUP SA ⁽¹⁾	C	50.00	C 50.00
SOWIND SA ⁽¹⁾	C	50.00	C 50.00
ULYSSE NARDIN SA	C	100.00	Acquisition
UNCA SA	E	50.00	Acquisition
Sweden			
GUCCI SWEDEN AB	C	100.00	C 100.00
Brazil			
BOTTEGA VENETA HOLDING Ltda	C	100.00	C 100.00
GUCCI BRASIL IMPORTACAO E EXPORTACAO Ltda	C	100.00	C 100.00
Canada			
G. BOUTIQUES Inc.	C	100.00	C 100.00

Company	% interest		
	Dec. 31, 2014	Dec. 31, 2013	
United States			
741 MADISON AVENUE Corp.	C	81.00	C 60.00
BALENCIAGA AMERICA Inc.	C	100.00	C 100.00
BOTTEGA VENETA Inc.	C	100.00	C 100.00
BOUCHERON JOAILLERIE (USA) Inc.	C	100.00	C 100.00
BRIONI RETAIL ASPEN Inc.	C	100.00	C 100.00
BRIONI RETAIL BAL HARBOUR LLC	C	100.00	C 100.00
BRIONI RETAIL BEVERLY HILLS Inc.	C	100.00	C 100.00
BRIONI RETAIL HOLDING Inc.	C	100.00	C 100.00
BRIONI RETAIL NEW YORK Inc.	C	100.00	C 100.00
BRIONI ROMAN STYLE USA CORPORATION Ltd	C	100.00	C 100.00
BRIONI STORE LLC	C	100.00	C 100.00
B/W CLOTHIERS LLC	C	50.00	C 50.00
DODO RETAIL Inc.	C	81.00	C 60.00
E_LITE US Inc. ⁽¹⁾	C	51.00	C 51.00
G GATOR USA LLC	C	100.00	Creation
GUCCI AMERICA Inc.	C	100.00	C 100.00
GUCCI CARIBBEAN Inc.	C	100.00	C 100.00
GUCCI GROUP WATCHES Inc.	C	100.00	C 100.00
JOSEPH ALTUZARRA	E	38.50	-
LUXURY HOLDINGS Inc.	C	100.00	C 100.00
POMELLATO USA Inc.	C	81.00	C 60.00
ROMAN LOOK Ltd	C	100.00	C 100.00
SERGIO ROSSI USA Inc.	C	100.00	C 100.00
STELLA MCCARTNEY AMERICA Inc.	C	50.00	C 50.00
TOMAS MAIER	E	51.00	-
TRADEMA OF AMERICA Inc. ⁽¹⁾	C	50.00	C 50.00
ULYSSE NARDIN Inc.	C	100.00	Acquisition
YVES SAINT LAURENT AMERICA HOLDING Inc.	C	100.00	C 100.00
YVES SAINT LAURENT AMERICA Inc.	C	100.00	C 100.00
Mexico			
BOTTEGA VENETA MEXICO, S DE RL DE CV	C	100.00	C 100.00
BOTTEGA VENETA SERVICIOS S DE RL DE CV	C	100.00	C 100.00
D ITALIAN CHARMS SA DE CV	C	81.00	C 81.00
GUCCI IMPORTACIONES SA DE CV	C	100.00	C 100.00
GUCCI MEXICO SA DE CV	C	100.00	C 100.00
RETAIL LUXURY SERVICIOS SA DE CV	C	100.00	C 100.00

Company	% interest		
	Dec. 31, 2014	Dec. 31, 2013	
Panama			
LUXURY GOODS PANAMA S DE RL	C	51.00	Creation
Australia			
BOTTEGA VENETA AUSTRALIA PTY Ltd	C	100.00	C 100.00
GUCCI AUSTRALIA PTY Ltd	C	100.00	C 100.00
New Zealand			
GUCCI NEW ZEALAND Ltd	C	100.00	C 100.00
China			
ALEXANDER MCQUEEN (HONG KONG) Ltd	C	100.00	C 100.00
ALEXANDER MCQUEEN (MACAU) Ltd	C	100.00	Creation
ALEXANDER MCQUEEN (SHANGHAI) TRADING Ltd	C	100.00	C 100.00
ASTRO SWISS TIME Ltd	C	100.00	Acquisition
BALENCIAGA ASIA PACIFIC Ltd	C	100.00	C 100.00
BALENCIAGA FASHION SHANGHAI CO. Ltd	C	100.00	C 100.00
BALENCIAGA MACAU Ltd	C	100.00	Creation
BOTTEGA VENETA (CHINA) TRADING Ltd	C	100.00	C 100.00
BOTTEGA VENETA HONG KONG Ltd	C	100.00	C 100.00
BOTTEGA VENETA MACAU Ltd	C	100.00	C 100.00
BRIONI (SHANGHAI) TRADING Ltd	C	100.00	C 100.00
BRIONI (HONG KONG) TRADING Ltd	C	100.00	C 100.00
BOUCHERON HONG KONG Ltd	C	100.00	C 100.00
GUCCI ASIA COMPANY Ltd	C	100.00	C 100.00
GUCCI (CHINA) TRADING Ltd	C	100.00	C 100.00
GUCCI HONG KONG Ltd	C	100.00	C 100.00
GUCCI MACAU Ltd	C	100.00	C 100.00
GUCCI WATCHES MARKETING CONSULTING (SHANGHAI) Ltd	C	100.00	C 100.00
LGI (SHANGHAI) ENTERPRISE MANAGEMENT Ltd	C	100.00	C 100.00
LUXURY TIMEPIECES (HONG KONG) Ltd	C	100.00	C 100.00
MOVEN INTERNATIONAL Ltd	C	100.00	Acquisition
POMELLATO CHINA Ltd	C	81.00	C 49.00
POMELLATO SHANGHAI CO. Ltd	C	81.00	C 49.00
POMELLATO PACIFIC Ltd	C	81.00	C 61.00
QEELIN Ltd	C	100.00	C 100.00
QEELIN TRADING (SHANGHAI) CO. Ltd	C	100.00	C 100.00

Company	% interest		
	Dec. 31, 2014	Dec. 31, 2013	
SERGIO ROSSI HONG KONG Ltd	C	100.00	C 100.00
SERGIO ROSSI (SHANGHAI) TRADING Ltd	C	100.00	C 100.00
SERGIO ROSSI MACAU Ltd	C	100.00	C 100.00
STELLA MCCARTNEY (SHANGHAI) TRADING Ltd	C	50.00	C 50.00
SOWIND ASIA Ltd ⁽¹⁾	C	50.00	C 50.00
YVES SAINT LAURENT MACAU Ltd	C	100.00	C 100.00
YVES SAINT LAURENT (SHANGHAI) TRADING Ltd	C	100.00	C 100.00
YVES SAINT LAURENT (HONG KONG) Ltd	C	100.00	C 100.00
Korea			
BALENCIAGA KOREA Ltd	C	100.00	C 100.00
BOTTEGA VENETA KOREA Ltd	C	100.00	C 100.00
BOUCHERON KOREA Ltd	C	100.00	C 100.00
GUCCI KOREA Ltd	C	100.00	C 100.00
YVES SAINT LAURENT KOREA Ltd	C	100.00	C 100.00
Guam			
BOTTEGA VENETA GUAM Inc.	C	100.00	C 100.00
GUCCI GROUP GUAM Inc.	C	100.00	C 100.00
India			
GUCCI INDIA PRIVATE Ltd ⁽¹⁾	C	100.00	C 100.00
LUXURY GOODS RETAIL PRIVATE LGR	C	51.00	C 51.00
Japan			
BALENCIAGA JAPAN Ltd	C	100.00	C 100.00
BOTTEGA VENETA JAPAN Ltd	C	100.00	C 100.00
BRIONI JAPAN & Co. Ltd	C	100.00	C 100.00
E_LITE JAPAN Ltd ⁽¹⁾	C	51.00	C 51.00
GUCCI YUGEN KAISHA	C	100.00	C 100.00
LUXURY TIMEPIECES JAPAN Ltd	C	100.00	C 100.00
POMELLATO JAPAN Co Ltd	C	81.00	C 61.00
STELLA MCCARTNEY JAPAN Ltd	C	50.00	C 50.00
SOWIND JAPAN KK ⁽¹⁾	C	50.00	C 50.00
Vietnam			
GUCCI VIETNAM CO. Ltd		100.00	Creation
Bahrain			
FLORENCE 1921 WLL	C	49.00	C 49.00
United Arab Emirates			
LUXURY GOODS GULF LLC	C	49.00	C 49.00
LUXURY FASHION GULF LLC	C	49.00	C 49.00
Kazakhstan			
ULYSSE NARDIN KAZAKHSTAN LLP	E	50.00	Acquisition

Company	% interest	
	Dec. 31, 2014	Dec. 31, 2013
Kuwait		
LUXURY GOODS KUWAIT WII	C 49.00	C 49.00
Qatar		
LUXURY GOODS QATAR LLC	C 49.00	C 49.00
Malaysia		
BOTTEGA VENETA MALAYSIA SDN BHD	C 100.00	C 100.00
GUCCI (MALAYSIA) SDN BHD	C 100.00	C 100.00
Mongolia		
ULYSSE NARDIN LLC	E 50.00	Acquisition
Singapore		
ALEXANDER MCQUEEN (SINGAPORE) PTE Ltd	C 100.00	Creation
BOTTEGA VENETA SINGAPORE PTE Ltd	C 100.00	C 100.00
GUCCI SINGAPORE PTE Ltd	C 100.00	C 100.00
SAINT LAURENT (SINGAPORE) PTE Ltd	C 100.00	C 100.00
Taiwan		
BOUCHERON TAIWAN CO. Ltd ⁽¹⁾	C 100.00	C 100.00
GUCCI GROUP WATCHES TAIWAN Ltd	C 100.00	C 100.00
ULYSSE NARDIN TAIPEI	C 100.00	Acquisition
Turkey		
POMELLATO MUCEVHERAT VE AKESUAR DAGITIM VE TIKARET Limited SIRKETI	C 81.00	C 81.00
Thailand		
CLOSED-CYCLE BREEDING INTERNATIONAL Ltd	C 48.00	C 48.00
G-OPERATIONS FRASEC Ltd	C 49.00	C 49.00
GUCCI THAILAND CO Ltd	C 100.00	C 100.00
YSL THAILAND Ltd	C 100.00	Creation
South Africa		
GG LUXURY RETAIL SOUTH AFRICA PTY Ltd	C 68.00	Creation
REDCATS		
REDCATS	-	C 100.00
France		
AWS	-	C 100.00
DIAM	Disposal	C 100.00
GIORNICA	-	C 100.00
LA REDOUTE	Disposal	C 100.00
LA REDOUTE MAG	Disposal	C 100.00
LES AUBAINES MAGASINS	Disposal	C 100.00

Company	% interest	
	Dec. 31, 2014	Dec. 31, 2013
LES TROUVAILLES	-	C 100.00
MOVITEX	-	C 100.00
REDCATS INTERNATIONAL	-	C 100.00
REDCATS INTERNATIONAL HOLDING	-	C 100.00
REDCATS MANAGEMENT SERVICES	-	C 100.00
REF BRESIL	-	C 100.00
RELAIS COLIS	Disposal	C 100.00
REDCATS BUSINESS DEVELOPMENT	-	C 100.00
Austria		
REDCATS BETEILIGUNG GmbH	Disposal	C 100.00
REDOUTE VERSAND GmbH	Disposal	C 100.00
Belgium		
REDOUTE CATALOGUE BENELUX	Disposal	C 100.00
Spain		
REDCATS ESPAÑA	Disposal	C 100.00
United Kingdom		
HOLDSWORTH COLLECTION Ltd	Disposal	C 100.00
MOVITEX UK Ltd	-	C 100.00
REDCATS (BRANDS) Ltd	Disposal	C 100.00
REDCATS FINANCE Ltd	Disposal	C 100.00
REDCATS UK PLC	Disposal	C 100.00
REDOUTE UK	Disposal	C 100.00
Greece		
REDOUTE HELLAS	Disposal	C 100.00
Italy		
REDCATS ITALY	Disposal	C 100.00
Norway		
REDOUTE NORWAY AS	Disposal	C 100.00
Portugal		
REDCATS PORTUGAL	Disposal	C 100.00
Russia		
LA REDOUTE RUS	Disposal	C 100.00
Sweden		
REDOUTE SVERIGE AB	Disposal	C 100.00
Switzerland		
REDCATS SUISE	Disposal	C 100.00
Brazil		
REDCATS DO BRASIL	-	C 100.00
PUMA		
PUMA SE (GERMANY)	C 85.81	C 85.81
France		
DOBOTEX FRANCE SAS ⁽¹⁾	C 100.00	C 100.00

Company	% interest		
	Dec. 31, 2014	Dec. 31, 2013	
PUMA FRANCE SAS	C	100.00	C 100.00
PUMA SPEEDCAT SAS	C	100.00	C 100.00
Germany			
DOBOTEX DEUTSCHLAND GmbH ⁽¹⁾	C	100.00	C 100.00
BRANDON GERMANY GmbH	C	100.00	C 100.00
PUMA EUROPE GmbH	C	100.00	Creation
PUMA INTERNATIONAL TRADING GmbH	C	100.00	Creation
PUMA MOSTRO GmbH	C	100.00	C 100.00
PUMA SPRINT GmbH	C	100.00	C 100.00
PUMA VERTRIEB GmbH	C	100.00	C 100.00
Austria			
AUSTRIA PUMA DASSLER GES MBH	C	100.00	C 100.00
DOBOTEX ÖSTERREICH GmbH ⁽¹⁾	C	100.00	C 100.00
Bulgaria			
PUMA BULGARIA EOOD	Disposal	C	100.00
Cyprus			
PUMA CYPRUS Ltd ⁽¹⁾	C	100.00	C 100.00
Croatia			
PUMA Sport HRVATSKA DOO	C	100.00	C 100.00
Denmark			
PUMA DENMARK A/S	C	100.00	C 100.00
Spain			
DOBOTEX SPAIN SL ⁽¹⁾	C	100.00	C 100.00
PUMA IBERIA SLU	C	100.00	C 100.00
Estonia			
PUMA ESTONIA OU	C	100.00	C 100.00
Finland			
BRANDON OY	C	100.00	C 100.00
PUMA FINLAND OY	C	100.00	C 100.00
TRETORN FINLAND OY	C	100.00	C 100.00
United Kingdom			
DOBOTEX UK Ltd ⁽¹⁾	C	100.00	C 100.00
BRANDON MERCHANDISE UK Ltd	C	100.00	C 100.00
PUMA PREMIER Ltd	C	100.00	C 100.00
PUMA UNITED KINGDOM Ltd	C	100.00	C 100.00
Greece			
PUMA HELLAS SA ⁽¹⁾	C	100.00	C 100.00
Hungary			
PUMA HUNGARY KFT	C	100.00	C 100.00
Ireland			
TRETORN R&D Ltd	C	100.00	C 100.00

Company	% interest		
	Dec. 31, 2014	Dec. 31, 2013	
Israel			
PUMA SPORT ISRAEL Ltd	C	100.00	C 100.00
Italy			
DOBOTEX ITALIA SRL ⁽¹⁾	C	100.00	C 100.00
PUMA ITALIA SRL	C	100.00	C 100.00
Lithuania			
PUMA BALTIC UAB	C	100.00	C 100.00
Malta			
PUMA BLUE SEA Ltd	C	100.00	C 100.00
PUMA MALTA Ltd	C	100.00	C 100.00
PUMA RACING Ltd	C	100.00	C 100.00
Norway			
PUMA NORWAY AS	C	100.00	C 100.00
TRETORN NORWAY AS	C	100.00	C 100.00
Netherlands			
DOBO LOGIC BV ⁽¹⁾	C	100.00	C 100.00
DOBOTEX LICENSING HOLDING BV	C	100.00	C 100.00
DOBOTEX BV ⁽¹⁾	C	100.00	C 100.00
DOBOTEX INTERNATIONAL BV ⁽¹⁾	C	100.00	C 100.00
PUMA INTERNATIONAL SPORTS MARKETING BV	C	100.00	C 100.00
PUMA BENELUX BV	C	100.00	C 100.00
Poland			
PUMA POLSKA SPOLKA ZOO	C	100.00	C 100.00
Czech Republic			
PUMA CZECH REPUBLIC SRO	C	100.00	C 100.00
Romania			
PUMA Sport ROMANIA SRL	C	100.00	C 100.00
Russia			
PUMA-RUS Ltd	C	100.00	C 100.00
Serbia			
PUMA SERBIA DOO	C	100.00	C 100.00
Slovakia			
PUMA SLOVAKIA SRO	C	100.00	C 100.00
Sweden			
BRANDON AB	C	100.00	C 100.00
BRANDON COMPANY AB	C	100.00	C 100.00
HUNT Sport AB	C	100.00	C 100.00
PUMA NORDIC AB	C	100.00	C 100.00
TRETORN AB	C	100.00	C 100.00
TRETORN SWEDEN AB	C	100.00	C 100.00

Company	% interest		
	Dec. 31, 2014	Dec. 31, 2013	
2EXPRESSIONS MERCHANDISE			
SVENSKA AB	Merger	C	100.00
Switzerland			
DOBOTEX SWITZERLAND AG ⁽¹⁾	C	100.00	C 100.00
MOUNT PUMA AG (SWITZERLAND)	C	100.00	C 100.00
PUMA RETAIL AG	C	100.00	C 100.00
PUMA SCHWEIZ AG	C	100.00	C 100.00
Ukraine			
PUMA UKRAINE Ltd	C	100.00	C 100.00
Argentina			
UNISOL SA	C	100.00	C 100.00
Brazil			
PUMA SPORTS Ltda	C	100.00	C 100.00
Canada			
PUMA CANADA Inc.	C	100.00	C 100.00
Chile			
PUMA CHILE SA	C	100.00	C 100.00
PUMA SERVICIOS SpA	C	100.00	C 100.00
United States			
BRANDON USA Inc.	C	100.00	C 100.00
COBRA GOLF Inc.	C	100.00	C 100.00
JANED LLC	C	51.00	C 51.00
PUMA KIDS APPAREL NORTH AMERICA LLC	C	51.00	Creation
PUMA NORTH AMERICA Inc.	C	100.00	C 100.00
PUMA SUEDE HOLDING Inc.	C	100.00	C 100.00
PUMA WHEAT ACCESSORIES Ltd	C	85.00	C 51.00
British Virgin Islands			
LIBERTY CHINA HOLDING Ltd ⁽¹⁾	C	100.00	C 100.00
Mexico			
DOBOTEX DE MEXICO SA DE CV	C	100.00	C 100.00
IMPORTACIONES RDS SA DE CV	C	100.00	C 100.00
PUMA MEXICO Sport SA DE CV	C	100.00	C 100.00
SERVICIOS PROFESIONALES RDS SA DE CV	C	100.00	C 100.00
Peru			
DISTRIBUIDORA DEPORTIVA PUMA SAC	C	100.00	C 100.00
DISTRIBUIDORA DEPORTIVA PUMA TACNA SAC	C	100.00	C 100.00
PUMA RETAIL PERU SAC	C	100.00	C 100.00
Uruguay			
PUMA SPORTS LA SA	C	100.00	C 100.00

Company	% interest			
	Dec. 31, 2014	Dec. 31, 2013		
Botswana				
WILDERNESS HOLDINGS Ltd	E	25.10	E	25.10
South Africa				
PUMA SPORTS DISTRIBUTORS PTY Ltd	C	100.00	C	100.00
PUMA SPORTS SA	C	100.00	C	100.00
Australia				
KALOLA PTY Ltd	C	100.00	C	100.00
PUMA AUSTRALIA PTY Ltd	C	100.00	C	100.00
WHITE DIAMOND AUSTRALIA PTY Ltd	C	100.00	C	100.00
WHITE DIAMOND PROPERTIES	C	100.00	C	100.00
New Zealand				
PUMA NEW ZEALAND Ltd	C	100.00	C	100.00
United Arab Emirates				
PUMA MIDDLE EAST FZ LLC	C	100.00	C	100.00
PUMA UAE LLC ⁽¹⁾	C	100.00	C	100.00
Turkey				
PUMA SPOR GIYIM SANANYI VE TICARET AS	C	100.00	C	100.00
China				
BRANDON TRADING (SHANGHAI) Ltd	C	100.00	C	100.00
DOBOTEX CHINA Ltd ⁽¹⁾	C	100.00	C	100.00
GUANGZHOU WORLD CAT INFORMATION CONSULTING SERVICES CO. Ltd	C	100.00	C	100.00
PUMA CHINA Ltd	C	100.00	C	100.00
Hong Kong				
BRANDON HONG KONG Ltd	C	100.00	C	100.00
DEVELOPMENT SERVICES Ltd	C	100.00	C	100.00
DOBOTEX Ltd ⁽¹⁾	C	100.00	C	100.00
PUMA ASIA PACIFIC Ltd	C	100.00	C	100.00
PUMA HONG KONG Ltd	C	100.00	C	100.00
PUMA INTERNATIONAL TRADING SERVICES Ltd	C	100.00	Creation	
WORLD CAT Ltd	C	100.00	C	100.00
India				
PUMA SPORTS INDIA PVT Ltd	C	100.00	C	100.00
PUMA INDIA RETAIL PVT Ltd ⁽¹⁾	C	100.00	C	100.00
WORLD CAT SOURCING INDIA Ltd	C	100.00	C	100.00
Indonesia				
PT PUMA CAT INDONESIA	C	100.00	Creation	
Japan				
PUMA JAPAN KK	C	100.00	C	100.00

Company	% interest	
	Dec. 31, 2014	Dec. 31, 2013
Korea		
DOBOTEX KOREA Ltd ⁽¹⁾	C 100.00	C 100.00
PUMA KOREA Ltd	C 100.00	C 100.00
Malaysia		
PUMA SPORTS GOODS SDN BHD	C 100.00	C 100.00
Singapore		
PUMA SPORTS SINGAPORE PTE Ltd	C 100.00	C 100.00
PUMA SPORTS SOUTH EAST ASIA PTE Ltd	C 100.00	Creation
Taiwan		
PUMA TAIWAN SPORTS Ltd ⁽¹⁾	C 100.00	C 100.00
Vietnam		
WORLD CAT VIETNAM CO. Ltd	C 100.00	C 100.00
WORLD CAT VIETNAM SOURCING & DEVELOPMENT SERVICES CO. Ltd	C 100.00	C 100.00
VOLCOM		
VOLCOM Inc.	C 100.00	C 100.00
United States		
LS&S RETAIL Inc.	C 100.00	C 100.00
VOLCOM RETAIL Inc.	C 100.00	C 100.00
VOLCOM ENTERTAINMENT Inc.	Liquidation	C 100.00
VOLCOM OUTLET Inc.	C 100.00	C 100.00
ELECTRIC VISUAL EVOLUTION LLC	C 100.00	C 100.00
Luxembourg		
Volcom LUXEMBOURG HOLDING SA	C 100.00	C 100.00
Switzerland		
VOLCOM INTERNATIONAL SARL	C 100.00	C 100.00
WELCOM DISTRIBUTION SARL	C 100.00	C 100.00
Spain		
VOLCOM DISTRIBUTION SPAIN SL	C 100.00	C 100.00
ELECTRIC VISUAL EVOLUTION SPAIN	Liquidation	C 100.00
France		
VOLCOM SAS	C 100.00	C 100.00
VOLCOM RETAIL FRANCE	C 100.00	C 100.00
SARL ELECTRIC EUROPE	C 100.00	C 100.00
United Kingdom		
VOLCOM DISTRIBUTION (UK) Ltd	C 100.00	C 100.00
VOLCOM RETAIL (UK) Ltd	C 100.00	C 100.00
Australia		
VOLCOM AUSTRALIA HOLDING COMPANY PTY Ltd	C 100.00	C 100.00
VOLCOM AUSTRALIA PTY Ltd	C 100.00	C 100.00

Company	% interest	
	Dec. 31, 2014	Dec. 31, 2013
ELECTRIC VISUAL EVOLUTION		
AUSTRALIA PTY Ltd	C 100.00	C 100.00
New Zealand		
VOLCOM NEW ZEALAND Ltd	C 100.00	C 100.00
Japan		
VOLCOM JAPAN GODOGAISHIYA	C 100.00	C 100.00
China		
VOLCOM HONG KONG	C 100.00	C 100.00
HOLDING COMPANIES AND OTHER		
France		
CONSEIL ET ASSISTANCE	C 100.00	C 100.00
DISCODIS	C 100.00	C 100.00
GG FRANCE 13 SAS	C 100.00	C 100.00
GG FRANCE 14	C 100.00	C 100.00
KERING FINANCE	C 100.00	C 100.00
SAPARDIS	C 100.00	C 100.00
SAPRODIS SERVICES SAS	C 100.00	C 100.00
United Kingdom		
KERING INTERNATIONAL Ltd	C 100.00	C 100.00
KERING UK SERVICES Ltd	C 100.00	C 100.00
Germany		
SAPARDIS DEUTSCHLAND SE	C 100.00	C 100.00
Italy		
KERING ITALIA SpA	C 100.00	C 100.00
KERING SERVICE ITALIA SpA	C 100.00	C 100.00
REXCOURTA SpA	Liquidation	C 100.00
Luxembourg		
KERING RE	C 100.00	C 100.00
KERING LUXEMBOURG SA	C 100.00	C 100.00
E-KERING LUX SA	C 100.00	C 100.00
PPR DISTRI LUX SA	C 100.00	C 100.00
PPR INTERNATIONAL	C 100.00	C 100.00
PRINTEMPS REASSURANCE	Merger	C 100.00
Netherlands		
GUCCI INTERNATIONAL NV	C 100.00	C 100.00
GUCCI PARTICIPATION BV	C 100.00	C 100.00
Kering HOLLAND NV	C 100.00	C 100.00
Kering NETHERLANDS BV	C 100.00	C 100.00
Kering INVESTMENTS EUROPE BV	C 100.00	Creation
Switzerland		
LUXURY GOODS SERVICES SA	C 100.00	C 100.00

Company	% interest		
	Dec. 31, 2014	Dec. 31, 2013	
THE MALL LUXURY OUTLET SA	C	100.00	Creation
China			
GUANGZHOU KGS CORPORATE MANAGEMENT & CONSULTANCY Ltd	C	100.00	Creation
KERING ASIA PACIFIC Ltd	C	100.00	C 100.00
KERING (CHINA) ENTERPRISE MANAGEMENT Ltd	C	100.00	C 100.00
KERING HOLDING Ltd	C	100.00	C 100.00
KERING SOUTH EAST ASIA PTE Ltd	C	100.00	Creation
KGS GLOBAL MANAGEMENT SERVICES Ltd	C	100.00	C 100.00
KGS SOURCING Ltd	C	100.00	C 100.00
REDCATS COMMERCE ET TRADING (SHANGHAI) CO. Ltd	C	100.00	C 100.00
REDCATS SOURCING (SHANGHAI) Ltd	C	100.00	-

Company	% interest		
	Dec. 31, 2014	Dec. 31, 2013	
Korea			
KERING KOREA Ltd	C	100.00	C 100.00
India			
KGS SOURCING INDIA PTE Ltd	C	100.00	C 100.00
Turkey			
KGS SOURCING TURKEY Ltd	C	100.00	C 100.00
Japan			
KERING JAPAN Ltd	C	100.00	C 100.00
KERING TOKYO INVESTMENTS	C	100.00	C 100.00
United States			
KERING AMERICAS	C	100.00	C 100.00

(1) The results of these companies are consolidated based on the Group's contractual share in their operations which may differ from its percentage interest.

5. statutory auditors' report on the consolidated financial statements year ended december 31, 2014

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In accordance with our appointment as Statutory Auditors at your Annual General Meetings, we hereby report to you for the year ended December 31, 2014 on:

- the audit of the accompanying consolidated financial statements of Kering S.A.;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

1. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position and assets and liabilities of the Group as of December 31, 2014 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

2. *Justification of our assessments*

Pursuant to Article L. 823-9 of the French Commercial Code (*Code de commerce*) governing the justification of our assessments, we hereby report on the following:

- during the second half of the year, your Company systematically tests goodwill and assets with an indefinite useful life for impairment, and also assesses whether there is indication of impairment of long-term assets, in accordance with the methods described in Note 2.10 to the consolidated financial statements. We examined the methods used to implement these impairment tests, the cash flow forecasts and assumptions used and verified that Note 19 to the consolidated financial statements provides the appropriate disclosure.
- your Company recognizes provisions, as described in Note 2.16 to the consolidated financial statements. Our procedures mainly consisted in assessing the data and assumptions underlying such estimates, verifying, on a test basis, the Company's calculations and examining the Management approval procedures for these estimates. We have assessed the reasonableness of those estimates based on this work.
- note 2.17 to the consolidated financial statements sets out the methods used to measure post-employment and other long-term employee benefit obligations. These obligations were measured by independent actuaries. Our procedures consisted in examining the data used, assessing the underlying assumptions and verifying that Note 26 to the consolidated financial statements provides the appropriate disclosures.

These assessments were performed as part of our audit approach for the consolidated financial statements taken as a whole and therefore contributed to the expression of our opinion in the first part of this report.

3. *Specific verification*

We have also performed the other procedures required by law on the information relating to the Group given in the Management Report, in accordance with professional standards applicable in France.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris La Défense and Neuilly-sur-Seine, March 25, 2015

The Statutory Auditors

KPMG Audit
Division of KPMG S.A.
Hervé Chopin

Deloitte & Associés
Frédéric Moulin

6. *parent company financial statements*

6.1. *balance sheet – assets*

as of december 31, 2014 and 2013

ASSETS		Dec. 31, 2014		Dec. 31, 2013	
(in € millions)	Notes	Gross	Depreciation, amortisation and provisions	Carrying amount	Carrying amount
Non-current assets					
Investments		10,144.0	(1,378.0)	8,766.0	8,775.8
Other long-term investments ⁽¹⁾		0.6	(0.2)	0.4	0.3
	3	10,144.6	(1,378.2)	8,766.4	8,776.1
Property, plant and equipment and intangible assets	4	383.5	(21.1)	362.4	349.0
Non-current assets		10,528.1	(1,399.3)	9,128.8	9,125.1
Current assets					
Receivables ^{(2) (3)}	5	70.1		70.1	72.6
Marketable securities	6	59.7		59.7	71.9
Cash ⁽³⁾	6	1,861.5		1,861.5	1,406.8
Current assets		1,991.3	0.0	1,991.3	1,551.3
TOTAL ASSETS		12,519.4	(1,399.3)	11,120.1	10,676.4
(1) o/w due in less than one year:				0.2	0.1
(2) o/w due in more than one year:				0.0	0.0
(3) o/w concerning associates:				1,873.6	1,440.0

6.2. *balance sheet – shareholders' equity and liabilities*

as of december 31, 2014 and 2013

SHAREHOLDERS' EQUITY AND LIABILITIES

(in € millions)

	Notes	Dec. 31, 2014	Dec. 31, 2013
Shareholders' equity			
Share capital		505.1	504.9
Additional paid-in capital		2,051.4	2,048.3
Reserves	7	1,587.1	1,587.9
Retained earnings		1,785.9	1,426.3
Net income for the year		817.6	832.9
Shareholders' equity		6,747.1	6,400.3
Provisions	8	639.6	463.0
Liabilities			
Bonds ⁽¹⁾	9.1	3,400.0	3,300.1
Other borrowings ^{(1) (3)}	9.1	54.4	241.7
Other liabilities ^{(2) (3)}	10	279.0	271.3
		3,733.4	3,813.1
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		11,120.1	10,676.4
<i>(1) o/w due in less than one year:</i>		<i>2,650.0</i>	<i>2,600.0</i>
<i>(2) o/w due in more than one year:</i>		<i>0.0</i>	<i>0.0</i>
<i>(3) o/w concerning associates:</i>		<i>29.2</i>	<i>30.4</i>

6.3. *income statement*

For the years ended December 31, 2014 and 2013

<i>(in € millions)</i>	Notes	2014	2013
Operating income		88.0	117.5
Operating expenses		(124.3)	(133.7)
Net operating loss	12	(36.3)	(16.2)
Dividends		1,186.9	2,188.2
Other financial income and expenses		(130.6)	(96.7)
Net financial income	13	1,056.3	2,091.5
Recurring income before tax		1,020.0	2,075.3
Net non-recurring expense	14	(222.3)	(1,259.2)
Employee profit-sharing		(2.4)	(3.3)
Income tax	15	22.3	20.1
Net income for the year		817.6	832.9

6.4. *statement of cash flows*

For the years ended December 31, 2014 and 2013

<i>(in € millions)</i>	2014	2013
Dividends received	1,186.9	2,188.2
Interest on borrowings	(114.6)	(145.5)
Income tax received	37.0	42.2
Other	(97.9)	(28.9)
Change in cash resulting from operating activities	1,011.4	2,056.0
(Acquisitions)/disposals of operating assets	(14.8)	(3.9)
Change in long-term investments	1.3	(87.5)
Change in cash resulting from investing activities	(13.5)	(91.4)
Net change in borrowings	(85.5)	(155.0)
Share capital increases	3.3	8.6
Dividends paid by Kering	(473.2)	(471.2)
Change in cash resulting from financing activities	(555.4)	(617.6)
Changes in Group structure following the merger of Financière Marothi		67.4
Change in cash and cash equivalents	442.5	1,414.4
Cash and cash equivalents at beginning of year	1,478.7	64.3
Cash and cash equivalents at end of year	1,921.2	1,478.7

6.5. *statement of changes in shareholders' equity*

<i>(in € millions) (before appropriation of net income)</i>	Number of shares	Share capital	Additional paid-in capital	Reserves and retained earnings	Net income for the year	Shareholders' equity
As of December 31, 2012	126,116,702	504.5	2,040.1	3,294.8	505.6	6,345.0
Appropriation of 2012 net income				505.6	(505.6)	-
Dividends paid				(282.2)		(282.2)
Dividends paid in the form of Groupe Fnac shares				(313.9)		(313.9)
Interim dividend				(189.3)		(189.3)
Exercise of stock options	110,059	0.4	8.2			8.6
Changes in tax-driven provisions				(0.8)		(0.8)
2013 net income					832.9	832.9
As of December 31, 2013	126,226,761	504.9	2,048.3	3,014.2	832.9	6,400.3
Appropriation of 2013 net income				832.9	(832.9)	-
Dividends paid				(283.9)		(283.9)
Interim dividend				(189.4)		(189.4)
Exercise of stock options	39,729	0.2	3.1			3.3
Changes in tax-driven provisions				(0.8)		(0.8)
2014 net income					817.6	817.6
As of December 31, 2014	126,266,490	505.1	2,051.4	3,373.0	817.6	6,747.1

As of December 31, 2014, Kering's share capital comprised 126,266,490 shares with a par value of €4 each.

6.6. *notes to the parent company financial statements*

Note 1. 2014 highlights

Kering issued €100 million worth of ten-year bonds paying a fixed-rate coupon of 2.75% on April 8, 2014, topped up by two additional issues of €100 million on May 30, 2014 and June 26, 2014, thereby raising the total issue to €300 million. It also issued €500 million worth of seven-year bonds paying a fixed-rate coupon of 1.375% on October 1, 2014.

In April 2014, Kering redeemed at maturity the remaining €550.1 million of the bond that was issued in April 2009. The bond was originally issued in two tranches representing an aggregate €800 million, of which €249.9 million was redeemed in 2011.

In June 2014, Kering redeemed at maturity the €150 million bond issued in June 2009 along with two medium- and long-term borrowings also issued in June 2009 for €69.5 million and €83.0 million.

As was the case in 2013, Kering provided assistance to its subsidiary Redcats in connection with the sale of the La Redoute, Relais Colis and Movitex businesses.

Note 2. Accounting policies and methods

The annual financial statements are prepared in accordance with the provisions of the French accounting standards setter (*Autorité des normes comptables* – ANC) regulation no. 2014-03.

2.1. Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are recorded in the balance sheet at their acquisition cost. Depreciation and amortisation is calculated using the straight-line method based on the nature and useful life of each component.

2.2. Long-term investments

Investments

Securities classified as "Investments" are those considered necessary for the Company's activities, particularly because they provide the Company with influence over, or control of, the issuer.

Pursuant to notice no. 2007-C issued by the Emerging Issues Taskforce of the French accounting standards authority (*Conseil National de la Comptabilité* – CNC) on June 15, 2007, the Company elected to recognise acquisition fees as part of the cost of investments.

As of the end of the reporting period, the gross amount of investments is compared to their value in use to the Company, determined with reference to the subsidiary's estimated economic value and taking into consideration the purpose of the original transaction. Value in use is determined using a multi-criteria approach based on future cash flow projections, the revised asset value, and the share of consolidated or revalued shareholders' equity. Other methods are used where necessary.

An impairment loss is recorded when market value falls below the gross value.

Other long-term investments

Other long-term investments include other investments and certain treasury shares.

Other investments (excluding treasury shares)

Other investments are investments that the Company plans or is required to hold on a long term basis, but which are not deemed necessary for the Company's activities.

The gross amount of such investments is equal to the acquisition cost plus any related acquisition fees.

An impairment loss is recognised based on the value in use of these securities to the Company.

Treasury shares

Treasury shares acquired under liquidity agreements are recorded under "Other long-term investments". These shares are written down where necessary to reflect the average share price over the last month of the fiscal year.

Treasury shares acquired for the express purpose of being used in a future capital reduction are also classified under "Other long-term investments". These shares are not written down to reflect the share price.

2.3. Receivables

Receivables are recorded in the balance sheet at their nominal value, and are written down where they present a risk of non-recovery.

2.4. Marketable securities and negotiable debt securities

Treasury shares

Treasury shares acquired for the express purpose of being subsequently granted to employees under stock purchase option plans and free share plans are recorded under "Marketable securities". No impairment is recognised on treasury shares to reflect the share price.

Other shares

Shares are recorded at their acquisition cost. An impairment loss is recognised when their closing price falls below their carrying amount.

Bonds

Bonds are recorded on the acquisition date at their par value adjusted by the premium or discount. Accrued interest as of the acquisition date and as of the end of the reporting period is recorded in an accrued interest account.

As of the end of the reporting period, the cost of the bonds is compared to the market value of the principal over the last month of the year, excluding accrued interest. An impairment loss is recorded when market value falls below the gross value.

Mutual funds (Sicav)

Shares in mutual funds are recorded at their acquisition cost excluding subscription fees, and their net asset value is estimated as of the end of the reporting period. A provision for impairment is recorded in respect of any unrealised capital losses. No unrealised capital gains are recognised.

Negotiable certificates of deposit, certificates of deposit and notes issued by financing companies

These negotiable debt securities are subscribed on the primary market or purchased on the secondary market. They are recorded at acquisition cost less accrued interest as of the acquisition date when purchased on the secondary market.

Prepaid interest is recognised as financial income on a proportional basis for the fiscal year.

2.5. Financial instruments

All foreign currency and interest rate positions are taken via instruments listed on exchange-traded or over-the-counter markets representing minimal counterparty risk. Any gains or losses generated on financial instruments used in hedging transactions are offset against the corresponding gain or loss on the hedged items.

Where financial instruments do not qualify as hedges, any gains or losses resulting from changes in their market value are recorded in the income statement, except for over-the-counter transactions. For these transactions, a provision is recorded for any unrealised losses, while unrealised gains are not recognised.

2.6. Foreign currency transactions

Income and expenses denominated in foreign currencies are recorded at their euro-equivalent value on the transaction date. Borrowings, receivables and liquidity positions denominated in foreign currencies are translated at the closing exchange rate. In the case of foreign currency hedging, borrowings and receivables are translated at the hedging rate.

Any translation differences resulting from the valuation of foreign currency borrowings and receivables are recorded in accrual accounts, as an asset for unrealised losses and as a liability for unrealised gains. A contingency provision is recorded to cover any unhedged unrealised losses. Where borrowings and receivables are hedged by financial instruments, any foreign currency gains or losses are immediately recorded in the income statement.

2.7. Bond issue and capital increase fees – Bond redemption premiums

Bond issue fees are recognised as of the issue date.

Costs associated with increases in capital, mergers or restructuring are charged against the additional paid-in capital arising from the merger or restructuring.

Bonds are recorded at their par value.

Any issue or redemption premiums are assigned to the relevant balance sheet item and amortised over the term of the bond.

For convertible bonds, the redemption premium is recognised over the term of the bond, in accordance with the benchmark accounting treatment.

In the case of an indexed bond issue, a contingency provision must be recorded in respect of redemption when the estimated amount required to redeem the bonds as of the end of the reporting period exceeds the amount of the issue. This provision is calculated on a proportional basis over the term of the bond.

2.8. Provisions

Provisions are recognised in accordance with CNC regulation no. 2000.06 and include pension and other employee benefit obligations pursuant to ANC recommendation no. 2013 02.

Under defined benefit plans, obligations are valued using the projected unit credit method based on agreements in effect in the Company. Under this method, each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation. The obligation is then discounted. The actuarial assumptions used to determine the obligations vary depending on economic conditions.

These benefit obligations are assessed by independent actuaries on an annual basis. The valuations take into account the level of future compensation, the probable active life of employees, life expectancy and staff turnover.

Kering applies the notice relating to CRC regulation no. 2008-15 of December 4, 2008 on the accounting treatment of stock option plans and employee free share plans.

2.9. Tax consolidation

Kering has set up a tax consolidation group in France with several sub-groups and subsidiaries.

Each subsidiary recognises a tax expense for the amount of tax it would have paid on a stand-alone basis. The tax savings generated by the Group as a result of tax consolidation are retained by Kering as parent company of the tax consolidation group.

Note 3. Net long-term investments

<i>(in € millions)</i>	As of Dec. 31, 2013	Increase	Decrease	As of Dec. 31, 2014
Gross value				
Investments	10,160.5		(16.5)	10,144.0
Kering Netherlands BV	4,237.2			4,237.2
Kering Holland NV	2,566.9			2,566.9
Redcats	1,171.6			1,171.6
Sapardis	1,804.0			1,804.0
Discodis	299.7			299.7
Other	81.1		(16.5)	64.6
Other long-term investments	0.5	265.3	(265.2)	0.6
Treasury shares (liquidity agreement) ⁽¹⁾		265.2	(265.2)	
Loans	0.2			0.2
Deposits and guarantees	0.3	0.1		0.4
Gross value	10,161.0	265.3	(281.7)	10,144.6
Impairment losses				
Investments	(1,384.7)		6.7	(1,378.0)
Redcats	(1,171.6)			(1,171.6)
Sapardis	(200.0)			(200.0)
Other	(13.1)		6.7	(6.4)
Other long-term investments	(0.2)			(0.2)
Impairment losses	(1,384.9)		6.7	(1,378.2)
CARRYING AMOUNT	8,776.1			8,766.4

(1) The amount corresponding to treasury shares is unavailable and recognised in tax-driven reserves.

Treasury share transactions

In 2014, the Group made a net disposal of 39,044 treasury shares, resulting from the following transactions:

- the acquisition of 1,726,437 shares under the liquidity agreement;
- the disposal of 1,726,437 shares under the liquidity agreement;
- the acquisition of 55,000 shares in connection with free share plans;
- the allotment to employees of 18,886 shares under the 2010 free share plans maturing in May 2014; 39,960 shares under the 2012 free share plan maturing in April 2014; and 360 shares under the 2008 free share plans;
- the acquisition of 100,000 shares to be allotted to employees under stock purchase option plans;
- the disposal of 91,838 shares to employees under the May 2006 stock purchase option plan; 13,500 shares under the May 2007 stock purchase option plan; and 29,500 shares under the September 2007 stock purchase option plan.

As a result of the various stock subscription options exercised in 2014, the share capital increased by 39,729 shares.

As of December 31, 2014, the Group held no call options on its own shares to cover stock purchase and stock subscription option plans.

On May 26, 2004, Kering signed an agreement with a financial broker in order to improve the liquidity of the Group's shares and ensure share price stability. This agreement complies with the Professional Code of Conduct drawn up by the French Association of Financial and Investment Firms (*Association française des marchés financiers* – AMAFI) and approved by the French financial markets authority (*Autorité des marchés financiers* – AMF).

The agreement was initially endowed with €40 million, half of which was provided in cash and half in Kering shares. An additional €20 million in cash was allocated to the agreement on September 3, 2004, and a further €30 million on December 18, 2007.

As of December 31, 2014, Kering held no treasury shares in connection with the liquidity agreement.

Outside the scope of the liquidity agreement, Kering holds 69 treasury shares to be granted to employees under the 2011 free share plans which mature in 2015, and 21,468 treasury shares in connection with stock purchase option plans.

As of December 31, 2013, 60,581 treasury shares were held by the Company outside the scope of this agreement.

Note 4. Property, plant and equipment and intangible assets

Movements in property, plant and equipment and intangible assets are presented below:

<i>(in € millions)</i>	Land and buildings	Plant and equipment	Other	Total
Gross value				
December 31, 2013	2.9	0.4	364.5	367.8
Acquisitions			15.8	15.8
Disposals			(0.1)	(0.1)
December 31, 2014	2.9	0.4	380.2	383.5
Depreciation, amortisation and provisions				
December 31, 2013	(2.7)	(0.4)	(15.7)	(18.8)
Additions	(0.1)		(2.3)	(2.4)
Reversals on disposals			0.1	0.1
December 31, 2014	(2.8)	(0.4)	(17.9)	(21.1)
Carrying amount				
December 31, 2013	0.2	0.0	348.8	349.0
December 31, 2014	0.1	0.0	362.3	362.4

Other non-current assets mainly include the Financière Marothi merger deficit generated in 2013, improvements, head office equipment and furniture, and other intangible assets (software).

Note 5. Receivables

These line items break down as follows:

<i>(in € millions)</i>	Dec. 31, 2014	Dec. 31, 2013
Tax consolidation current accounts	0.8	15.9
Interest rate swap and forex suspense account	-	6.2
Kadéos account	9.4	9.4
Income tax benefit	13.1	12.0
Group customers	12.3	17.5
Bond issue premiums	1.8	3.1
Other ⁽¹⁾	30.4	6.4
Prepaid expenses	2.3	2.1
TOTAL	70.1	72.6
o/w concerning associates:	13.1	33.8

(1) O/w €4.0 million in respect of collateral (escrow).

Note 6. Marketable securities and cash

These line items break down as follows:

<i>(in € millions)</i>	Dec. 31, 2014	Dec. 31, 2013
Treasury shares pending employee grants	-	0.8
Treasury shares pending allocation to stock purchase option plans	3.3	9.6
Listed securities	56.4	61.5
Marketable securities	59.7	71.9
Bank deposits and fund transfers	1.0	0.6
Cash current accounts	1,860.5	1,405.9
Interest on cash current accounts	-	0.3
Cash	1,861.5	1,406.8
CASH AND CASH EQUIVALENTS	1,921.2	1,478.7
o/w concerning associates:	1,860.5	1,406.2

Listed securities mainly comprise mutual funds (Sicav) for €56.3 million (€55.7 million as of December 31, 2013).

Note 7. Reserves

The Company's reserves before the appropriation of net income break down as follows:

<i>(in € millions)</i>	Dec. 31, 2014	Dec. 31, 2013
Legal reserve	51.4	51.4
Tax-driven reserves	1,293.6	1,293.6
Other reserves	240.3	240.3
Reserves	1,585.3	1,585.3
Tax-driven provisions	1.8	2.6
TOTAL	1,587.1	1,587.9

Note 8. Provisions

<i>(in € millions)</i>	Dec. 31, 2013	Additions	Reversals (utilised provisions)	Reversals (surplus provisions)	Reclassification	Dec. 31, 2014
Disputes	21.3	10.0	0.5		2.5	33.3
Risks relating to subsidiaries	420.0	130.0				550.0
Pensions and other employee benefit obligations	6.5	1.7				8.2
Other contingencies	15.0	34.7			(2.5)	47.2
Foreign exchange risk	0.2	0.9	0.2			0.9
TOTAL	463.0	177.3	0.7			639.6
o/w:						
operating items		0.8				
financing items		1.8	0.2			
non-recurring items		174.7	0.5			

The provision for risks relating to subsidiaries mainly corresponds to the revalued net equity of Redcats after the sale of its operating businesses.

The provision for other contingencies chiefly relates to the impact of the transfer of the UK pension fund to an insurance company.

The main actuarial assumptions used to determine pensions and other employee benefit obligations are:

- discount rate of 2.00% versus 3.25% in 2013;
- salary increase rate of 3.00% as in 2013.

Note 9. Borrowings

Bond issues

(in € millions)	Interest rate	Issue date	Hedge	Maturity	Dec. 31, 2014	Dec. 31, 2013
Bond issue ⁽¹⁾	8.625% fixed	04/03/2009	-	04/03/2014		550.1
Bond issue ⁽²⁾	7.75% fixed	06/03/2009	6-month Euribor floating-rate swap for €150 million	06/03/2014		150.0
Bond issue ⁽³⁾	6.50% fixed	06/29/2009	-	06/29/2017	150.0	150.0
Bond issue ⁽⁴⁾	6.50% fixed	11/06/2009	-	11/06/2017	200.0	200.0
Bond issue ⁽⁵⁾	3.75% fixed	04/08/2010 & 01/26/2012	-	04/08/2015	750.0	750.0
Bond issue ⁽⁶⁾	3.125% fixed	04/23/2012	-	04/23/2019	500.0	500.0
Bond issue ⁽⁷⁾	2.50% fixed	07/15/2013	-	07/15/2020	500.0	500.0
Bond issue ⁽⁸⁾	1.875% fixed	10/08/2013	-	10/08/2018	500.0	500.0
Bond issue ⁽⁹⁾	2.75% fixed	04/08/2014 & 05/30/2014 & 06/26/2014	-	04/08/2024	300.0	
Bond issue ⁽¹⁰⁾	1.375% fixed	10/01/2014	-	10/01/2021	500.0	

(1) Issue price: bond issue, comprising 550,100 bonds with a par value of €1,000 each under the EMTN programme, with 600,000 bonds issued on April 3, 2009 and 200,000 additional bonds issued on May 13, 2009, thereby raising the issue to 800,000 bonds. A total of 249,900 of these bonds were redeemed on April 26, 2011.
Redemption: in full on April 3, 2014.

(2) Issue price: bond issue on June 3, 2009, comprising 150,000 bonds with a par value of €1,000 each under the EMTN programme.
Redemption: in full on June 3, 2014.

(3) Issue price: bond issue on June 29, 2009, comprising 3,000 bonds with a par value of €50,000 each under the EMTN programme.
Redemption: in full on June 29, 2017.

(4) Issue price: bond issue on November 6, 2009, comprising 4,000 bonds with a par value of €50,000 each under the EMTN programme.
Redemption: in full on November 6, 2017.

(5) Issue price: bond issue on April 8, 2010, comprising 500,000 bonds with a par value of €1,000 each under the EMTN programme, and 250,000 additional bonds issued on January 26, 2012, thereby raising the issue to 750,000 bonds.
Redemption: in full on April 8, 2015.

(6) Issue price: bond issue on April 23, 2012, comprising 500,000 bonds with a par value of €1,000 each under the EMTN programme.
Redemption: in full on April 23, 2019.

(7) Issue price: bond issue on July 15, 2013, comprising 5,000 bonds with a par value of €100,000 each under the EMTN programme.
Redemption: in full on July 15, 2020.

(8) Issue price: bond issue on October 8, 2013, comprising 5,000 bonds with a par value of €100,000 each under the EMTN programme.
Redemption: in full on October 8, 2018.

(9) Issue price: bond issue on April 8, 2014, comprising 1,000 bonds with a par value of €100,000 each under the EMTN programme, 1,000 additional bonds issued on May 30, 2014 and 1,000 additional bonds issued on June 26, 2014, thereby raising the issue to 3,000 bonds.
Redemption: in full on April 8, 2024.

(10) Issue price: bond issue on October 1, 2014, comprising 5,000 bonds with a par value of €100,000 each under the EMTN programme.
Redemption: in full on October 1, 2021.

The bonds issued between 2009 and 2014 within the scope of the EMTN programme are all subject to change-of-control clauses entitling bondholders to request early redemption at par if Kering's rating is downgraded to non-investment grade following a change of control.

In addition, the bonds issued in 2009 and 2010 – including the bonds added in January 2012 to those issued in April 2010 – have a "step-up coupon" clause that applies in the event Kering's rating is downgraded to non-investment grade.

9.1. Breakdown by type

<i>(in € millions)</i>	Dec. 31, 2014	Dec. 31, 2013
Bonds	3,400.0	3,300.1
Interest on bond issues	54.2	88.7
Long- and medium-term borrowings	-	152.5
Interest on long- and medium-term borrowings	-	0.1
Outstanding bank overdrafts	0.1	0.1
Cash current accounts	0.1	0.3
Other borrowings	54.4	241.7
TOTAL	3,454.4	3,541.8
o/w concerning associates:	0.1	0.3

As of December 31, 2014 and 2013, no borrowings were secured by collateral.

9.2. Breakdown by maturity

<i>(in € millions)</i>	Dec. 31, 2014	Dec. 31, 2013
Less than one year	804.4	941.8
One to five years	1,350.0	1,600.0
More than five years	1,300.0	1,000.0
TOTAL	3,454.4	3,541.8

9.3. Net debt

<i>(in € millions)</i>	Dec. 31, 2014	Dec. 31, 2013
Borrowings	3,454.4	3,541.8
Marketable securities	(59.7)	(71.9)
Cash	(1,861.5)	(1,406.8)
TOTAL	1,533.2	2,063.1

9.4. Information on interest rates

	Dec. 31, 2014	Dec. 31, 2013
Average gross interest rate over the year	3.54%	3.88%
% average gross debt at fixed rates	95.70%	67.60%
% average gross debt at floating rates	4.30%	32.40%

Note 10. Other liabilities

These line items break down as follows:

<i>(in € millions)</i>	Dec. 31, 2014	Dec. 31, 2013
Tax consolidation current accounts	9.4	8.2
Dividends to be paid	189.4	189.3
Tax and employee-related liabilities	30.3	23.5
Other	49.9	50.3
TOTAL	279.0	271.3
o/w concerning associates:	29.1	30.1

Note 11. Off-balance sheet commitments

11.1. Interest rate hedges

(in € millions)	Dec. 31, 2014	Y+1	Y+2	Y+3	Y+4	Y+5	>Y+5	Dec. 31, 2013
Swaps: fixed-rate lender								150.0
Other interest rate instruments ⁽¹⁾								152.5

(1) Including floating-for-floating rate swaps.

As part of the Group's policy of hedging interest rate risk, Kering sets up interest rate swaps in connection with certain fixed-rate bond issues.

All of these hedges matured in 2014: the €150 million fixed-rate lender swap against 6-month Euribor hedging the interest on the bonds which matured in June 2014 and floating-for-floating rate swaps taken out for €152.5 million and which matured in June 2014.

11.2. Stock option and free share plans

The nature and main characteristics of the plans are indicated in the tables below:

Stock option and free share plans	2004/1 Plan	2005/1 Plan	2005/2 Plan	2005/3 Plan
	Subscription options	Subscription options	Subscription options	Subscription options
Grant date	05/25/2004	01/03/2005	05/19/2005	05/19/2005
Expiry date	05/24/2014	01/02/2015	05/18/2015	05/18/2015
Vesting of rights	(a)	(a)	(b)	(b)
Number of beneficiaries	846	13	458	22
Number initially granted	540,970	25,530	333,750	39,960
Number outstanding as of Jan. 1, 2014	34,265	750	34,580	800
Number forfeited in 2014		500	3,280	400
Number exercised in 2014	21,925		17,804	
Number of shares issued (AGM)				
Number expired in 2014	12,340			
Number outstanding as of Dec. 31, 2014		250	13,496	400
Number exercisable as of Dec. 31, 2014		250	13,496	400
Strike price (in €)	85.57	75.29	78.01	78.97

Stock option and free share plans	2005/4 Plan	2006/1 Plan	2007/1 Plan	2007/2 Plan
	Subscription options	Purchase options	Purchase options	Purchase options
Grant date	07/06/2005	05/23/2006	05/14/2007	09/17/2007
Expiry date	07/05/2015	05/22/2014	05/13/2015	09/16/2015
Vesting of rights	(b)	(b)	(b)	(b)
Number of beneficiaries	15	450	248	14
Number initially granted	20,520	403,417	355,500	51,300
Number outstanding as of Jan. 1, 2014	400	111,455	145,170	38,900
Number forfeited in 2014	400	220	5,630	6,500
Number exercised in 2014		91,838	13,500	29,500
Number of shares issued (AGM)				
Number expired in 2014		19,397		
Number outstanding as of Dec. 31, 2014			126,040	2,900
Number exercisable as of Dec. 31, 2014			126,040	2,900
Strike price (in €)	85.05	101.83	127.58	127.58

Stock option and free share plans	2010/2 Plan	2011/2 Plan	2012/1 Plan	2012/2 Plan
	Free shares	Free shares	Free shares	Free shares
Grant date	05/19/2010	05/19/2011	04/27/2012	04/27/2012
Expiry date	N/A	N/A	N/A	N/A
Vesting of rights	(d)	(d)	(c)	(d)
Number of beneficiaries	108	76	198	88
Number initially granted	25,035	9,455	69,399	39,640
Number outstanding as of Jan. 1, 2014	23,300	8,285	65,097	38,305
Number forfeited in 2014	4,414	195	25,137	185
Number exercised in 2014				
Number of shares issued (AGM)	18,886		39,960	
Number expired in 2014				
Number outstanding as of Dec. 31, 2014		8,090		38,120
Number exercisable as of Dec. 31, 2014				
Strike price (in €)	N/A	N/A	N/A	N/A

Under all these plans, shares are subject to a four-year lock-in period, commencing on the grant date.

- (a) Options vest at a rate of 25% per full year of presence within the Group, except in the event of retirement (when rights vest in full). If a beneficiary is dismissed for gross negligence or misconduct, all rights are lost, including after the lock-in period.
- (b) Options vest at a rate of 25% per full year of presence within the Group, except in the event of retirement (when rights vest in full) or resignation (when all rights are lost). If a beneficiary is dismissed for gross negligence or misconduct, all rights are lost, including after the lock-in period.
- (c) Shares vest two years after being granted, except in the event of resignation or dismissal for gross negligence or misconduct (when all rights are lost). The final number of shares granted is subject to stock market performance conditions. The vesting period is followed by a two-year non-transferability period.
- (d) Shares vest four years after being granted, except in the event of resignation or dismissal for gross negligence or misconduct (when all rights are lost). The final number of shares granted is subject to stock market performance conditions. These shares are not subject to a non-transferability period.

11.3. Other off-balance sheet commitments

<i>(in € millions)</i>	Dec. 31, 2014	Dec. 31, 2013
Endorsements and guarantees in favour of:		
associates	-	-
third parties outside the Group	29.3	3.7
Endorsements and guarantees	29.3	3.7
Collateral: in favour of subsidiaries	-	-
 in favour of third parties	-	-

Note 12. Net operating loss

Net operating loss breaks down as follows:

<i>(in € millions)</i>	2014	2013
Group management fees	70.8	88.8
Property rental income	0.2	0.1
Payroll expenses	(38.3)	(31.8)
External purchases and expenses, taxes	(77.4)	(80.4)
Depreciation, amortisation and provisions	(3.2)	(2.6)
Other income and expenses	11.6	9.7
TOTAL	(36.3)	(16.2)
o/w Directors' fees:	(0.9)	(0.8)

Note 13. Net financial income

Net financial income breaks down as follows:

<i>(in € millions)</i>	2014	2013
Net interest expense	(130.6)	(96.7)
Expenses and interest on non-Group debt	(131.7)	(149.4)
Indexed bond redemption benefit	-	61.8
Interest on Group current accounts	1.1	(9.1)
Dividends	1,186.9	2,188.2
Kering Netherlands BV	600.0	1,850.0
Kering Holland NV	335.3	301.8
Discodis	201.6	-
Kering Finance	50.0	36.4
TOTAL	1,056.3	2,091.5
o/w concerning associates:		
Interest on inter-company current accounts	1.1	(9.1)
Dividends	1,186.9	2,188.2

Note 14. Net non-recurring expense

Net non-recurring expense breaks down as follows:

<i>(in € millions)</i>	2014	2013
Net proceeds from disposals of operating assets	-	0.1
Net proceeds from disposals of securities, impairment losses and related transactions	(146.6)	(1,237.5)
Cost of disputes, litigation and restructuring	(41.4)	(2.1)
Other non-recurring income/(expense)	(34.3)	(19.7)
TOTAL	(222.3)	(1,259.2)

In 2014, net non-recurring expense mainly included an additional provision for residual risks relating to Redcats following the sale of its operating businesses.

Note 15. Income tax

This line item breaks down as follows:

<i>(in € millions)</i>	2014	2013
Tax consolidation benefit	34.8	42.4
Income tax on dividends	(14.2)	(23.6)
Other	1.7	1.3
TOTAL	22.3	20.1

Under a tax consolidation agreement that came into effect on January 1, 1988, Kering pays the tax due by members of the tax consolidation group and fulfils all relevant tax obligations.

The tax consolidation group comprised 53 companies in 2014 and 82 in 2013.

If no tax consolidation arrangement had existed, the Company would not have paid any income tax.

Note 16. Deferred tax assets and liabilities (34.433% rate)**Deferred tax assets**

Retirement termination benefits	€0.8 million
Employee profit-sharing	€1.0 million
Other	€1.0 million

Deferred tax liabilities

Provision for investments	€0.6 million
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Note 17. Other information

17.1. Average headcount

The Company had an average of 194 employees in 2014 compared to 171 in 2013.

As of December 31, 2014, the number of unused training hours vested by employees under the individual training entitlement (*Droit Individuel à la Formation* – DIF) was 13,100, compared to 11,110 hours as of December 31, 2013.

17.2. Fees paid to Statutory Auditors

Statutory Auditors' fees recorded in the income statement are shown below:

(in € thousands)	KPMG Audit		Deloitte & Associés	
	2014	2013	2014	2013
Statutory audit, certification, review of parent company and consolidated financial statements	328	328	300	300
Other audit-related services	41	199	153	114
Other services provided	-	-	-	-
TOTAL	369	527	453	414

17.3. Executive compensation

In 2014, total compensation of €10.5 million was awarded to members of the governing and managing bodies.

17.4. Consolidating company

Kering is controlled by Artémis, which holds 40.93% of its share capital. Artémis is wholly owned by Financière Pinault.

17.5. Transactions with related parties

The support agreement between Artémis and Kering signed on September 27, 1993 generated an expense of €2.5 million in 2014 compared with an expense of €1.0 million in 2013. This corresponded to a positive €2.5 million in respect of 2013 and a negative €1.5 million of adjustments in respect of prior years.

The other transactions with related parties were contracted at arm's length conditions. As a result, no additional disclosures are required pursuant to Article R. 183-198 11 of the French Commercial Code.

Note 18. Subsequent events

On January 26, 2015, Kering paid out an interim dividend amounting to €1.50 per share.

Subsidiaries and investments

(in € thousands)

Shareholders' equity excl. share capital and net income

I – DETAILED INFORMATION

A – Subsidiaries (more than 50%-owned and representing over 1% of the share capital)

Conseil et Assistance	France	2,010	310
Discodis	France	153,567	377,416 ⁽¹⁾
Kering Netherlands BV	Netherlands	20,000 ⁽¹⁾	5,025,153 ⁽¹⁾
Christopher Kane Limited ⁽²⁾	UK	1 ⁽¹⁾	7,205 ⁽¹⁾
Kering International ⁽²⁾	UK	14,993 ⁽¹⁾	0
Redcats	France	401	(444,633)
Sapardis	France	1,799,936	(182,338) ⁽¹⁾
Trémi 2	France	20,710	(1,027)
Sub-total			

B – Investments (less than 50%-owned and representing over 1% of the share capital)

Kering Holland NV	Netherlands	108,246 ⁽¹⁾	2,682,055 ⁽¹⁾
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II – SUMMARY INFORMATION

A – Subsidiaries not listed in I

French subsidiaries			
Non-French subsidiaries			

B – Investments not listed in I

French investments			
Non-French investments			

(1) Based on accounts as of December 31, 2013.

(2) GBP exchange rate as of December 31, 2013.

% of capital held	Carrying amount of shares		Outstanding loans granted by the Company	Endorsements and guarantees given by the Company	Last published revenue excl. VAT	Last published net income (loss)	Dividends received by the Company during the year
	Gross	Net					
90.00	7,724	3,372				1,417	
99.99	299,736	299,736				(15,448) ⁽¹⁾	201,556
100.00	4,237,240	4,237,240				567,813 ⁽¹⁾	600,000
51.00	12,174	12,174			8,358 ⁽¹⁾	(3,465) ⁽¹⁾	
100.00	14,773	14,773			1,957 ⁽¹⁾	175 ⁽¹⁾	
99.99	1,171,636	0			1,959	(261,329)	
100.00	1,804,008	1,604,008				(36,545) ⁽¹⁾	
100.00	20,475	20,475				(1,063)	
	7,567,766	6,191,778					
33.53	2,566,912	2,566,912			107,239 ⁽¹⁾	979,384 ⁽¹⁾	335,308
	478	436					
	2,004	31					
	0	0					
	3,517	3,517					
	10,140,677	8,762,674					

6.7 five-year financial summary

	2014	2013	2012	2011	2010
Share capital at year-end					
Share capital (in €)	505,065,960	504,907,044	504,466,808	508,003,556	507,316,736
Number of ordinary shares outstanding	126,266,490	126,226,761	126,116,702	127,000,889	126,829,184
Maximum number of potential shares to be issued	14,146	70,795	188,160	641,571	833,932
by conversion of bonds					
by exercise of stock subscription options	14,146	70,795	188,160	641,571	833,932
Operations and results for the year					
(in € thousands)					
Income from operating activities	70,811	88,795	73,581	38,622	36,290
Net income before tax, employee profit-sharing, depreciation, amortisation and provisions	968,460	1,635,162	680,689	794,979	445,002
Income tax (expense)/benefit	22,320	20,139	142,124	118,722	63,554
Employee profit-sharing for the year	2,406	3,339	2,055	2,120	2,087
Net income after tax, employee profit-sharing, depreciation, amortisation and provisions	817,551	832,903	505,561	663,606	529,279
Dividend distribution	505,066 ⁽¹⁾	473,350	472,937 ⁽²⁾	444,503	443,902
Per share data (in €)					
Net income after tax, employee profit-sharing, but before depreciation, amortisation and provisions	7.83	13.09	6.51	7.18	3.99
Net income after tax, employee profit-sharing, depreciation, amortisation and provisions	6.47	6.60	4.01	5.23	4.17
Dividend:					
Net dividend per share ⁽³⁾	4.00 ⁽¹⁾	3.75	3.75	3.50	3.50
Employee data					
Average number of employees during the year	194	171	146	118	112
Total annual payroll (in € thousands)	27,124	21,602	19,794	15,667	15,481
Total employee benefits paid during the year (social security, social works, etc.)					
(in € thousands)	11,169	10,222	8,817	6,213	6,389

(1) Subject to approval by the Annual General Meeting.

Including an interim dividend of €1.50 per share paid on January 26, 2015.

(2) At the Annual General Meeting on June 18, 2013, the shareholders authorised a dividend in the form of Groupe Fnac shares at a ratio of one Groupe Fnac share for every eight Kering shares held.

(3) Pursuant to Article 243 bis of the French Tax Code (Code Général des Impôts), the full amount of the dividend paid to individuals who are tax residents in France qualifies for the 40% tax credit provided under Article 158-3 2 of the French Tax Code.

7. *statutory auditors' report on the financial statements year ended december 31, 2014*

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking users. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the Company financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the Company financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the Company financial statements. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In accordance with our appointment as Statutory Auditors at your Annual General Meetings, we hereby report to you for the year ended December 31, 2014 on:

- the audit of the accompanying financial statements of Kering S.A.;
- the justification of our assessments;
- the specific procedures and disclosures required by law.

The financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

1. *Opinion on the financial statements*

We conducted our audit in accordance with professional standards applicable in France. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position and the assets and liabilities of the Company as of December 31, 2014 and the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

2. *Justification of our assessments*

Pursuant to Article L. 823-9 of the French Commercial Code (*Code de commerce*) governing the justification of our assessments, we hereby report on the following:

Note 2.2 to the financial statements describes the accounting policies relating to the measurement of long-term investments.

As part of our assessment of the accounting policies implemented by your Company, we have verified the appropriateness of the above-mentioned accounting methods and their proper application.

These assessments were performed as part of our audit approach for the financial statements taken as a whole and therefore contributed to the expression of our opinion in the first part of this report.

3. *Specific procedures and disclosures*

We have also performed the other procedures required by law, in accordance with professional standards applicable in France.

We have no matters to report regarding the fair presentation and consistency with the financial statements of the information given in the Management Report of the Board of Directors and in the documents addressed to the shareholders in respect of the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code relating to remunerations and benefits received by the corporate officers and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it.

Based on these procedures, we have the following comment on the accuracy and fair presentation of this information: as indicated in the Board of Directors' Management Report, this information represents the remunerations and benefits paid by the Kering group and the companies controlling it to the corporate officers concerned with respect to the mandates, duties or tasks carried out within or on behalf of the Kering group. The information does not include the remunerations and benefits paid with respect to mandates, duties or tasks other than those carried out within or on behalf of the Kering group.

Pursuant to the law, we have verified that the Management Report contains the appropriate disclosures as to the identity of and voting rights held by shareholders.

Paris La Défense and Neuilly-sur-Seine, March 25, 2015
The Statutory Auditors

KPMG Audit
Division of KPMG S.A.
Hervé Chopin

Deloitte & Associés
Frédéric Moulin

8. statutory auditors' special report on regulated agreements and commitments with third parties

shareholders' meeting held to approve the financial statements for the year ended december 31, 2014

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments with third parties that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code (Code de commerce) and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report to you on regulated agreements and commitments with third parties.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements, if any. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code (*Code de commerce*), to assess the interest involved in respect of the conclusion of these agreements for the purpose of approving them.

Our role is also to provide you with the information provided for in Article R. 225-31 of the French Commercial Code in respect of the performance of the agreements and commitments, already authorized by the Shareholders' Meeting and having continuing effect during the year, if any.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux comptes*) relating to this engagement. These procedures consisted in agreeing the information provided to us with the relevant source documents.

Agreements and commitments submitted to the approval of the shareholders' meeting

Agreements and commitments authorized during the year

We hereby inform you that we have not been advised of any agreement or commitment authorized during the year to be submitted to the approval of the Shareholders' Meeting pursuant to Article L. 225-38 of the French Commercial Code.

Agreements and commitments previously approved by the shareholders' meeting

a) Agreements and commitments authorized in previous years and having continuing effect during the year

Pursuant to Article R. 225-30 of the French Commercial Code, we have been advised that the following agreements and commitments authorized in previous years have had continuing effect during the year.

• **Support agreement for services provided by Artémis S.A.**

Pursuant to the terms of a support agreement between Kering S.A. and Artémis S.A. signed on September 27, 1993, Artémis S.A. carries out research and advisory work for Kering S.A. in the following areas:

- strategy and development of the Kering group and support in carrying out complex legal, tax, financial and real estate transactions;
- sourcing of business development opportunities in France and abroad or cost-cutting measures.

At its March 10, 1999 meeting, the Kering S.A. Supervisory Board authorized payment for these services amounting to 0.037% of consolidated net revenue (excluding VAT).

In line with the appropriate modifications to Kering S.A.'s corporate governance rules, your Board of Directors resolved on July 6, 2005, without amending the agreement in force since September 27, 1993, that the Kering S.A. Audit Committee would perform, in addition to the usual annual review of the substance of the support provided by Artémis S.A. to Kering S.A., an annual assessment of the services and their fair price given the facilities provided and the cost savings realized in the common interest.

The methods for assessing the contractually-agreed amount were reviewed by the Audit Committee which, at its meeting of February 13, 2015, noted that Kering S.A. had continued to benefit, during 2014, from the advice and assistance of Artémis S.A. on recurring issues including communications, public and institutional relations, as well as the development strategy and its implementation.

At its February 16, 2015 meeting, your Board of Directors duly noted the payment of €2,608,000 (excluding VAT) under this agreement in respect of 2014, it being specified that the revenue of the PUMA group was excluded from the calculation of this fee, as was the case in previous years, together with revenue from discontinued operations.

Persons involved: Mrs. Patricia Barbizet and Mr. François-Henri Pinault, members of the Board of Directors of Artémis S.A., a Kering S.A. shareholder with more than 10% of voting rights.

b) Agreements and commitments authorized in previous years and without continuing effect during the year

Furthermore, we were advised of the following agreements and commitments previously approved by the Shareholders' Meeting in prior years which remained in force but had no continuing effect during the year.

• **Retirement commitment in favor of Mr. Jean-François Palus, Deputy CEO of Kering S.A.**

On January 22 and April 8, 2010, the Board of Directors authorized Kering S.A. and the companies controlled by it within the meaning of Article L. 233-16 of the French Commercial Code to grant specific retirement benefits to Mr. Jean-François Palus, Deputy CEO of Kering S.A., due to his exceptional contribution to the business development of the Luxury Goods Division. This authorization resulted in the allocation of €3,568,000 (this capital being either managed by Kering S.A. or a company controlled by it, or invested in a top-tier asset management company) to fund his retirement benefits (with reversion rights to his beneficiaries in the event of death) payable as from the legal retirement age. His presence in the Kering group is not a requirement at that date, provided that he has not left the Group before December 31, 2014 for personal reasons.

To receive these retirement benefits, Mr. Jean-François Palus must satisfy the performance conditions attached to his variable compensation, for fiscal years 2009 and 2010, in his capacity as Deputy CEO of Kering S.A. On April 8, 2010 and February 16, 2011, your Board of Directors duly noted that the performance conditions were met for fiscal years 2009 and 2010, respectively.

Pursuant to these Board of Directors' authorizations, the Supervisory Board of Gucci Group NV (now Kering Holland N.V.), wholly-owned directly and indirectly by Kering S.A., decided, on December 10, 2010, to grant Mr. Jean-François Palus, in his capacity at that date as a member of the Supervisory Board of Gucci Group NV since May 30, 2006, an irrevocable pension right in respect of retirement benefits, in accordance with the terms and conditions provided for in your Board of Directors' authorization, based on a capital of €3,568,000, in so much as Kering S.A. acknowledges, at the given time, that this right is no longer subject to the fulfillment of any conditions.

On March 18, 2015, your Board of Directors noted that Mr. Jean-François Palus had not left the Group for personal reasons and therefore the right was no longer subject to the fulfillment of any conditions.

Paris La Défense and Neuilly-sur-Seine, March 25, 2015
The Statutory Auditors

KPMG Audit
Division of KPMG S.A.
Hervé Chopin

Deloitte & Associés
Frédéric Moulin

9. fees paid by the group to the statutory auditors and members of their networks in 2014

(in € thousands)	KPMG AUDIT				DELOITTE & ASSOCIÉS				TOTAL FEES		
	AMOUNT (EXCL. TAXES)		%		AMOUNT (EXCL. TAXES)		%		AMOUNT (EXCL. TAXES)		%
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	
Audit											
Statutory audit, certification, review of parent company and consolidated financial statements	4,687.9	4,175.1	84%	77%	2,614.5	2,559.9	75%	80%	7,302.4	6,735.0	8.4%
<i>Issuer</i>	328.0	327.8	6%	6%	300.4	309.3	9%	10%	628.4	637.1	-1.4%
<i>Fully-consolidated subsidiaries</i>	4,359.8	3,847.3	78%	71%	2,314.1	2,250.6	67%	71%	6,674.0	6,097.9	9.4%
Other audit-related services	305.5	598.5	5%	11%	157.0	123.0	5%	4%	462.5	721.5	-35.9%
<i>Issuer</i>	48.0	486.5	1%	9%	153.0	114.0	4%	4%	201.0	600.5	-66.5%
<i>Fully-consolidated subsidiaries</i>	257.5	112.0	5%	2%	4.0	9.0	0%	0%	261.5	121.0	116.1%
Sub-total	4,993.3	4,773.6	89%	88%	2,771.5	2,682.9	80%	84%	7,764.9	7,456.5	4.1%
Other services provided by the networks to fully- consolidated subsidiaries											
Legal, tax and employment- related services	329.5	160.0	6%	3%	527.2	344.9	15%	11%	856.6	504.9	69.7%
Other	268.2	513.0	5%	9%	175.0	156.6	5%	5%	443.2	669.6	-33.8%
Sub-total	597.7	673.0	11%	12%	702.2	501.5	20%	16%	1,299.8	1,174.5	10.7%
TOTAL	5,591.0	5,446.6	100%	100%	3,473.7	3,184.3	100%	100%	9,064.7	8,631.0	5.0%

Data for 2013 have been restated on a pro forma basis to exclude Redcats.

chapter 6

share capital and ownership structure

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1. share capital

1.1. share capital

Share capital as of December 31, 2014

As of December 31, 2014, the share capital amounted to €505,065,960 and was divided into 126,266,490 shares with a par value of €4 each (all of the same class), all fully paid up. The number of voting rights at the same date totalled 179,316,130 (less the number of treasury shares, which do not carry voting rights).

At the same date, to the Company's knowledge:

- the Directors directly held 0.082% of the share capital, representing 0.096% of the voting rights;
- the Company directly held 21,537 treasury shares, but did not hold any under the liquidity agreement; none of the Company's shares were held by controlled companies.

Share capital movements over the past seven years

Year	Description of transaction	Additional paid-in capital	Nominal amount of capital changes	Successive amounts of Company capital (as of Dec. 31)	Aggregate number of ordinary €4 shares
2014	Exercise of options	€3,106,096	€158,916		39,729
		€3,106,096	€158,916	€505,065,960	126,266,490
2013	Exercise of options	€8,147,202	€440,236		110,059
		€8,147,202	€440,236	€504,907,044	126,226,761
2012	Exercise of options	€11,473,054	€587,120		146,780
	Cancellation of shares	€(106,686,316)	€(4,123,868)		(1,030,967)
		€(95,213,262)	€(3,536,748)	€504,466,808	126,116,702
2011	Exercise of options	€13,202,936	€686,820		171,705
		€13,202,936	€686,820	€508,003,556	127,000,889
2010	Exercise of options	€17,724,677	€1,002,384		250,596
		€17,724,677	€1,002,384	€507,316,736	126,829,184
2009	Exercise of options	€1,615,358	€92,844		23,211
		€1,615,358	€92,844	€506,314,352	126,578,588
2008	Exercise of options	€1,631,590	€104,992		26,248
	Cancellation of shares	€(137,717,453)	€(6,211,240)		(1,552,810)
		€(136,085,863)	€(6,106,248)	€506,221,508	126,555,377

1.2. treasury shares held by the company and its subsidiaries

Acquisition of treasury shares by the Company

On May 26, 2004, Kering signed an agreement with a financial broker in order to improve the liquidity of the Group's shares and ensure share price stability. This agreement complies with the Professional Code of Conduct drawn up by the French association of financial and investment firms (Association française des marchés financiers – AMAFI)

and approved by the French financial markets authority (Autorité des marchés financiers – AMF).

The agreement was initially endowed with €40 million, half of which was provided in cash and half in Kering shares. An additional €20 million in cash was allocated to the agreement on September 3, 2004, and a further €30 million on December 18, 2007.

The Annual General Meeting on June 18, 2013 authorised the Board of Directors to trade in Company shares for a period of 18 months in accordance with the goals and terms of the share buy-back programme filed with the AMF. This programme specifies a maximum purchase price of €220 per share and states that the number of shares purchased may not exceed 10% of the share capital.

The Annual General Meeting on May 6, 2014 authorised the Board of Directors to trade in Company shares for a period of 18 months, under the same terms and conditions, with a maximum purchase price of €220 per share.

On April 23, 2015, the Annual General Meeting will be asked to approve an authorisation to trade in Company shares under a new buy-back programme.

Buy-backs and sales of shares during 2014 – Trading costs – Number of treasury shares held as of December 31, 2014

Share buy-backs

- 715,517 shares were bought back pursuant to the authorisation given by the Annual General Meeting on June 18, 2013, at an average price of €147.24;
- 1,165,920 shares were bought back by the Company pursuant to the authorisation given by the Annual General Meeting on May 6, 2014, at an average price of €157.54.

In 2014, Kering therefore bought back a total of 1,881,437 shares at an average price of €153.62 for the following purposes:

- 55,000 shares to be granted to employees under the 2010 and 2012 free share plans;
- 100,000 shares to be granted under stock option plans, in particular the 2006 and 2007 plans;
- 1,726,437 shares purchased under the liquidity agreement.

Sales of treasury shares

In 2014, Kering sold 1,726,437 shares at an average price of €153.88, under the aforementioned liquidity agreement.

134,838 shares were sold to employees under the 2006 and 2007 stock purchase option plans.

An additional 18,886 shares were granted to employees under the 2010 free share plans, maturing in May 2014, 39,960 shares were granted under the 2012 free share plan, maturing in April 2014, and 360 shares were granted under the 2008 free share plans.

Trading costs

Total share trading costs amounted to €0.5 million in 2014.

Share cancellations in 2014

No shares were cancelled during the year.

As of the end of the reporting period, the Company did not hold any treasury shares under the liquidity agreement. It directly held 21,537 shares with a par value of €4 each and a carrying amount of €3,359,466.15 representing 0.017% of the share capital.

Buy-backs and sales of Kering shares carried out between January 1 and March 15, 2015

Since January 1, 2015, the Company has acquired 159,305 shares at an average price of €175.00 and has sold 159,305 shares at an average price of €175.14, in connection with the liquidity agreement.

As of March 15, 2015, the Company did not hold any shares under the liquidity agreement.

Outside the scope of the liquidity agreement, the Company has acquired 75,000 Kering shares to be granted to employees in connection with stock purchase option plans.

As of March 15, 2015, 27,780 purchase options were exercised under the 2007 stock purchase option plans.

The number of treasury shares held by Kering as of March 15, 2015 therefore totals 68,757 shares with a par value of €4 per share and a carrying amount of €11,339,599.35.

Share cancellations in 2015

No shares were cancelled between January 1 and March 15, 2015.

Use of derivatives in 2014

Kering did not buy any call options on its own shares in 2014.

As of December 31, 2014, Kering did not hold any call options on its own shares.

1.3. *authorisations to issue securities giving access to the share capital*

Authorisations to issue shares or other securities in force as of December 31, 2014

Pursuant to the decisions of the Extraordinary General Meeting, the Board of Directors has the following authorisations:

Description of authorisation	Date of Annual General Meeting (resolution no.)	Term of validity (Expiry date)	Maximum authorised nominal amount	Current use
Share capital increases with pre-emptive subscription rights				
Share capital increase via the issue, with pre-emptive subscription rights, of shares, warrants and/or securities giving access, either immediately or in the future, to shares or to debt securities ⁽¹⁾	June 18, 2013 (15th)	26 months (August 2015)	€200 million €6 billion ⁽²⁾	Unused
Share capital increase via the capitalisation of reserves, profits or additional paid-in capital	June 18, 2013 (16th)	26 months (August 2015)	€200 million ⁽¹⁾	Unused
Share capital increases without pre-emptive subscription rights				
Share capital increase via the issue, without pre-emptive subscription rights, by public offering, of shares, warrants and/or securities giving access, either immediately or in the future, to shares in the Company, including as consideration for shares tendered in a public exchange offer, or to debt securities	June 18, 2013 (17th)	26 months (August 2015)	€75 million ⁽¹⁾ €6 billion ⁽²⁾	Unused
Share capital increase via the issue, without pre-emptive subscription rights, by private placement, of shares, warrants and/or securities giving access, either immediately or in the future, to shares in the Company or to debt securities	June 18, 2013 (18th)	26 months (August 2015)	€75 million ⁽³⁾⁽⁴⁾ €6 billion ⁽²⁾	Unused
Authorisation to set the issue price for a share capital increase, without pre-emptive subscription rights, by public offering or private placement, limited to 10% of the share capital per year	June 18, 2013 (19th) (related to the 17th and 18th resolutions above)	26 months (August 2015)	€50.4 million ⁽³⁾ per year	Unused
Share capital increase in consideration for in-kind contributions, limited to 10% of the share capital	June 18, 2013 (21st)	26 months (August 2015)	€50.4 million ⁽³⁾	Unused
Share capital increase with or without pre-emptive subscription rights				
Increase in the number of shares or securities to be issued within the scope of a share capital increase, with or without pre-emptive subscription rights, in the event of excess demand	June 18, 2013 (20th)	26 months (August 2015)	15% of the amount of the initial issue	Unused
Share capital reductions by cancelling shares				
Authorisation to reduce the share capital by cancelling shares	June 18, 2013 (14th)	24 months (June 2015)	10% of the share capital per 24-month period	Unused
Free share grants				
Grant of existing shares or shares to be issued, reserved for employees, Directors and executive corporate officers	June 18, 2013 (23rd)	26 months (August 2015)	0.5% of the share capital at the grant date	Unused

(1) This amount is deductible from the overall €200 million cap for issues of shares and/or securities giving access to the share capital set by the 15th resolution.

(2) This amount is deductible from the overall €6 billion cap for issues of debt securities set by the 15th resolution.

(3) This amount is deductible from the overall €200 million and €75 million caps for issues of shares and/or securities giving access to the share capital set by the 15th and 17th resolutions.

(4) Limited to 20% of the share capital per year in all cases.

As indicated in the above table, the Extraordinary General Meeting on June 18, 2013 authorised the Board of Directors to issue, with or without pre-emptive subscription rights, securities giving access to the Company's share capital, either immediately or in the future, to increase the share capital by capitalising reserves, profits or additional paid-in capital and to grant free shares.

These delegations of authority were not used during the year.

Other securities giving access to the share capital

Special report on stock subscription and purchase options and free share grants

The policy governing stock subscription and purchase options and free share grants forms part of the Group's human resources policy and is determined each year by the Board of Directors based on preparatory work and proposals from the Remuneration Committee.

Overall, this programme aims to recognise the contribution of employees to Kering's past and future results, to encourage long-term commitment to the Group and enable Kering group employees to benefit from increases in Kering's stock market value. Stock options are designed to foster employee loyalty, while free share grants seek to recognise an employee's contribution to Kering's results.

Eligible employees include managers holding key positions and with major responsibilities within the Group who, selected at the suggestion of each brand, play a key part in the development and implementation of the Group's strategy.

No new free shares were granted in 2013 or in 2014.

Stock option plans

Grants are, in principle, made annually. However, no stock subscription and purchase option plans have been set up since 2007.

The plans set up in 2006 and 2007 have terms of eight years (compared to terms of ten years for previous plans) and the options granted are purchase options. As they have no impact on the number of shares comprising the share capital, they are not dilutive.

Since 2001, stock options have been granted without any discount with regard to the price and with a four-year lock-in period.

Employees, Directors and executive corporate officers who leave the Group before exercising their options lose part of their entitlement, determined on the basis of their length of service with the Group since the grant date and the nature of their departure.

Twenty-five percent of options are vested per full year of service. All rights vest upon retirement. Since 2005, if a beneficiary resigns, he or she loses all rights vested subject to exceptions made by the Company. If a beneficiary is dismissed for gross negligence or misconduct, all rights are lost, including after the lock-in period.

As of December 31, 2014, the number of options outstanding was 143,086 including 14,146 stock subscription options and 128,940 stock purchase options.

Kering stock option plans as of December 31, 2014

	2005/1 Plan	2005/2 Plan	2005/3 Plan	2005/4 Plan	2007/1 Plan	2007/2 Plan
	Subscription options	Subscription options	Subscription options	Subscription options	Purchase options	Purchase options
Date of Annual General Meeting	05/21/2002	05/19/2005	05/19/2005	05/19/2005	05/14/2007	05/14/2007
Date of Executive Board/ Board of Directors' Meeting	01/03/2005	05/19/2005	05/19/2005	07/06/2005	05/14/2007	09/17/2007
Number of beneficiaries	13	458	22	15	248	14
Number of options initially granted	25,530	333,750	39,960	20,520	355,500	51,300
o/w: to members of the Executive Board ⁽¹⁾ and executive corporate officers	-	50,000	-	-	60,000	-
<i>François-Henri Pinault</i>	-	50,000	-	-	60,000	-
<i>Jean-François Palus</i>	-	2,100	-	-	7,700	-
o/w to the top ten employee beneficiaries	-	23,828	-	-	20,780	-
Number of options exercised as of Dec. 31, 2014	23,880	235,886	33,560	11,630	103,042	34,900
Options forfeited as of Dec. 31, 2014	1,400	84,368	6,000	8,890	126,418	13,500
Number of outstanding options as of Dec. 31, 2014	250	13,496	400	0	126,040	2,900
Plan start date	01/03/2005	05/19/2005	05/19/2005	07/06/2005	05/14/2007	09/17/2007
Plan expiry date	01/02/2015	05/18/2015	05/18/2015	07/05/2015	05/13/2015	09/16/2015
Strike price	€75.29	€78.01	€78.97	€85.05	€127.58	€127.58

NB: each option confers entitlement to one share.

(1) Membership as of May 19, 2005.

Stock options granted by Kering and by associated companies to the top ten employee beneficiaries (excluding Directors and executive corporate officers) and options exercised by them**Stock options granted to the top ten employee beneficiaries (excluding Directors and executive corporate officers) and options exercised by them**

	Total number of options granted or subscribed	Weighted average price
Options granted during the year by the issuer or any other company within the scope of the option grant, to the ten employees of the issuer receiving the most options	0	-
Options in respect of the issuer or any of the aforementioned companies exercised during the year by the ten employees of the issuer purchasing or subscribing to the most shares	15,603	159.26

Performance share plans

No performance shares were granted in 2014.

The Group granted Kering Monetary Units (KMUs) instead of performance shares, as described on pages 141 and 236.

A free share policy was introduced in 2005 to replace the previous option grants for employees based in France.

Grants were in principle made annually at the same time of year.

Performance shares vest fully at the end of a two-year vesting period, which is followed by a two-year lock-in period during which the performance shares granted may not be sold.

Grants made before 2009 are subject to a performance condition, which states that if the Kering share price underperforms the CAC 40 index during the two-year

vesting period (four years for foreign residents), the number of shares effectively granted is reduced in proportion to this underperformance.

The grants carried out since 2009 are subject to a performance condition, which states that if the Kering share price underperforms an index of listed European stocks from the luxury and retail sectors during the two-year vesting period (four years for foreign residents for 2009 and 2010 plans), the number of shares effectively granted is reduced in proportion to this underperformance.

Unless an exception is granted by the Company, beneficiaries who are no longer employees, Directors or executive corporate officers in the Group by the end of the vesting period lose part of their entitlement, determined on the basis of the nature of their departure from the Group.

Kering free share plans as of Dec. 31, 2014	2010/II Plan	2011/II Plan	2012/I Plan	2012/II Plan
Date of Annual General Meeting	05/14/2007	05/19/2010	05/19/2010	05/19/2010
Date of Board meeting	05/19/2010	05/19/2011	04/27/2012	04/27/2012
Number of shares initially granted	25,035	9,455	69,399	39,640
to François-Henri Pinault			11,682	
to Jean-François Palus			8,416	
Shares forfeited as of Dec. 31, 2014	6,149	1,365	29,439	1,520
Number of shares issued as of Dec. 31, 2014	18,886		39,960	
Number of shares outstanding as of Dec. 31, 2014	0	8,090	0	38,120
Number of beneficiaries	108	76	198	88
Vesting date	05/19/2014	05/19/2015	04/27/2014	04/27/2016
Date on which shares may be sold	05/19/2014	05/19/2015	04/27/2016	04/27/2016

Performance shares granted to the top ten employee beneficiaries (excluding Directors and executive corporate officers) of the Company	Total number of free shares granted
Free shares granted during the year by the issuer or any other company within the scope of the share grant, to the ten employees (excluding Directors and executive corporate officers) of the issuer receiving the most shares	0

Changes in share capital and rights attached to shares

Any changes in the share capital and the rights attached to shares are governed by the legal requirements and the specific provisions of the Articles of Association as set out below.

Under Article 15 of the Articles of Association, in the Company's internal organisation, decisions by the Chief Executive Officer relating to the issue of securities, regardless of their nature, require the prior approval by the Board of Directors when such issues are likely to change the share capital.

1.4. employee share ownership

As of December 31, 2014, Company and Group employees held 526,786 shares, representing 0.42% of the share capital, under the provisions of Article L. 225-102 of the French Commercial Code (*Code de commerce*). Of those

shares, 102,446 were free shares that are still locked-in and represent 0.08% of the share capital. Company employees also held 15,793 shares via an employee investment fund, representing 0.01% of the share capital.

1.5. *appropriation of net income – dividends paid by the company*

Appropriation of net income

At its meeting on February 16, 2015, the Board of Directors acknowledged and proposed the following net income appropriation to the Annual General Meeting:

(in €)

Source	
Retained earnings	1,975,344,987.55
Net income for the year	817,551,246.10
Total for appropriation	2,792,896,233.65
Appropriation	
Legal reserve ⁽¹⁾	
Dividend ⁽²⁾	505,065,960.00
Retained earnings	2,287,830,273.65
Total	2,792,896,233.65

(1) No further charge to the legal reserve is proposed since the reserve stood at €51,354,910 as of December 31, 2014, i.e., above the minimum amount required by law (10% of the share capital).

(2) Representing a dividend of €4.00 per share qualifying for the 40% tax allowance, payable on April 30, 2015. This amount corresponds to the interim dividend paid on January 26, 2015 (€189,399,735.00) plus the final dividend of €315,666,225.00, equal to €2.50 per share, calculated on the basis of the maximum number of shares carrying dividend rights.

The Board of Directors will propose to the Annual General Meeting on April 23, 2015 the payment of a dividend of €4.00 per share eligible for dividends as of January 1, 2014.

If this dividend is approved, the balance of €2.50 per share will have an ex-dividend date of April 28, 2015 and will be payable as from April 30, 2015.

An interim dividend in the amount of €1.50 per share was paid on January 26, 2015 pursuant to a decision by the Board of Directors on December 8, 2014.

Dividends paid out over the past three fiscal years

Year of payment	Net dividend	Qualifying for a tax allowance of
2014	€3.75	40%
2013	€3.75 ⁽¹⁾	40%
2012	€3.50	40%

(1) Plus an in-kind dividend in the form of a right to the allotment of Groupe Fnac shares (one Groupe Fnac share for every eight Kering shares held) based on a value of €20.03 per Groupe Fnac share as of June 20, 2013, the day the shares were first listed.

1.6. *share pledges*

As of December 31, 2014, 7,025,000 registered shares were pledged by the Artémis group.

Name of registered shareholder	Beneficiary	Pledge start date	Pledge expiry date	Terms of release of the pledges	Number of issuer shares pledged	% of the issuer's capital pledged ⁽²⁾
Artémis	CA CIB	03/01/2007	Unspecified ⁽¹⁾		1,700,000	1.35%
Artémis	CA CIB	07/26/2012	Unspecified ⁽¹⁾		825,000	0.65%
Artémis	CA CIB	09/28/2012	Unspecified ⁽¹⁾		4,500,000	3.56%

(1) Full reimbursement or payment of the receivable.

(2) Based on the share capital as of December 31, 2014, comprising 126,266,490 shares with a par value of €4 each.

In September 2010, the Artémis group issued €690 million worth of bonds exchangeable for existing Kering shares. The exchangeable bonds were issued by Misarte, a 98.8%-owned subsidiary of Artémis.

This issue was carried out as part of the Artémis group's strategy to optimise its financial structure and diversify its sources of financing. Holders of exchangeable bonds may request to exchange their bonds for Kering shares, subject to any subsequent adjustments and Misarte's right, instead of delivering the Kering shares, to pay all or part of their exchange value in cash.

In order to facilitate the exchange or redemption of bonds for Kering shares, 4,932,094 Kering shares to be delivered to bond-holders were placed in escrow at the time of the issue.

Following the distribution of Groupe Fnac shares by Kering on June 20, 2013, the exchange parity of the bonds issued by Misarte was adjusted, as was the number of shares placed in escrow. The new exchange parity is 1.015 Kering shares for one bond. The number of Kering shares placed in escrow as of December 31, 2014 was 5,001,903.

The bonds, which were admitted for trading on the euro MTF market of the Luxembourg stock exchange, will be fully redeemed (with the exception of those redeemed in advance) on January 1, 2016.

To the Company's knowledge, any previous issues of exchangeable bonds carried out by the Artémis group have not led to any changes in its shareholding structure.

1.7. *arrangements and agreements*

To the Company's knowledge, there are no contractual provisions involving shares or voting rights of the Company

that should have been disclosed to the AMF pursuant to Article L. 233-11 of the French Commercial Code.

2. share ownership structure

Change in share ownership and voting rights

	As of December 31, 2014				As of December 31, 2013			
	Number of shares	% of share capital	Number of voting rights	% of voting rights ⁽¹⁾	Number of shares	% of share capital	Number of voting rights	% of voting rights ⁽¹⁾
Artémis group	51,675,702	40.93%	103,216,483	57.56%	51,614,762	40.89%	103,155,543	57.53%
Baillie Gifford			-		see Note (2) below			
Kering	21,537	0.00%	21,537 ⁽³⁾	0.00%	60,581	0.05%	60,581 ⁽³⁾	0.00%
Employees	542,579	0.43%	904,522	0.51%	501,256	0.40%	800,417	0.45%
Free float	74,026,672	58.62%	75,195,125	41.93%	74,050,162	58.66%	75,302,913	42.02%
Total	126,266,490	100.00%	179,337,667	100.00%	126,226,761	100.00%	179,319,454	100.00%

	As of December 31, 2012			
	Number of shares	% of share capital	Number of voting rights	% of voting rights ⁽¹⁾
Artémis group	51,614,762	40.93%	98,988,548	56.50%
Baillie Gifford	6,399,935	5.07%	6,399,935	3.65%
Kering	25,073	0.02%	25,073 ⁽³⁾	0.00%
Employees	451,932	0.36%	669,850	0.39%
Free float	67,625,000	53.62%	69,143,852	39.46%
Total	126,116,702	100.00%	175,227,258	100.00%

(1) Shares held for more than two years in a registered account in the name of the same shareholder carry double voting rights (see the section entitled "General information – Annual General Meetings" on page 339).

(2) On May 2, 2013, Baillie Gifford & Co. parent company of an investment management group based in Edinburgh (UK), acting on behalf of funds and clients under an asset management agreement, reported that, on April 30, 2013, it had crossed below the 5% threshold of Kering's share capital and that it held, on behalf of said funds and clients, 6,287,063 Kering shares representing an equal number of voting rights, i.e., 4.98% of the share capital and 3.56% of the Company's voting rights.

(3) Theoretical voting rights, in the Annual General Meeting these shares lose their voting rights.

Artémis is wholly owned by Financière Pinault, itself controlled by the Pinault family. Artémis holds 57.56% of the Company's voting rights and as such has *de jure* control of the Company within the meaning of Article L. 233-3-I of the French Commercial Code.

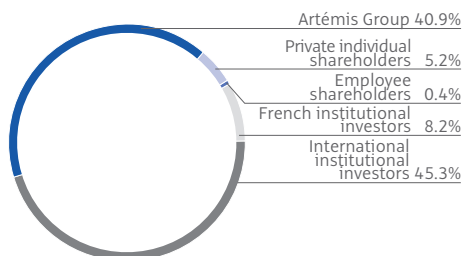
On January 17, 2014, Harris Associates L.P.⁽⁴⁾, based in Chicago (the USA) and acting on behalf of funds and clients for whom it provides asset management services, reported that it had crossed above the 5% threshold of Kering's share capital on January 14, 2014. On December 4, 2014, Harris Associates L. P., reported that it had crossed below the 5% threshold of Kering's share capital on November 28, 2014 and that it held, on behalf of said funds and clients, 5,918,967 shares representing an equal number of voting rights, i.e., 4.69% of the share capital and 3.30% of the Company's voting rights. This threshold was crossed as a result of a sale of Kering shares on the open market.

To the Company's knowledge, no other shareholder directly, indirectly, or jointly holds 5% or more of the share capital or voting rights.

Regarding the majority shareholder's control of the Company, the organisation and operating rules of the Board and of its specialised Committees, the number of independent Directors – representing (i) more than a third of the Board members (who oversee the prevention of conflicts of interests and regularly carry out its self-assessment), (ii) two-thirds of the Audit Committee, and (iii) the majority of the Remuneration Committee, it being specified that no executive corporate officer is a member of these Committees – general compliance with current rules, internal rules and good governance practices all contribute to maintaining a balanced control (see Chapter 4 "Corporate governance").

(4) Controlled by Natixis Global Asset Management, L.P., itself controlled by Natixis. Harris Associates L.P. claims to act independently of the person controlling it, under the conditions laid down in Articles L. 233-9 II of the French Commercial Code and Articles 223-12 and 223-12-1 of the AMF's General Regulations.

BREAKDOWN OF SHARE CAPITAL AS OF DECEMBER 31, 2014 (ROUNDED FIGURES)



Source: Identifiable Bearer Security (Titre au Porteur Identifiable) as of December 31, 2014.

As of December 31, 2014, private individual shareholders held 5.2% of the Group's share capital. Institutional investors owned 53.5% of the share capital, with 8.2% held by French companies and 45.3% by investors residing outside France.

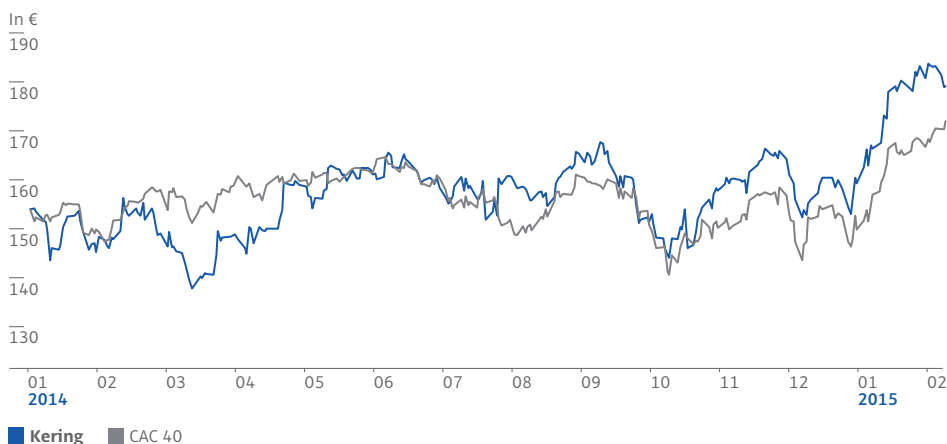
Among the international institutional investors, North American-based and UK-based shareholders held 20.7% and 12.4% of the share capital, respectively. Continental European investors (excluding France) held 6.8% of the share capital, including notably Norway (1.8%), and Switzerland (1.4%). Shareholders based in the Asia-Pacific region represented 3.6% of the share capital.

Stock market information

Kering share

Place of listing	NYSE Euronext Paris
Market	Eurolist A
Benchmark index	CAC 40
Initial public offering	October 25, 1988 on the Second Market February 9, 1995 on the CAC 40
Number of shares	126,266,490 as of December 31, 2014
Tickers	ISIN code: FR 0000121485 Reuters: KER.PA Bloomberg: KERFP

Change in the price of the Kering share compared to the CAC 40 index since January 1, 2014



Market price and trading volume of the Kering share

	2014	2013	2012	2011	2010
High (in €)	167.4	184.5	144.5	132.2	128.3
Low (in €)	137.4	140.3	106.4	90.5	81
Price as of December 31 (in €)	159.5	153.7	140.9	110.7	119.0
Market capitalisation					
as of December 31 (in € millions)	20,140	19,395	17,764	14,034	15,093
Daily average volume (in number of shares)	224,261	254,343	317,960	385,265	453,415
Number of shares as of December 31	126,266,490	126,226,761	126,116,702	127,000,889	126,829,184

Source: Euronext.

Listed securities of the Group as of December 31, 2014

Securities listed on the Paris Stock Exchange (SRD)

ISIN code

Equities

Kering	FR 00 00 121 485
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Securities listed on the Luxembourg Stock Exchange

ISIN code

Bonds

Kering 6.50% November 2017	FR 00 10 784 082
Kering 3.75% April 2015	FR 00 10 878 991
Kering 1.875% October 2018	FR 00 11 584 929
Kering 3.125% April 2019	FR 00 11 236 983
Kering 1.375% October 2021	FR 00 12 199 008
Kering 2.75% April 2024	FR 00 11 832 039
Kering 2.50% July 2020	FR 00 11 535 764

Stock market data

Kering share

2013	Share price (in €)				Volume		
	Average	High	Low	Monthly change	Average daily (in number of shares)	Shares traded	
						€M	Number of shares
January	149.2	159.9	142.0	+12.5%	298,194	989	6,560,258
February	162.8	175.1	156.1	+8.4%	346,778	1,155	6,935,556
March	172.3	179.5	168.7	-0.2%	294,733	1,034	5,894,656
April	166.1	179.8	161.9	-2.5%	299,701	1,063	6,293,719
May	169.3	177.2	166.5	+0.7%	241,112	912	5,304,460
June	156.9	165.2	147.0	-4.2%	405,928	1,269	8,118,558
July	168.3	178.6	155.7	+10.2%	269,147	1,042	6,190,374
August	178.8	185.2	170.9	-0.7%	164,487	646	3,618,723
September	171.5	177.7	163.6	-3.1%	230,052	824	4,831,088
October	167.5	175.6	160.3	+1.0%	218,123	839	5,016,824
November	164.5	169.0	161.1	-2.4%	170,815	589	3,587,114
December	152.1	163.6	148.1	-5.9%	262,583	797	5,251,660

2014	Share price (in €)				Volume		
	Average	High	Low	Monthly change	Average daily (in number of shares)	Shares traded	
						€M	Number of shares
January	149.2	154.8	143.0	-3.6%	271,137	886	5,965,013
February	150.9	157.5	145.6	+0.4%	263,507	795	5,270,132
March	143.5	149.7	137.0	-0.4%	260,981	785	5,480,594
April	150.8	161.0	143.2	+7.7%	272,197	824	5,443,949
May	159.2	163.4	153.0	+1.7%	180,962	605	3,800,202
June	161.9	165.9	158.3	-1.2%	172,568	587	3,623,923
July	157.0	161.2	151.1	-0.1%	204,229	736	4,697,265
August	158.0	162.6	153.7	+0.8%	193,396	643	4,061,315
September	162.8	167.7	157.3	-1.0%	210,238	752	4,625,234
October	149.6	159.9	140.1	-3.6%	284,144	978	6,535,318
November	159.7	167.3	153.4	+7.9%	178,839	571	3,576,783
December	159.3	167.5	150.4	-4.0%	195,569	651	4,106,950

2015	Share price (in €)				Volume		
	Average	High	Low	Monthly change	Average daily (in number of shares)	Shares traded	
						€M	Number of shares
January	167.3	181.8	152.7	+12.5%	278,695	985	5,852,599
February	180.7	185.0	174.8	+1.4%	242,083	872	4,841,652

Source: Euronext.

Financial communications policy

Kering's financial communications policy endeavours to disseminate accurate and reliable information. Its actions are targeted and customised to offer different audiences, private individual shareholders and the financial community, messages suited to their respective expectations while complying with the principle of equal access to information.

Towards individual shareholders

Private individual shareholders have access to numerous media and tools to keep themselves informed on the Group and on the life of the security. These include the twice-yearly Letter to Shareholders, the Shareholders' Guide (first edition – in French only – planned for April 2015), the shareholders' hotline in France (+33 1 45 64 65 64), the email address (actionnaire@kering.com), the financial notices in the press and on the Internet, and the annual report.

Towards the financial community

The Group maintains close relationships with the French and international financial community. A number of initiatives are designed to keep the financial community informed about its businesses, strategy and outlook. Kering has expanded its communication by organising conference calls upon the release of quarterly revenue and half-year results, and a meeting to present its annual results. Kering also participates in industry conferences held by major banks.

All of the presentation material is available on the Group's website. Kering also meets with investors during roadshows held in the major financial centres around the world. In addition, the Group meets with individual investors and analysts upon request and maintains proactive relationships in terms of reporting to the AMF (*Autorité des marchés financiers*).

Procedures for communicating regulatory information

Pursuant to obligations – applicable since January 20, 2007 – to disclose regulatory information resulting from the implementation of the Transparency Directive in the AMF's General Regulations, Kering's Financial Communications Department oversees the proper and full disclosure of regulatory information. This information is filed with the AMF at the time of its disclosure and stored on the Kering website.

Full and effective communication is carried out electronically in compliance with the criteria defined by the AMF's General Regulations which require communication to a wide audience within the European Union and according to terms and conditions guaranteeing the security of the communication and information. Accordingly, Kering's Financial Communications Department has chosen to call on a professional communications agency satisfying the communication criteria set by the General Regulations and featured on the list published by the AMF, thus benefiting from a presumption of full and effective communication.

2015 shareholders' agenda

April 21, 2015	2015 first-quarter revenue
April 23, 2015	Combined General Meeting
July 2015	2015 half-year results
October 2015	2015 third-quarter revenue

chapter 7

additional information

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1. *additional information*

1.1. *general information*

Company name and registered office

Company name: Kering

Registered office: 10, avenue Hoche, 75008 Paris, France

Legal form

A French joint stock company (*société anonyme*)

Applicable law

French law

Date of incorporation and term

The Company was incorporated on June 24, 1881 for a term of 99 years. The term was extended to May 26, 2066 by the Extraordinary General Meeting on May 26, 1967, except in the case of an early dissolution or of an extension approved by the Extraordinary General Meeting.

Corporate purpose

- the purchase, retail sale or wholesale, either directly or indirectly, by all means and using all existing or future techniques, of all goods, products, commodities or services;
- the creation, acquisition, leasing, operating or sale, either directly or indirectly, of all establishments, stores or warehouses, by all means and using all existing or future techniques, for the retail sale or wholesale of all goods, products, commodities or services;
- the direct or indirect manufacture of all goods, products or commodities that are useful for corporate operations;
- the direct or indirect supply of all services;
- the purchase, operation and sale of all buildings that are useful for corporate operations;
- the creation of all commercial, non-trading, industrial and financial concerns, whether in moveable or real property, service or other businesses, the acquisition of participating interests by all means, subscription, acquisition, contribution, merger or otherwise in, to or of such concerns and businesses and the management of its participating interests;
- and, in general, all commercial, non-trading, industrial and financial operations, whether in moveable or real property, service or other businesses that can be directly or indirectly connected to the purposes specified above or to all similar, complementary or related purposes or purposes that are liable to favour the creation or development thereof.

(Article 5 of the Articles of Association)

Trade and Companies Registry

552 075 020 RCS Paris

APE code: 741 J

Consultation of legal documents

The Articles of Association, the minutes of Annual General Meetings and other corporate documents may be consulted at the registered office under the conditions provided for by law.

Fiscal year

The Company's fiscal year begins on January 1 and ends on December 31 of the same year.

Appropriation of earnings

From the profit for the fiscal year, less deferred losses where applicable, a minimum withdrawal of one-twentieth is made and paid into a reserve fund known as the "legal reserve". Said withdrawal ceases to be mandatory once said reserve reaches one-tenth of the share capital.

From the distributable profit, which is made up of the profit for the fiscal year less the deferred losses and the withdrawal referred to above, as well as the amounts to be paid into the reserves in accordance with the law, plus deferred profits, the Annual General Meeting, pursuant to a proposal by the Board of Directors, may withdraw all amounts it deems appropriate, either to be deferred to the subsequent fiscal year, or to be entered into one or more extraordinary, general or special reserve funds, the allocation and use of which is determined by the Annual General Meeting.

The balance, if any, is allocated among the shareholders.

The Annual General Meeting that votes on the financial statements for the fiscal year has the option of granting each shareholder, for all or part of the dividend or interim dividend distributed, an option between the payment of the dividend or the interim dividend in cash, in kind or in shares. The Annual General Meeting may also decide, for all or part of the dividend, interim dividends, reserves, or premiums distributed, or for any capital reduction, that the distribution of dividends, reserves or premiums or the capital reduction will be made in kind in the form of corporate assets, including securities.

(Article 22 of the Articles of Association)

Dividends not claimed after five years are paid to the State.
Dividends paid over the last three fiscal years are presented in the Management Report.

Administrative and management bodies

Information regarding administrative and management bodies is presented in the "Corporate governance" chapter.

Annual General Meetings – Double voting rights

Annual General Meetings are convened by the Board of Directors and deliberate on their agenda under the conditions provided for by the law and the regulations.

Meetings are held at the registered office or in any other place specified in the convening notice.

All shareholders may attend meetings, either in person or via a proxy, under the conditions laid down by law, subject to providing proof of their identity and of the title to their securities, by the recognition of said securities in the accounts in their name within the regulatory timeframes, either in the accounts of registered securities held by the Company, or in the accounts of bearer securities held by an accredited intermediary. Proof of the capacity of a shareholder can be provided electronically, under the conditions set by the regulations in force. Pursuant to a decision of the Board of Directors, shareholders may participate in meetings via video-conference or via telecommunications means that make it possible to identify them under the conditions laid down by the regulations in force. All shareholders may vote by correspondence using a form filled out and sent to the Company under the conditions laid down by the regulations in force, including electronically, pursuant to a decision by the Board of Directors. This form must reach the Company in accordance with the regulatory conditions in order to be taken into account. The Board of Directors may reduce said timeframe for the benefit of all shareholders. The owners of securities who are not resident on French territory may be represented by an intermediary who is registered in accordance with the conditions laid down by the regulations in force.

Meetings are chaired by the Chairman of the Board of Directors or, in his/her absence, by the member of the Board who is specifically appointed for this purpose by the Board. Failing this, the meeting elects its own chair.

Meeting minutes are prepared and copies thereof are certified and issued in accordance with the law.

In all Annual General Meetings, a voting right that is double that conferred on the other shares is granted to all shares that are paid up in full and for which proof is provided that they have been held in registered form for at least two years in the name of the same shareholder. This double voting right, which existed in the Articles of Association of Pinault SA prior to its merger with Printemps SA, was restated at the time of their 1992 merger.

This double voting right may be withdrawn outright at any time pursuant to a decision of the Extraordinary General Meeting and after ratification by a special meeting of the beneficiary shareholders.

(Article 20 of the Articles of Association)

The double voting right existed in Pinault SA and Printemps SA prior to their 1992 merger. The Company's Articles of Association do not provide that, in the event of a free allocation of registered shares to a shareholder in respect of old shares for which he/she/it had a double voting right, the new shares are also entitled to a double voting right.

Pursuant to the relevant legislation, double voting rights are cancelled for any share converted to a bearer share or in the event of a transfer of ownership except in the case of a transfer following inheritance, liquidation of joint property between spouses, or donation between living family members (spouse or relative) with legal inheritance rights.

Voting rights are not limited under the Articles of Association.

The legal and regulatory provisions relating to the crossing of thresholds by shareholders apply. The Company's Articles of Association do not include any special provision in this regard.

There are no shares that are non-representative of capital.

The steps required to amend shareholder rights are those provided for by law.

Share capital

The Company is authorised to use the provisions of the law and regulations regarding the identification of the holders of securities that grant immediate or deferred access to voting rights at its own Annual General Meetings.

(Article 7 of the Articles of Association)

In addition to the voting right that is granted to each share by the law and by the specific provisions of Article 20 below, each share confers the right to a percentage, which is proportional to the number and par value of the existing shares, of the corporate assets, profits after deduction of the withdrawals provided for by law and the Articles of Association, and liquidating dividend.

In order for all the shares to receive the same net amount, without distinction, and to be listed on the same line, the Company shall, unless prohibited by law, pay the amount of any proportional tax that may be owed on certain shares only, in particular upon a winding up of the Company or capital reduction; however, the Company will not make this payment when the tax applies under the same conditions to all the shares in the same class, if there are several classes of shares to which different rights are attached.

Each time it is necessary to possess more than one share in order to exercise a right, it is the responsibility of the owners who do not possess such number to make arrangements to regroup the required number of shares.

(Article 8 of the Articles of Association)

In the event of liquidation of the Company, the remaining shareholders' equity after repayment of the par value of the shares will be allocated among the shareholders in the same proportions as their holdings in the capital.

(Article 24 of the Articles of Association)

Any changes in the share capital or the rights attached to securities comprised in the share capital are governed by the legal requirements and the specific provisions of the Articles of Association as set out below.

Under Article 15 of the Articles of Association, in the Company's internal organisation, decisions by the Chief Executive Officer relating to the issue of securities, regardless of their nature, require the prior approval by the Board of Directors when such issues are likely to change the share capital.

1.2. information on trade payables – payment terms

Kering's trade payables, amounting to €7.8 million as of December 31, 2014 (€5.6 million as of December 31, 2013), fall due in less than 60 days.

1.3. information on trade receivables – payment terms

Kering's trade receivables, amounting to €13.6 million as of December 31, 2014 (€18.6 million as of December 31, 2013), fall due 30 days after the invoice date.

2. person responsible for the reference document

Jean-François Palus

Group Managing Director

2.1. declaration by the person responsible for the reference document and for the annual financial report

Having taken all reasonable measures to that effect, I hereby attest that the information in this Reference Document is, to my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I certify that, to my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and the undertakings included in the consolidation, and that the Management Report (the cross-reference table for which is shown on page 333) includes a fair review of the development of the business, the results of operations and the financial position of the Company and of all the undertakings included in the consolidation and also describes the main risks and uncertainties to which they are exposed.

I have obtained a statement from the Statutory Auditors, KPMG Audit and Deloitte & Associés, confirming that they have audited the information contained in this document relating to the financial position and the financial statements contained herein, and that they have read this document in its entirety.

The annual consolidated and parent company financial statements of Kering SA shown in the Reference Document are subject to reports by the Statutory Auditors on pages 295 and 317-318 respectively of said document. The Statutory Auditors' report on the parent company financial statements contains an emphasis of matter regarding the information presented in the Management Report on remuneration paid and benefits granted to corporate officers.

Paris, March 31, 2015

Jean-François Palus

Group Managing Director

(Directeur Général délégué)

3. *statutory auditors*

3.1. *principal statutory auditors*

KPMG Audit, a department of KPMG SA

1, cours Valmy, 92923 Paris-La Défense Cedex

Hervé Chopin

Date of first appointment: Annual General Meeting on June 18, 1992.

Term and expiry: from May 19, 2010 until the Annual General Meeting called to approve the 2015 financial statements.

Deloitte & Associés

185, avenue Charles de Gaulle, 92524 Neuilly-sur-Seine Cedex

Frédéric Moulin

Date of first appointment: Annual General Meeting on May 18, 1994.

Term and expiry: from May 6, 2014 until the Annual General Meeting called to approve the 2019 financial statements.

3.2. *substitute statutory auditors*

KPMG Audit IS

3, cours du Triangle, Puteaux, 92939 Paris-La Défense Cedex

Date of first appointment: Annual General Meeting on May 19, 2010.

Term and expiry: from May 19, 2010 until the Annual General Meeting called to approve the 2015 financial statements.

BEAS

7-9, Villa Houssay, 92524 Neuilly-sur-Seine Cedex

Date of first appointment: Annual General Meeting on May 19, 2005.

Term and expiry: from May 6, 2014 until the Annual General Meeting called to approve the 2019 financial statements.

4. *documents incorporated by reference*

In compliance with Article 28 of European Regulation no. 809/2004 dated April 29, 2004, this Reference Document incorporates by reference the following information, to which the reader is invited to refer:

- for the fiscal year ended on December 31, 2013: key figures, activities of the Group, activity report, investment policy, consolidated financial statements, parent company financial statements and the related Statutory Auditors' reports, set out on pages 6-7, 15-53, 156-182, 183-186, 195-282, 284-302, 283 and 284 respectively of the Reference Document filed on April 9, 2014 with the AMF;
- for the fiscal year ended on December 31, 2012: key figures, activities of the Group, activity report, investment policy, consolidated financial statements, parent company financial statements and the related Statutory Auditors' reports, set out on pages 6-7, 16-43, 132-160, 161-164, 173-264, 266-284, 265 and 285 respectively of the Reference Document filed on April 18, 2013 with the AMF.

Information included in these two Reference Documents other than that listed above is, where relevant, replaced or updated by the information included in this Reference Document. These two Reference Documents are available at the Group's registered office and on its website: www.kering.com, under the Finance section.

5. *cross-reference table*

to the disclosure requirements set out in annex 1 of european regulation no. 809/2004

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(2) This Reference Document does not include any profit forecasts.

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(3) No quarterly financial statements have been published between the closing of the annual financial statements and the publication of the Reference Document.

(4) Not material.

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kering

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