

Financial document **2015**

KERING

CHAPTER 1
Kering in 2015 3

CHAPTER 2
Our activities 15

CHAPTER 3
Financial information 57

chapter 1
kering in 2015

1. History 4

2. Key consolidated figures 6

3. Kering Empowering Imagination 8

4. Kering Group Simplified Organisational Chart as of December 31, 2015 14

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 Sport & Lifestyle.

Having fully aligned the Group around its Luxury and Sport & Lifestyle activities, since 2014 Kering has continued its growth story aimed at unlocking the potential of its brands.

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
- 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.
- 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 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 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.

2008
- Sale of YSL Beauté to L'Oréal.
- Sale of Conforama Poland.
- Sale by Redcats UK of Empire Stores and 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 Bédat & 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.
- Announced project of internalisation of the Eyewear business value chain.
- Acquisition of the *haute horlogerie* brand Ulysse Nardin.

2015
- Sale of the industrial property rights of the Tretorn group (which include trademark rights, patents and designs) by PUMA (June 2015).
- Launch of Kering Eyewear (June 2015).
- Sale of the Italian luxury shoemaker Sergio Rossi (December 2015).

2. key consolidated figures

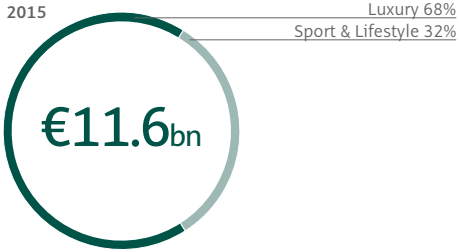
(in € millions)	2015	2014
Revenue	**11,584**	**10,038**
o/w generated in emerging countries (as a % of revenue)	*36.8%*	*37.6%*
EBITDA	**2,056**	**1,991**
EBITDA margin (as a % of revenue)	*17.8%*	*19.8%*
Recurring operating income	**1,647**	**1,664**
Recurring operating margin (as a % of revenue)	*14.2%*	*16.6%*
Net income attributable to owners of the parent	**696**	**529**
o/w net income from continuing operations excluding non-recurring items	**1,017**	**1,177**
Gross operating investments (1)	**672**	**551**
Free cash flow from operations (2)	**660**	**1,078**
Average number of employees	**34,697**	**32,890**

(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.

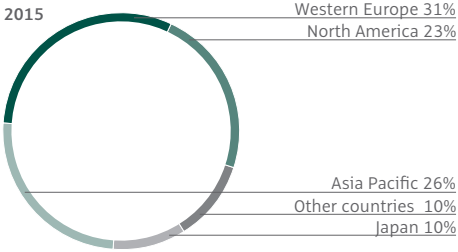
Per share data *(in €)*	2015	2014
Earnings per share attributable to owners of the parent	5.52	4.20
o/w continuing operations excluding non-recurring items	8.07	9.35
Dividend per share	4.00 (3)	4.00

(3) Subject to the approval of the Annual General Meeting on April 29, 2016.

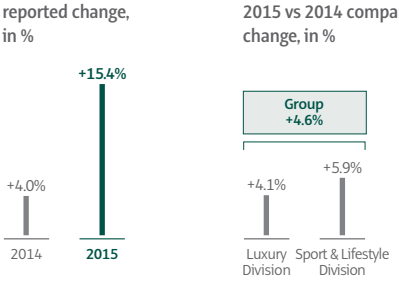
revenue breakdown by division



revenue breakdown by region

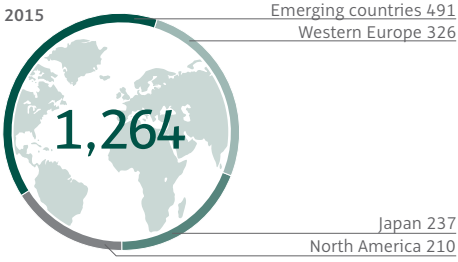


group revenue

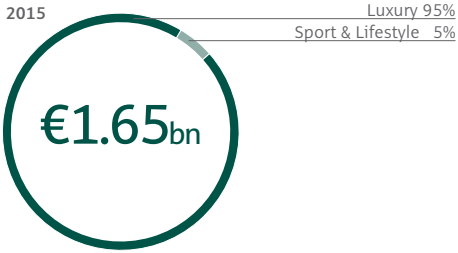


(1) Comparable revenue is defined on page 58.

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



recurring operating income breakdown by division*



* Excluding Corporate.

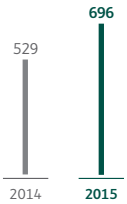
dividend per share (in euros)



* Subject to the approval of the Annual General Meeting on April 29, 2016.

net income attributable to owners of the parent

(in € millions)

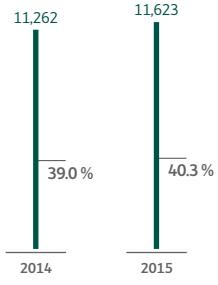


net income attributable to owners of the parent

from continuing operations excluding non-recurring items *(in € millions)*



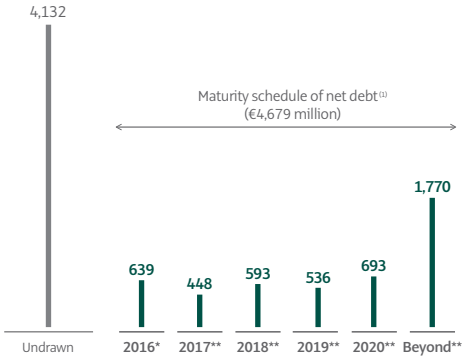
financial position debt-to-equity ratio



	2014	2015
Net debt [1] (ND) *(in € millions)*	**4,391**	**4,679**
Solvency ratio (ND/EBITDA)	**2.21 [2]**	**2.28**

(1) Net debt is defined on page 58.
(2) Reported data, not restated.

liquidity



* Gross borrowings after deduction of cash equivalents.
** Gross borrowings.

3. kering empowering imagination

Since its inception in 1963, Kering (then PPR) has continuously transformed itself, constantly seeking growth and creating value with an entrepreneurial spirit.

Between 2005 and 2014, Kering undertook an in-depth strategic transformation, from a diverse conglomerate into a cohesive international group entirely dedicated to a complementary ensemble of apparel and accessories brands.

The change in the name of the Group from PPR to Kering in 2013 reflects this new identity. Pronounced "caring", the new corporate identity symbolises the way in which the Group nurtures its brands, employees and customers, as well as the environment.

from ppr to kering: building a group on a global scale

The Group began transforming its portfolio of assets and activities in 2005 with the aim of gradually phasing out its legacy mass-retail businesses located mainly in France and Europe, in order to become a front-ranking group of global brands in the Luxury and Sport & Lifestyle segments.

These changes are in line with the Group's strategic vision of focusing future development on new growth drivers by capitalising on changes in the global economy and harnessing the potential and growth cycles in emerging and mature markets. These growth drivers include:

- a global economy, which will continue to be led by mature markets but will also be shaped by the growing influence of emerging markets;
- growth in emerging markets, underpinned by demographic trends and rapid urbanisation, creating a middle class with levels of income that will gradually drive up discretionary consumer spending;
- a gradual convergence in consumer patterns, propelled by growing aspirational demand in new markets for world-renowned brands, and supported by the development of international tourism and the digital economy;
- robust demand in both mature and emerging markets for branded Sport & Lifestyle and Luxury products, a segment in which the Group has been well positioned since its 1999 acquisition of Gucci Group.

From 2005 onwards, the Group began refocusing its activities, gradually withdrawing from mass-market retailing activities with the sale of Printemps, Cfao, Conforama, Surcouf, certain international businesses, the children's division of Redcats and La Redoute, as well as listing Fnac on the stock market.

At the same time, the Group embarked upon an ambitious expansion programme to grow its portfolio of Luxury and Sport & Lifestyle brands.

a complementary ensemble of powerful brands and a virtuous growth model

The first phase of the Group's transformation, through 2015, involved expanding and strengthening Kering's brand portfolio, both through organic growth and targeted acquisitions, with the aim of building a complementary ensemble of powerful brands.

Adopting a multi-brand strategy is virtuous in many regards. Taken individually, each brand has its own distinctive identity, know-how, positioning and growth potential enabling it to reach critical mass at a global level. Together, they form a coherent and complementary ensemble, particularly in terms of market segments, stages of maturity and geographic base. There is no competition between the brands but rather a focus on identifying and harnessing synergies.

From a financial and operational standpoint, Kering's balanced and diversified business model helps the Group resist changes in the economic environment affecting a given activity or region. It combines growth and profitability, as the Group allocates operating investments on the basis of each brand's business cycle, enabling them to preserve exclusivity while maximising growth – what the Group calls "Empowering Imagination".

1. The organic growth of the Group's brands

The brands' worldwide standing, desirability and huge consumer appeal are key assets, which drive their organic growth potential.

The growth of Kering's brands is underpinned by a series of clearly identified drivers:

(i) Launching new product categories and refining existing lines

The Group's brands work continuously to produce creative, attractive and innovative products for existing ranges and to introduce new product lines with untapped potential. They are careful to constantly adapt and improve the structure and performance of their collections to meet the specific needs of their clientele in terms of functionality, trends and price, and to draw in new generations of customers.

(ii) Improving performance in existing sales networks

In their network of directly-operated stores, the brands deploy initiatives to boost sales performance, capitalising on increasingly effective merchandising, in-store operational excellence, an in-depth knowledge of their customers, customer loyalty and development programmes, and targeted communications.

(iii) Strengthening distribution channels through the selective expansion of directly-operated store networks, close relationships with third-party retailers, and the implementation of a dynamic e-commerce strategy

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 translates into targeted store openings to broaden penetration in certain markets, or store relocations to occupy the very best locations available. Adapting 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. In addition, the Group's brands are constantly seeking to enhance the quality of their third-party distribution, a channel that has particular strategic significance for Sport & Lifestyle activities. Kering has also invested in digital platforms alongside traditional channels in response to new consumer and purchasing practices. Lastly, the growth potential in the Travel Retail channel is gradually being tapped.

2. A portfolio of brands rounded out by targeted acquisitions

While focusing on organic growth, Kering has strengthened its portfolio in recent years through the acquisition of brands set to play a key role in the Group's future growth and value creation. As part of this strategy, Brioni, Pomellato group, Qeelin, Christopher Kane and Ulysse Nardin have joined the Group.

Strict criteria are applied to these acquisitions:

- Potential targets must enjoy exceptional brand identity, strong values and a sought-after heritage; a unique scope of expression through lasting codes and language – often referred to as their "DNA"; and an ability to broaden their geographic footprint and to gradually expand their market coverage.
- Targets must have genuine potential for significant improvements in financial performance that Kering is able to identify and deploy in the long term, above and beyond their potential prior to joining the Group. As well as seeking revenue synergies derived from the increased capacity of newly acquired brands to expand their geographic presence or product categories once they join the Group, Kering also looks for synergies arising from brand expertise in terms of technical, commercial and innovation know-how. Finally, the Group evaluates the potential for savings at operational (purchasing, supply chain, real estate, etc.) and financial levels. These synergies are analysed and appraised during the acquisition process, giving rise to a financial and operational roadmap to value creation drawn up at the outset of the integration process.

an integrated group, structured to tap into growth potential

Kering sets the strategic and financial framework within which the brands operate, and provides the structures, organisations and means to protect and support the sustainable growth of its brands.

Kering first deployed a number of horizontal functions and services for its Luxury brands, including real estate, e-commerce, indirect purchasing, intellectual property, strategic marketing and media buying, to allow them to focus on their individual business objectives and support their growth, especially internationally.

Shared services platforms have been set up in the Group's three biggest regions – Europe, America, and Asia-Pacific. These centres employ experts in communications, audit, human resources, tax, property, legal affairs, IT systems, accounting and cash management, providing brands with appropriate support for the local context.

More recently, important new steps have been taken on the road to becoming an integrated Group. The finalisation of the Group's transformation, combined with recent changes in its markets, consumer trends and the competitive environment, have led Kering to set new milestones.

(i) In 2014 and 2015, Kering adapted its organisation to better reflect the areas of activity of the Group's Luxury brands and strengthen the operational oversight of its businesses. Two new divisions were set up:

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

(ii) From 2013, the Group strengthened its upstream positioning in the Luxury value chain, with the targeted acquisition of leather tanneries to secure raw materials sourcing. Logistics activities for its Couture & Leather Goods brands have long been centralised, much like ready-to-wear prototyping, which is pooled in a shared unit in Italy. In order to make this vertical integration even more effective and efficient in terms of services, synergies and scale, in 2015 all of these operations were placed under the direct governance and oversight of Kering.

(iii) In 2014, Kering also 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 premium segment is enjoying substantial growth. To maximise the development of its portfolio of brands in this important category, Kering has decided to internalise the value chain for its Eyewear activities, from product creation and development to supply chain management, brand strategy, sales and marketing. This innovative management model will give rise to significant value creation opportunities and help the Eyewear brands step up the pace of growth. In June 2015, Kering Eyewear unveiled its first collections under brand licences that are now directly managed.

(iv) The digital challenge: e-commerce is a strategic priority for Kering, not only for the business the Group's brands conduct online but also because it influences demand across all sales channels. Gucci is a pioneer in Luxury e-commerce. Launched in 2002, its website has set the standard in this field and the brand's digital know-how is widely recognised. Since the Other Luxury brands did not enjoy internal capabilities comparable to Gucci's, in 2012 the Group set up a Kering e-commerce platform to provide the Couture & Leather Goods division brands with the necessary technical competence to develop their online business and digital strategy. All the brand sites now feature mobile- and tablet-optimised browsing, shared performance-measurement tools and a dedicated team of specialists to help continually improve site performance, conversion rates and customer satisfaction.

Our customers are increasingly connected, geographically mobile and sensitive to the fluidity of their shopping experience spanning traditional physical stores and online. In this context, the Group's e-commerce teams have set out a cross-channel services strategy adapted to the characteristics of each brand. The Group now benefits from several cross-channel service features, such as online visibility of retail inventory (geo-localised for Gucci) and online sales, which are gradually being extended to in-store pickup and online reservation. A host of additional features are in the pipeline. Kering is encouraging its brands to try out new solutions, with pilot projects to test new technologies such as a new online fitting solution for ready-to-wear and shoes, and to share the results with the brands as a prelude to Group-wide rollout.

With the aim of ultimately offering a seamless omni-channel approach covering both bricks and mortar and online boutiques, Kering is currently assessing a large-scale project to establish a single shared customer database across distribution channels and to modernise, harmonise and optimise its information systems and operational processes.

The Sport & Lifestyle brands are also working on optimising and revitalising e-commerce, against the backdrop of extremely rapid online growth in the sector.

(v) Recognising that its teams are the driving force behind its future success, Kering has developed an ambitious, integrated, worldwide human resources framework, based on ever-greater mobility across the brands. The idea behind the HR strategy is to help brands flourish by giving them access to shared talent pools, expertise, standards, information systems and best practices.

sustainability at the heart of kering's group and brand strategy

Kering believes that sustainable business is smart business. Sustainability is both a business and leadership opportunity for Kering, allowing the Group to create value. It stimulates growth, innovation and competitive advantage in the medium to long term, whilst simultaneously reducing costs. It also constitutes a motivational factor for employees, enabling the Group to attract and retain the best talents.

Sustainability is a key component of the Group brands' strategy. Kering empowers all of its brands to develop products that meet the utmost standards of innovation, quality and sustainability.

Kering Corporate's Sustainability Department supports each of the Group's brands with the development and operational roll-out of their brand-specific action plans. Comprising around 15 experts, the team's expertise includes everything from environmental footprint analysis, raw material sourcing, ecosystem conservation, energy efficiency as well as social compliance. The department drives change within the Group by providing the brands with the necessary know-how, guidance, collaboration and economies of scale needed in order to develop more sustainable business models. The Chief Sustainability Officer sits on Kering's Executive Committee and ensures a cohesive and integrated approach to sustainability across the Group.

Kering's sustainability strategy centres on a series of self-imposed targets, which the Group has publicly committed to achieving by 2016. Deliberately ambitious, these targets focus on the specific challenges of the Group's business: from the sustainable sourcing of leather, gold and diamonds to the reduction of carbon emissions, water, waste and hazardous chemicals.

Another integral part of the Group's strategy is its Environmental Profit & Loss account (E P&L), which now covers all the Group's brands and their respective supply chains. Over the course of 2015, the 2013 and 2014 results of the group-wide E P&L were published. This innovative management tool, developed by Kering, monitors and measures in € value the environmental impact of the Group's operations and those of its supply chain; from the source of raw materials right up to the boutique floor.

Insights gathered from the Group's E P&L serve to fortify Kering's sourcing strategy, highlight environmental risks and economic opportunities within the supply chain, whilst also enabling the Group to track progress towards its 2016 targets. The Group has now open-sourced its E P&L methodology (available on www.kering.com) so as to encourage other corporations to start taking account for their activities' reliance on natural capital.

Collaboration is seen a key lever of sustainable innovation within the Group, a case in point being the Materials Innovation Lab. This internal research hub offers the Group's brands a comprehensive library of over 2,000 sustainable fabrics and a team of experts to support the integration of these materials into their product offerings. Kering has also established partnerships with suppliers and international NGOs, so as to develop more responsible sourcing methods for the Group's key raw materials, including precious skins, furs and gold. An internal ethical gold purchasing platform was also launched in 2015, via which Luxury Division brands have already managed to acquire 220 kilograms of ethical gold.

With regards to social compliance, a new worldwide supplier management programme was also launched in the past twelve months. The system is designed to improve supplier relations, be it with regards to contracts, invoicing, traceability or auditing. With the support of the sustainability department, this programme will also enable the Group's brands to monitor compliance with social, environmental and ethical issues, be it at suppliers' or their sub-contractors'.

Convinced that sustainability will play an ever more prominent role in fashion going forward, Kering is committed to nurturing young talents and upcoming designers. Reflective of this, the Group launched a five-year partnership with the London College of Fashion's Centre for Sustainable Fashion to promote sustainable design and innovation within the fashion industry. Similar education programmes have also been launched with Tsinghua University in China, and the Parsons School of Design and the Fashion Institute of Technology in the United States.

Embodying the Group's social commitment, the Kering Foundation was launched in 2009 by François-Henri Pinault. The Foundation combats violence against women via projects run by NGOs and social entrepreneurs and the engagement of the Group's employees. The Foundation's actions focus on three regions and are helping to fight against:

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

Also central to the Foundation's combat is awareness raising, via campaigns including "White Ribbon for Women" which was launched in 2012 as a call to action on the occasion of the International Day for the Elimination of Violence against Women on November 25. The campaign's 2015 edition saw 125,000 White Ribbon brooches distributed in over 800 stores operated by Kering brands across 41 countries. In parallel, the Foundation ran digital campaign #BeHerVoice across social media and reached nearly 320 million internet users.

In recognition of the Group's continued efforts, Kering is referenced as a leader by several bodies including the Dow Jones Sustainability Index, which has ranked Kering in first place within the Textiles, Apparel & Luxury Goods industry for the past two years. This index tracks the best-in-class sustainability performers amongst the 2,500 largest companies in the Dow Jones Global Total Stock Market Index. Each year, participating companies are assessed based on a specific questionnaire for each business sector, with only the top 10% in terms of sustainability performance listed in the ranking.

In 2015, Kering was also named one of the Global 100 most sustainable companies in the world for the first time, ranking 43rd. Compiled by *Corporate Knights* since 2005, the Global 100 is unveiled annually at the World Economic Forum in Davos.

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

Against a backdrop of slower economic growth in certain key emerging markets, notably China, and a modest recovery in Europe, and despite a satisfactory economic performance in the US, the global economy posted moderate growth in 2015.

In this unfavourable environment, intensified by sharp currency fluctuations, Kering has demonstrated the relevance of its multi-brand model. The Group's strategy is consistent: to nurture each brand's long-term potential, with priority given to organic growth and operating cash flow generation.

True to its entrepreneurial and responsible vision, Kering will continue to promote long-term value-creation, combining boldness and imagination, creativity and measured risk-taking, adaptability and agility.

The Group intends to leverage these values as Kering enters a new phase of its development, with a brand portfolio that now covers all key segments of its markets.

In a worldwide Luxury market: (i) where growth is normalising, (ii) shaped by more changeable and less predictable consumer habits and locations (tourism, internet), (iii) and by significant increases in investments and operating costs for all players in recent years as part of the development of directly-operated distribution networks; Kering possesses a number of strengths to help it unlock the potential value and profitability of each of its brands.

Structured and organised to bring more expertise, value and operational support to its brands, Kering focuses on increasing return on capital employed by enhancing profit margins and optimising capital allocation for investments as well as working capital.

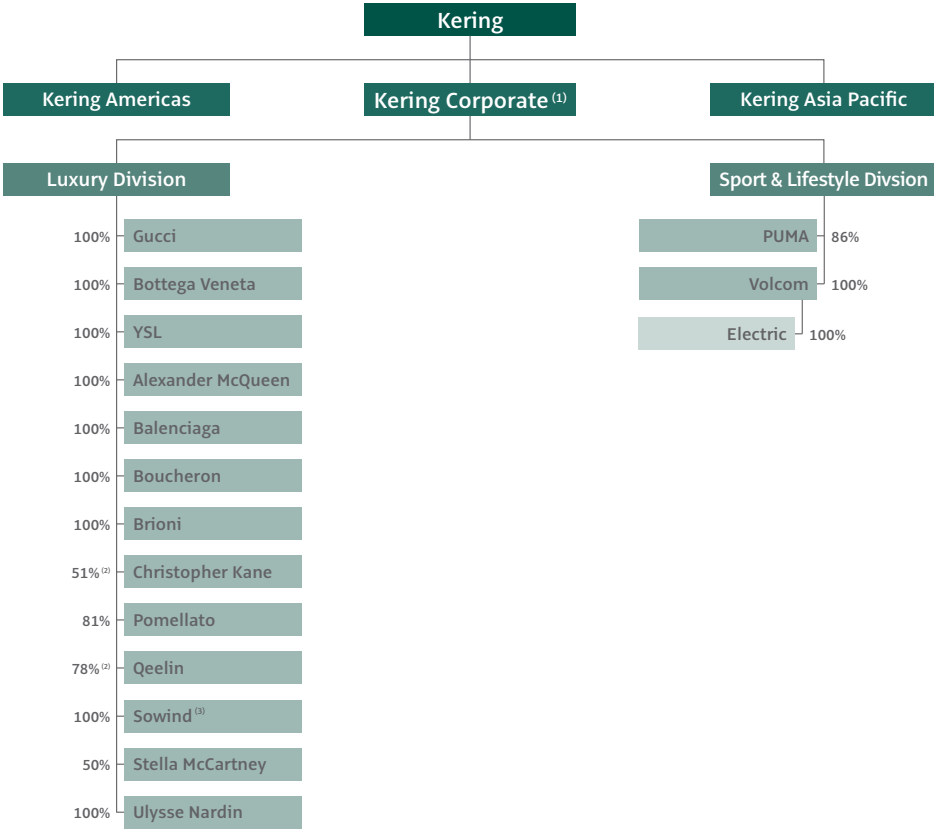
Concrete action plans are implemented at brand level. Gucci undertook a major transformation programme in early 2015 to overhaul its creative drive, organisation and collections, and early indicators suggest that the brand, soon-to-be 100 year old, has lost none of its agility or ability to reinvent itself and climb back to the forefront of the worldwide Luxury industry. PUMA, under the direction of a new management team since 2013, continues to deploy of its strategic plan, aimed at renewing and streamlining its product line-up and refocusing its positioning around Sport Performance. The results of these initiatives are already apparent in PUMA's top-line performance and should gradually make a mark on profitability.

Across all Group brands, a range of cross-business initiatives has been drawn up with the support of Kering and dedicated teams to optimise comparable-store sales performance. The emphasis is on strengthening store productivity through a series of upstream and downstream initiatives, including: improving supply chain capacity and the efficiency of product allocation criteria by region and type; redefining ranges and their depth and breadth; training sales staff in best practices for customer service; loyalty and experience; and

developing CRM and clienteling tools. These initiatives will generate cost reductions, improve profitability and optimise capital employed. Complementing this effort, directly-operated store networks will be reviewed brand by brand, and consolidated as necessary, as part of a broader alignment of the allocation of investments to strict return guidelines. These initiatives will also be rounded out by the realisation of additional revenue and cost synergies, especially in terms of sourcing, production and logistics. Lastly, Kering continues to promote its brands' digital strategies by coordinating e-commerce projects, encouraging knowledge sharing and driving new ambitious developments with the aim of increasing the share of internet sales in the brands' revenue and leveraging e-commerce to drive growth.

In a more volatile and unsettled short-term environment, the Group is moving into this new phase with confidence and determination. Kering remains fully committed to environmental and social sustainability and 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, 2015



(1) Corporate is defined page 77.
(2) Excluding put options.
(3) The Sowind group owns the Girard-Perregaux and JEANRICHARD brands.

chapter 2
our activities

1. Worldwide personal Luxury Goods market overview 16

2. Luxury Division 22

Gucci 24
Bottega Veneta 27
Saint Laurent 30
Other brands 33

3. Worldwide Sport & Lifestyle market overview 44

4. Sport & Lifestyle Division 48

Puma 50
Other brands 54

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 2015. Luxury Goods industry segments and product categories correspond to the definitions used in the Bain Luxury Study – Altagamma Worldwide Market Monitor.

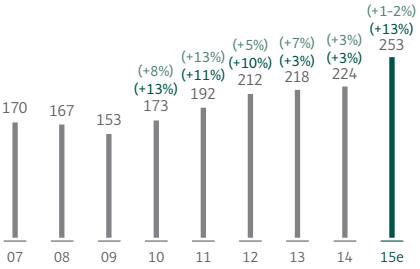
In this document the global personal Luxury Goods market includes the "soft luxury" area such as apparel, accessories, perfumes and cosmetics, and the "hard luxury" area such as watches and jewellery.

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 2015, it generated revenue of €253 billion, up 13% reported and up 1 to 2% at comparable exchange rates.

In 2015, exogenous factors, especially strong currency volatility and moves, have created major challenges for the luxury market. Euro weakening has led price gaps between regions to reach new heights, with a strong impact on tourism flows and local consumption trends. Price differentials have contributed to boosting for example Chinese customers' spending abroad, somewhat at the expense of the domestic market.

Worldwide personal Luxury Goods market trend (2007-2015e, in € billions)



(%): Annual change at reported exchange rates
(%): Change at currency-neutral growth

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.

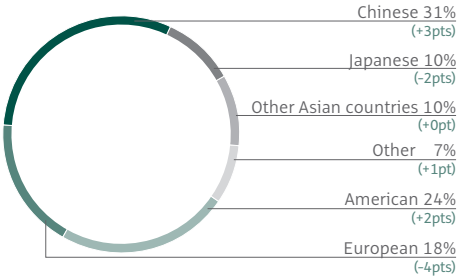
In addition to economic factors, structural factors are also impacting demand and growth on the personal Luxury Goods market, including:

- 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;
- increased tourism flows and the growing relevance of tourist spending on Luxury Goods. As an example, Chinese outbound tourist flows increased from c. 5 million a year in 1995 to 116 million in 2014.

By destination, the weight of tourism spending differs: Europe is a market where luxury purchases are made by locals but also by tourists. In Asia, Mainland Chinese consumers tend to purchase luxury personal goods both in Greater China and also abroad, notably in Japan, and to a lesser extent in the Americas, where purchases are still made mainly by locals.

In 2015, currency fluctuations changed the picture with increasing price differentials leading "globe-shoppers" to adapt their consuming habits and spending patterns with Mainland Chinese favouring Europe, Japan and to a lesser extent South Korea as main destinations. The Chinese nationality now accounts for 31% of the total market (up 3ppts vs 2014).

2015e Luxury market by nationality (& market share change versus 2014)



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, unfavourable 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, which could compete with established Luxury brands, have also recently extended their presence.

regional overview

Worldwide personal Luxury Goods market: breakdown by region (2015e)

	Size *(in € billions)*	Reported YoY change	YoY change at comparable exchange rates	% of total market
Europe	83	+9%	+5%	33%
Americas	85	+18%	+0%	34%
Japan	20	+13%	+9%	8%
China	18	+17%	-2%	7%
Rest of Asia	33	+9%	-8%	13%
Rest of the world	14	+17%	+2%	5%
Total	**253**	**+13%**	**+1-2%**	**100%**

The ten largest countries in terms of global personal Luxury Goods revenue in 2015 are as follows:

2015 Rank	Country	Size *(in € billions)*	Reported YoY change	YoY change at comparable exchange rates
1	United States	78.6	+20%	+0%
2	Japan	20.0	+13%	+9%
3	China	17.9	+17%	-1%
4	Italy	17.2	+6%	+6%
5	France	17.0	+10%	+10%
6	UK	15.5	+16%	+5%
7	Germany	11.8	+14%	+14%
8	South Korea	10.8	+16%	+4%
9	Middle East	8.1	+19%	+0%
10	Hong Kong	6.8	-11%	-25%

In 2015, the Americas region was the largest market, with the United States accounting for the vast majority of revenue (c. 92%). The region did not perform as initially expected, registering flat growth at comparable exchange rates. The momentum was mainly held back by the strong dollar, which had a double negative effect: significant drop in touristic spending, insufficiently counterbalanced by local consumption, partly redirected towards Europe.

Europe, with 33% of the total worldwide market, was the second largest luxury market in 2015, with revenue up 5% vs 2014 at comparable exchange rates. In 2015, eurozone registered a strong performance with a weak euro fuelling the increase of inbound tourists(1), which now account for 60% of luxury sales in the region. Outside the eurozone, the United Kingdom was solid but not buoyant due to a strong GBP while Switzerland was weak due to the strong CHF.

Japan represented 8% of the global personal Luxury Goods market in 2015. Japan is the second largest single country in terms of personal Luxury Goods consumption after the United States, and posted a solid performance for the third consecutive year, up 9% comparable. In 2015, Japan became a key destination for Chinese tourists coupled with good local demand.

China was down 1% at comparable exchange rates, and represented 7% of the global personal Luxury Goods market. The luxury market was under pressure again with only 20% of Chinese spending made at home, as price differentials appeared as a key issue. The rest of Asia Pacific was also weak in 2015 with Hong Kong and Macau being the worst performers, both down 25% at comparable exchange rates, suffering from decreasing popularity among Chinese tourists.

The rest of the world – mainly comprising the Middle East and African markets – represented 5% of the personal Luxury Goods market, with €14 billion in revenue in 2015. In the Middle East, Qataris are the biggest buyers of Luxury Goods, making their luxury purchases mainly in Dubai. In Africa, South Africa and Morocco are the most developed luxury retail markets accounting for c. 85% of directly-operated stores in the region.

(1) According to Global Blue, Chinese consumers were the main engine of growth and to a lesser extent Americans. By destination, France, Italy, Germany and Spain showed the highest growth rates in terms of tourist spending in Europe.

product categories

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

Worldwide personal Luxury Goods market: breakdown by category (2015e)

	Market value 2015e *(in € billions)*	Reported YoY change	YoY change at comparable exchange rates	% of total market
Accessories	76	+15%	+3%	30%
Apparel	61	+13%	+2%	24%
Watches and jewellery	56	+10%	-3%	22%
Perfume and cosmetics	51	+13%	+1%	20%
Other	9	+10%	+1%	4%
Total	**253**	**+13%**	**+1-2%**	**100%**

Accessories

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

In 2015, this category represented 30% of the total personal Luxury Goods market with total sales of €76 billion. It recorded the strongest growth in 2015.

The two main sub-categories were:

a) Leather goods, with estimated revenue of €43 billion in 2015. This sub-category grew at a rate of 2% at comparable exchange rates between 2014 and 2015, driven by the outperformance of the "absolute segment" while the "aspirational segment" showed mixed performance. Kering operates in this product category mainly through the Gucci and Bottega Veneta brands, as well as Saint Laurent and Balenciaga;

b) Shoes, with estimated 2015 revenue of €16 billion, were again the fastest growing sub-category between 2014 and 2015 with 4% growth at constant exchange rates. Shoes have been outperforming the broader leather goods segment since 2012 as the category enables consumers to access a status symbol at a lower price positioning. 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.

Eyewear

The Eyewear category represented 5% of the total personal Luxury Goods market in 2015 and was worth an estimated €12 billion, up 15% in reported terms. Kering operates in this product category through the majority of the Group's brands. In 2014 Kering announced it will internalise this category, previously operated through licences, and will in-house design, develop and distribute eyewear collections.

Apparel

This category includes ready-to-wear for both women and men, and is almost equally spread between the two. It represented 24% of the total personal Luxury Goods market in 2015, totalling an estimated €61 billion. Men's ready-to-wear was driven by casualwear (i.e., outerwear, denim and cashmere) while formalwear was more subdued. In women's ready-to-wear, Bain noticed a polarised performance with activewear/denim and haute couture showing buoyant dynamism. In contrast, the "aspirational segment" faced some pressure from premium players and contemporary brands playing with luxury codes.

All Kering "soft luxury" brands operate in this product category, especially Gucci, 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 €56 billion in 2015, representing 22% of the total personal Luxury Goods market, and decreased by 3% between 2014 and 2015 at comparable exchange rates. In 2015, there was a significant polarised performance across the two main sub-categories with watches down 6% and jewellery up 6% at comparable exchange rates. High-end watches were hit by negative Asian performance while jewellery was driven by high-ticket items as it is perceived as a safe investment in the context of a tough macro environment.

Kering operates in this category across different price points with Gucci Timepieces, Girard-Perregaux, and Ulysse Nardin for watches, and Boucheron, Pomellato and Qeelin for jewellery.

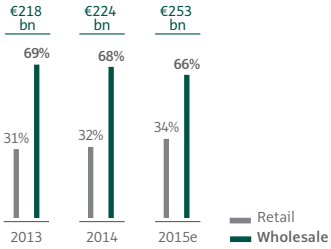
Perfume and cosmetics

The perfume and cosmetics category represented 20% of the total personal Luxury Goods market in 2015 and was worth an estimated €51 billion.

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

distribution channels

Worldwide personal Luxury Goods market: breakdown by distribution channel (2013-2015e)



Retail channel

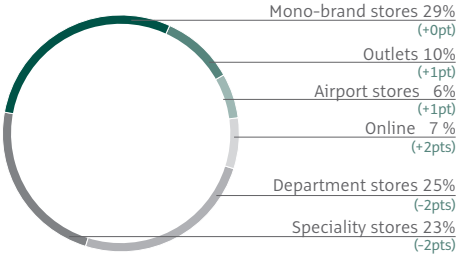
A strong directly-operated store network is important for the success of a luxury brand as it allows greater control over the consumer shopping experience and over product assortment, merchandising and customer service. In 2015 the retail channel accounted for sales amounting to 34% of the total global personal Luxury Goods market.

In the case of Kering Luxury brands, share of retail sales is far higher (70.6%), reflecting both the maturity of some of the brands and the Group's strategic commitment to grow 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, travel retail, independent high-end multi-brand stores and franchise stores, and accounted for approximately 66% of the total global personal Luxury Goods market in 2015. 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.

These **two distribution channels** can also be split into six sales formats. Each of these formats could be operated through retail or wholesale.



(pts): Market share change (2015e vs 2014)

E-commerce

Online sales of Luxury Goods reached a record of around €17 billion in 2015 (up 22% at comparable exchange rates), representing about 7% of total global personal Luxury Goods sales. This penetration is especially driven by the rapid development of online business of wholesalers (department stores) and e-commerce pure players (e-tailers).

All Kering brands are directly present online with their own e-commerce websites, either operated internally, as is the case for Gucci, or through a joint venture.

Kering brands are also distributed online by selected partners.

market outlook

For 2016, Bain and Altagamma forecast overall growth of 3% to 3.5% excluding currency effects for the personal Luxury Goods markets, 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, South Korea, etc.), which could, however, come partly at the expense of some of the more traditional destinations;
- the development of key distribution channels such as outlets, travel retail or e-commerce. The latter generated €17 billion in revenue in 2015, and is expected to grow at an annual average rate of 24% over the 2013-2020 period;
- an increase in high-spending consumer classes such as high-net-worth individuals (HNWIs);
- the development of new high-end products and services;
- the potential of the American market due to the under-penetration of European luxury brands in the region.

luxury division

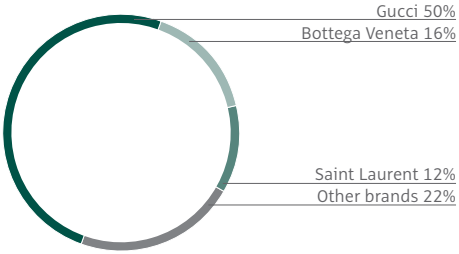
Gucci 24
Bottega Veneta 27
Saint Laurent 30
Other brands 33

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

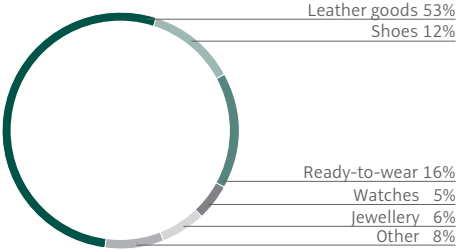
2015 key figures

€7,865 million
in revenue

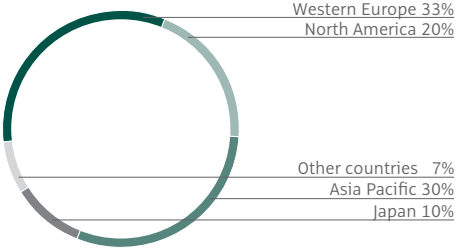
Breakdown by brand



Breakdown by product category

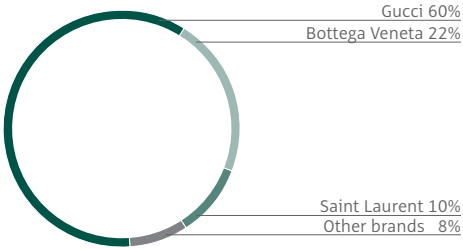


Breakdown by region

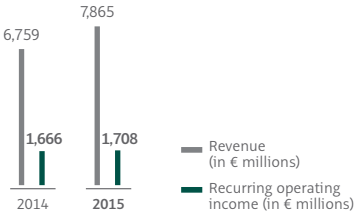


€1,708 million
in recurring operating income

Breakdown by brand

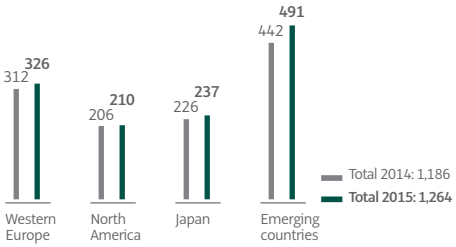


Revenue and recurring operating income



21,576
average number of employees

1,264
directly-operated stores



GUCCI

2015 key figures

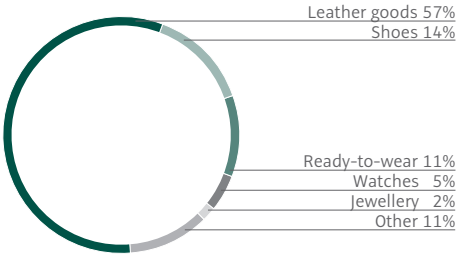
€3,898 million
in revenue

€1,032 million
in recurring operating income

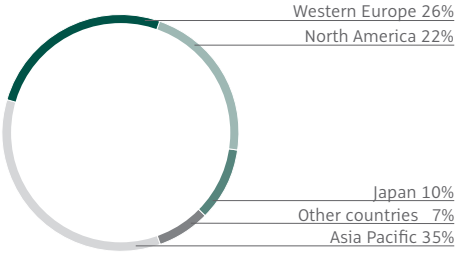
10,570
average number of employees

525
directly-operated stores

Breakdown of 2015 revenue by product category



Breakdown of 2015 revenue by region



business concept

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

From its origins in the 1920s through to the late 1970s, the brand stayed loyal to its values of superior Italian craftsmanship and innovation, and as a result Gucci soon became the expression of Italian-made luxury.

Throughout the 1950s, 1960s and 1970s, Gucci's reputation began to grow around the world thanks in large part to the "jet set", socialites and celebrities, particularly from Hollywood, who wore the brand internationally. It was in the 1990s, under the creative direction of Tom Ford, that Gucci became synonymous with fashion and acquired the reputation of being a true fashion authority and leader.

Early in the new Millennium, against the backdrop of the world economic crisis, consumers once again began to turn to traditional luxury values. It was at this time that Gucci introduced its "*Forever Now*" philosophy, emphasising both its fashion authority and its Florentine heritage and craftsmanship.

At the beginning of 2015, Gucci embarked on the next chapter in its history, with the introduction of a new contemporary vision, which is re-establishing its reputation as one of the world's most influential luxury fashion brands. Eclectic, romantic, and above all contemporary, Gucci is currently inventing a wholly modern approach to fashion and thereby redefining luxury for the 21st century.

Gucci products continue to represent the pinnacle of Italian craftsmanship and are unsurpassed in terms of their quality and attention to detail. They are sold exclusively through a network of 525 directly-operated boutiques, a directly-operated online store (in 28 markets), a limited number of franchises and selected department and specialty stores.

At the end of the year, Gucci retail sales represented approximately 82% of the brand's total revenue (up from approximately 70% in 2009).

competitive environment

Gucci is one of the few luxury brands with truly worldwide operations, alongside Hermès, Dior, Chanel, Louis Vuitton and Prada. Gucci is maintaining its leadership position as one of the world's leading luxury fashion brands both in terms of revenue and profitability.

strategy

With the ambition of re-establishing Gucci's position as a pivotal Italian luxury fashion brand – leading the industry by setting the tone with innovative runway collections and ground-breaking creativity – the strategic vision conceived by Marco Bizzarri, the brand's new President and CEO, aims to identify a new image for Gucci, more in line with the world of today, more relevant, and more attractive for new, younger luxury consumers.

The product offering will be fully repositioned over two or three seasons, gradually substituting all the units that are not consistent with the new creative direction, reducing the number of models and variations of product in each store, while balancing the price range by rationalising entry prices and exploiting opportunities in the high range.

The GG signature is considered a highly valuable asset with unlimited potential. The reinvention, in line with the contemporary vision of Gucci's new Creative Director, Alessandro Michele, will allow it to regain the strong and contemporary stature it deserves.

In terms of distribution, the focus will be on optimising the existing store network and the online experience, with the implementation of a program of initiatives designed to achieve retail excellence and, as a consequence, enhanced productivity.

2015 highlights and outlook for 2016

For Gucci, this has been a year of reinvention. New CEO Marco Bizzarri was tasked with reinvigorating the brand, and under his leadership Gucci is now undergoing a comprehensive transformation.

Bizzarri's first decision upon taking on this role in January 2015 was to appoint Alessandro Michele, previously Associate Creative Director and Accessories Designer, as Gucci's new Creative Director. Michele's new, contemporary vision for the brand has been critically acclaimed, quickly establishing him as one of the most influential creative directors in the industry today – which was affirmed by the British Fashion Council's decision to present him with its 2015 International Designer of the Year award. This is a remarkable achievement after just ten months in the role.

Press and buyers alike from around the world have responded enthusiastically to Michele's collections, heralding them as indicative of a fresh, new direction for Gucci that remoulds the brand's legacy into a new style and aesthetic.

Following the Fall/Winter 2015 fashion shows, Alessandro Michele presented his Cruise 2016 collection with an unprecedented fashion show in New York's Chelsea district, in what has been acknowledged as the seminal moment in the emergence of the reinvented Gucci.

Alessandro Michele's first full collection – Cruise 2016 – began to arrive in selected stores from mid-September, two months ahead of the usual timing for the industry. At the same time, Michele's new store concept was unveiled at the house's Montenapoleone flagship store during Milan Fashion Week. Striking new windows, visual displays and packaging all help bring the brand's new, contemporary vision to life.

In terms of products, the assortment was rationalised and given more clarity through consistent and concise merchandising. New lines were introduced featuring contemporary interpretations of the GG signature, and other iconic symbols and house motifs. The Dionysus – launched at the Fall/Winter 2015 fashion show – is already on its way to becoming an iconic bag.

On the distribution side, during the year Gucci opened 20 net directly-operated stores, mainly located in Asia-Pacific and America. The new store concept was progressively rolled out (in more than 30 stores) during the last semester of the year, and this process will continue next year.

In October, a completely re-designed and re-platformed version of gucci.com was launched in the US and Canada, and this will be rolled out in other regions during 2016. The site brings Alessandro Michele's new aesthetic to life through beautiful design, rich imagery, engaging storytelling and exclusive brand content, combined with a smart user experience. With over 100 million visitors per year, gucci.com represents the most important customer touch-point for the brand, offering significant potential for continued dynamic growth in online revenue.

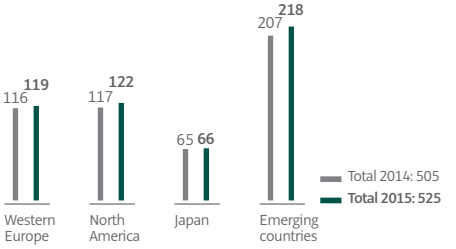
In the second part of the year, a series of new strategic collaborations with specialty stores including Dover Street Market (in Tokyo, New York, London and Beijing), Boon the Shop (Seoul, Korea), Antonia (Milan, Italy) and Colette (Paris, France) were finalised. Representing some of the most fashion-forward retail destinations, the presence of Alessandro Michele's collections within these unique locations has created further excitement and interest around the brand in its new direction.

A series of strategic organisational changes were implemented in the first months of the year, with the aim of creating a simpler and leaner structure and accelerating the decision-making process, while providing a prompt and effective support system for the regions from corporate headquarters. Meanwhile, a new omni-channel department was established to further increase the proximity of the brand to all of its customers.

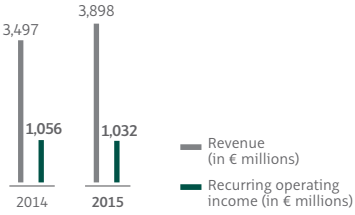
A number of key executives joined the company during the year, including the new Executive Vice President and Chief Merchandising and Licensing Officer, with the aim of implementing an effective merchandising strategy that perfectly matches the creative spirit of the collections with market needs.

The initial dynamic trend for new Creative Director Alessandro Michele's highly acclaimed Cruise 2016 and Spring/Summer 2016 collections confirms the brand's renewed momentum. At the same time, key drivers to improve store productivity have been identified, and during the year management put in place the foundations necessary for Gucci to return to sustained growth in the years ahead.

Number of directly-operated stores by region



Revenue and recurring operating income



BOTTEGA VENETA

2015 key figures

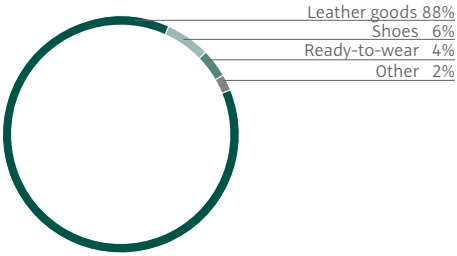
€1,286 million
in revenue

€375 million
in recurring operating income

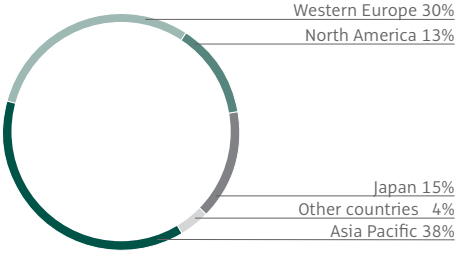
3,401
average number of employees

251
directly-operated stores

Breakdown of 2015 revenue by product category



Breakdown of 2015 revenue by region



business concept

Founded in 1966 in the Veneto Region of Italy, Bottega Veneta began as a leather goods House and was 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 colours 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 over the years from a leather goods House into an absolute luxury Lifestyle brand by expanding its product range, while 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", is now applied to a range of products for women and men, including leather goods (bags, small leather goods and a full luggage collection), ready-to-wear, shoes, jewellery, furniture and more.

Over the years, the brand has also engaged in collaborations with partners who have brought their know-how and commitment to quality and craftsmanship to some of its product categories, as part of both licence agreements (Coty Prestige for fragrances) and supply partnerships (Poltrona Frau for seating, KPM for porcelain, Kering Eyewear for eyewear and Rizzoli for books).

Bottega Veneta's products are sold 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 50 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. It is a rare example of an absolute luxury lifestyle brand that never compromises on the quality of its products while always providing an unsurpassed level of service to customers. This places the brand at the top of the luxury pyramid in terms of positioning, in competition with a very limited number of brands.

strategy

Bottega Veneta's strategy, implemented under the creative direction of Tomas Maier and the business leadership of Carlo Alberto Beretta who joined the company in January 2015, aims to reinforce Bottega Veneta's position as a high-end and exclusive luxury lifestyle brand, for which consistency and continuity are the key elements to maintaining differentiation in the industry. Business and creativity will continue to work together as an essential part of Bottega Veneta's success, as they always have in the past.

Historically, the brand's core business was leather goods (88% of sales), characterised by attention to detail and the use of the highest quality materials. A wider range of products appealing to an international clientele of men and women was gradually integrated, with the emphasis on contemporary functionality and timeless yet innovative design.

The brand's predominant trait of exclusivity has been transferred to the distribution network. Through its worldwide expansion, Bottega Veneta has consolidated its presence in emerging markets, without compromising its investments in mature markets, particularly the US, but also Europe, where Bottega Veneta's story and craftsmanship began.

2015 highlights and outlook for 2016

In 2015, the careful execution of its international growth strategy, consistent with the exclusive positioning of the brand, resulted in full-year growth (with mature markets accounting for 58% of total sales) for both retail and wholesale channels, which respectively account for about 80% and 20% of total sales.

Iconic leather goods products, including new seasonal variations and plain leather, continued to represent a very important part of the business in 2015.

Throughout 2015, 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. It also pursued selective store openings, bringing its total network up to 251, compared to 236 at the end of 2014. The new stores were distributed between emerging and mature markets (seven new stores in Asia Pacific, six new stores in EMEA and two new stores in America).

In April, during the Salone del Mobile 2015 in Milan, Bottega Veneta celebrated the opening of its Home Collection boutique in Via Borgospesso highlighting its growing commitment to the furniture category.

During the year, Bottega Veneta opened its newly expanded boutique at Harbour City in Hong Kong originally inaugurated in 2002, its first boutiques in Frankfurt and in lower Manhattan's Financial District in New York at Brookfield Place. In December Bottega Veneta moved its New York flagship from 699 Fifth Avenue to a temporary location at 650 Madison Avenue in anticipation of its Maison opening scheduled for 2017.

Starting in January 2015, La Scuola dei Maestri Pellettieri di Bottega Veneta, located within the company's Atelier in Montebello Vicentino, embarked upon a collaboration with the University IUAV of Venice to create a three month post-graduate level course in advanced handbag design and product development, honouring its commitment to ensuring the future of Italian know-how and continuing the artisanal tradition of the Veneto region.

Confirming its ongoing commitment to its roots and artisanal excellence, Bottega Veneta supported the creation of a third cooperative of artisans specialised in *intrecciato* leather in Rotzo. The laboratory was inaugurated in October and currently employs 20 artisans, selected and trained by Bottega Veneta master leather craftsmen. It joins the two Women's Mountain cooperatives established in 2011 with the joint support of Bottega Veneta and local authorities in the Astico and Posina valleys – in Arsiero and Pedemonte.

For the second year in a row Bottega Veneta was ranked in the prestigious Great Place to Work® classification in the Best Large Company Workplaces 2015 category. This accomplishment is the result of constant efforts and initiatives to promote employee welfare.

In addition, the company has taken the first steps into a new era of digital and social strategy starting with the development of the new www.bottegaveneta.com mobile site and the launch of WeChat. Further developments and new projects are expected to be introduced in 2016 to make all Bottega Veneta owned platforms a place of discovery and engagement for existing and potential customers.

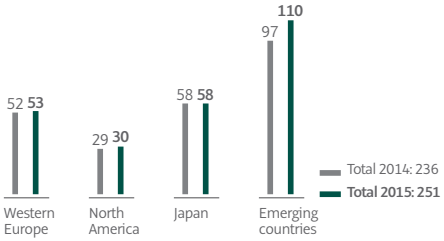
Lastly, in October Bottega Veneta introduced its second book, "Bottega Veneta: Art of Collaboration", which is dedicated to honouring the collaborations between Tomas Maier and the artists who have contributed to the creation of the brand's advertising portfolio season after season.

In 2016, Bottega Veneta will continue to build on its achievements and positioning, supported by further strategic retail openings worldwide.

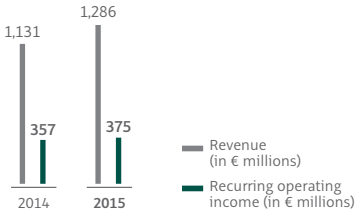
Particularly in the US, further investments will be made to reinforce the existing retail network. Moreover in Asia Pacific, especially in China, some reshuffling and consolidation of the network will be implemented in order to increase the dimension of the stores and to host the complete range of product categories. The objective is to grow through all product categories such as shoes, ready-to-wear, jewellery and eyewear, which have in the past been seen as merely complementing the Bottega Veneta offering, and give them the same standing as the core leather goods business.

Finally, Bottega Veneta will continue to focus on strengthening and pursuing the execution of retail excellence through further reinforcement of the best practices already implemented at worldwide level, conscious that guaranteeing the best luxury experience in stores – from the selling ceremony to customer service, from windows to events – 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



SAINT LAURENT
PARIS

2015 key figures

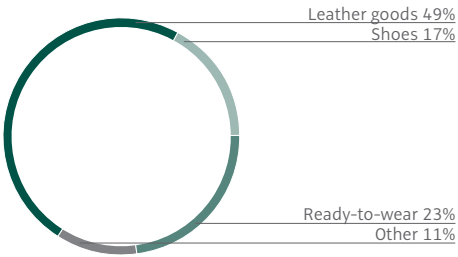
€974 million
in revenue

€169 million
in recurring operating income

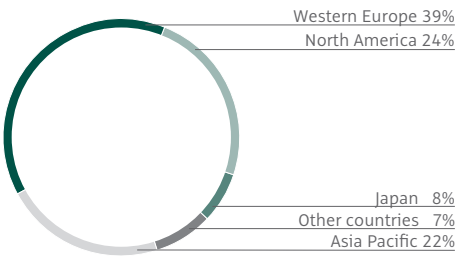
1,943
average number of employees

142
directly-operated stores

Breakdown of 2015 revenue by product category



Breakdown of 2015 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, Yves Saint Laurent revolutionised modern fashion in 1966 with 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, 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 has recaptured the spirit of "youth, freedom and modernity" that inspired the founder to launch Saint Laurent *Rive Gauche* ready-to-wear in 1966.

As of December 31, 2015, the Saint Laurent retail network consists of 142 directly-operated boutiques, which together generated 64% of total revenue for the year and includes flagship stores in Paris, London, New York, Hong Kong, Shanghai, Beijing, Tokyo and Los Angeles. The House is also present in select multi-brand boutiques and department stores around the world.

At the end of 2015, 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 26% growth compared to the previous year.

competitive environment

Since its inception, Yves Saint Laurent has held enormous influence both within and outside the fashion industry. Over 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 men's and women's collections have been repositioned and made even in terms of depth of offer and product ranges, making a strong move on men's categories including ready-to-wear, shoes and luggage. This repositioning was accompanied by a rejuvenation of the style, in line with Yves Saint Laurent's original message when creating the Saint Laurent *Rive Gauche* "Prêt-à-Porter" brand in 1966. 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 growth of its leather goods, shoes and other accessories offerings.

2015 highlights and outlook for 2016

Under the leadership of Hedi Slimane and Francesca Bellettini, the company's CEO, 2015 has been another very rich year for Saint Laurent, with a particular focus on the introduction of new collections and new store openings.

During the year, the brand's sales were fuelled by extremely strong growth figures across the main product categories, which 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 all channels and categories.

Recognised as a great success, Saint Laurent's advertising campaigns and fashion collections won critical acclaim and the collections received significant exposure from editorials and global celebrities throughout the year.

Saint Laurent also made 2015 another year of investment, enhancing its retail network with selective store openings worldwide, in both emerging and mature markets, and key refurbishments and relocations.

In December 2015, Saint Laurent opened its largest Japanese women's and men's boutique in Tokyo, located in Omotesando. In addition throughout the year the brand has been opening boutiques in new markets (i.e., Qatar, Mexico and Brazil) and investing in refurbishments worldwide, such as its Paris Faubourg Saint Honoré men's and women's stores, Bond Street in London, 57th Street in New York and Ion in Singapore, which demonstrates its continuous development in key capital cities.

The further establishment of the ysl.com website also played a key role in 2015. 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. There are seven local versions of ysl.com, in languages including simplified Chinese. The website is e-commerce enabled in over 60 countries, including South Korea and Hong Kong. Traffic was strongly up in 2015, showing the increased interest in the brand online.

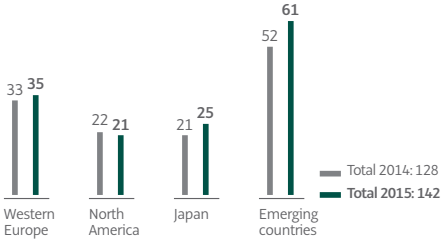
Social media initiatives were met with extraordinary success as social platforms were fully integrated into global communications practices and strategies. As of December 2015, Yves Saint Laurent had more than 2.3 million fans on Facebook and was one of the most popular luxury brands on Twitter with over 3.1 million followers. In March 2015, the House officially launched two new social network channels for the Chinese market: Weibo and Wechat.

In July 2015, the House unveiled its campaign to announce the official opening of its Salons de Couture. Located at 24, Rue de l'Université in Saint-Germain-des-Prés, they represent the most significant symbol for the House of Yves Saint Laurent, preserving the tradition, and addressing the times we are living in through couture and ready-to-wear collections.

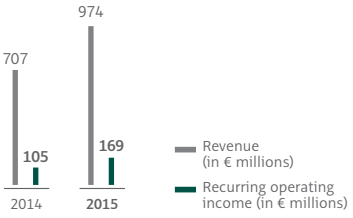
In terms of distribution, the company is pursuing the expansion strategy for its retail network, which started in 2012 with the launch of its new store concept designed by Hedi Slimane, and has continued in subsequent years.

In line with its current strategy, in 2016 the brand will continue to expand in markets such as the Middle East, Latin America and South-East Asia, and will also continue investments in the US, Japan, Europe and Greater China with openings or refurbishments planned in most 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

2015 key figures

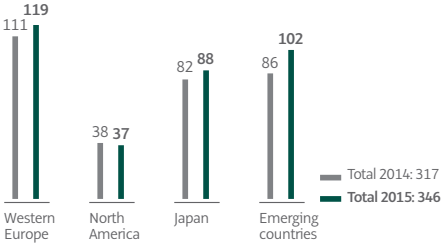
€1,708 million
in revenue

€133 million
in recurring operating income

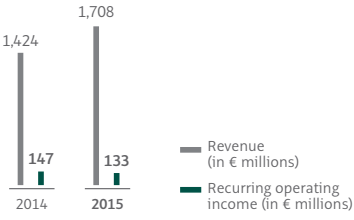
5,662
average number of employees

346
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 Alexander McQueen brand quickly gained a reputation for conceptual design and forged a strong brand identity which led to a partnership with Kering in 2001. Since the death of Lee Alexander McQueen in 2010, the brand has been fully owned by Kering.

Renowned for its unbridled creativity, Alexander McQueen – under the leadership of CEO Jonathan Akeroyd and the creative direction of Sarah Burton since 2010 – has expanded internationally through both wholesale and retail channels over the past decade, with wholesale being a key growth driver. In recent years, an acceleration in new store openings has enabled the brand to strengthen its position in the luxury sector.

Alexander McQueen and McQ currently have a total network of 47 directly-operated stores across all regions. In 2015 there were 12 net new store openings including Macau, Singapore and the first Alexander McQueen flagship in Paris. The 4,000 square foot, carefully curated, bespoke space on Rue Saint-Honoré will further enhance the brand's global positioning. All collections are also sold online in most countries.

On the distribution side, Alexander McQueen is sold in over 50 countries, in more than 450 doors. Working with key partners including Saks and Neiman Marcus in the US, Harrods and Selfridges in the UK and Lane Crawford in Asia, the brand has opened numerous shop-in-shops over recent years, which have helped strengthen its brand image and business.

There are currently 14 franchise boutiques – an important part of the distribution channel – most of which are concentrated in the Middle East, Eastern Europe and Asia.

While its main product categories are women's ready-to-wear and leather goods, the brand's strength lies in its presence across all categories, which gives it the opportunity to expand in many areas. Silks and menswear have both enjoyed growth in recent years and two menswear only stores opened in 2012 to underpin this growth. The brand also has an eyewear licence.

In March 2015, Alexander McQueen sponsored "Savage Beauty", a retrospective of McQueen's work at the V&A Museum, in London. The exhibition was the most visited show in the V&A's history with more than 480,000 tickets sold. This has enabled the brand to build on Lee McQueen's legacy and further enhance brand awareness.

The company has also successfully developed McQ, which started out as a licence in 2006 and was re-launched as an in-house brand in 2011. It 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 more broadly distributed, primarily as a wholesale business internationally with a total of more than 500 doors. Franchises represent an important part of the business. In November 2015, a second freestanding, directly-operated store was opened in Spitalfields, London, which will help clarify McQ's position as a younger, dynamic brand in the contemporary market. At the end of 2015, McQ had 15 franchise stores mainly located in Asia and in the Middle East. In the longer-term, the development of McQ will enable the brand to expand further in the growing contemporary market, while enabling the Alexander McQueen brand to remain very exclusive.

In 2016, both Alexander McQueen and McQ will continue to expand. Alexander McQueen plans to open additional freestanding stores and McQ will continue to build on its franchise network. In February 2016, Alexander McQueen will show its Fall/Winter 2016 collection in London, marking a landmark return to its home city.

BALENCIAGA

Founded in 1919 by Cristóbal Balenciaga and established in Paris in 1936, the Balenciaga brand defined many of the greatest movements in fashion from the 1930s to the 1960s. Balenciaga's exquisite technique, masterful cut and constant fabric innovation has helped it to carve out a special place 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, focusing particularly 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 significantly expanded its retail network, helping to bolster brand awareness around the globe.

While the brand's identity is firmly anchored in 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 that open up Balenciaga's style to a wider public.

In fragrances, the brand has established a solid licence partnership with Coty Prestige and has released some successful perfumes: *Balenciaga Paris*, *L'Essence* and *Florabotanica*. And, since the end of 2013, a similar partnership with Marcolin has been developed in eyewear.

Demna Gvasalia was appointed Artistic Director of Balenciaga in October 2015. His mastery of techniques, expertise and fashion knowledge, combined with his innovative approach, make him a powerful force in today's creative world. As Artistic Director, Demna Gvasalia will write a new chapter in Balenciaga's history and consolidate the House's status as a ready-to-wear authority. Demna Gvasalia has embraced Balenciaga's core values and is developing them in harmony with today's global changes.

Over the past years, under CEO Isabelle Guichot's leadership, Balenciaga has been consolidating its directly-operated store network worldwide. Today Balenciaga has a well-developed retail network of 103 stores in both mature markets (Western Europe, US and Japan) and Asia (Greater China and South Korea). In addition, Balenciaga's e-commerce network currently covers 95 countries.

In 2015, Balenciaga pursued its retail expansion strategy with the opening of its first flagship store in Spain (Madrid) as well as its first stores in Macau (Galaxy) and Florence. Several stores were renovated in line with its new concept during the year. Additionally, the brand extended its retail presence in upscale department stores with the net opening of eight shop-in-shops.

Balenciaga is now distributed through directly-operated stores and e-commerce, as well as through franchisees and leading multi-brand stores.

In 2016, the brand will continue to benefit from the impetus provided by new product launches. Franchises and selective distribution remain important contributors to the brand's activity, but retail and e-commerce development will continue to be the priority for the brand, 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 was built up by four generations of the founder's direct descendants and soon acquired fame for its expertise in precious stones and its *savoir-faire* in creating innovative jewellery and watches. The jeweller moved to Place Vendôme in 1893, becoming the first of the watch and jewellery brands to open a boutique in this iconic location. For more than 155 years, Boucheron has been synonymous with excellence in jewellery, high jewellery and watchmaking.

Today, Boucheron creates and markets jewellery (bijoux, jewellery as well as high jewellery) and watches through 39 directly-operated stores across the world, including its flagship Place Vendôme store, franchise boutiques, and department stores. It also has a selective network of additional points of sale in exclusive multi-brand stores.

In 2015, the brand's main focus was the consolidation of its existing retail network. During the year the Maison opened its first (franchise) boutique in Saudi Arabia (Jeddah El-Khayyat Center).

This year marked the success of the new High Jewellery collection, *Bleu de Jodhpur*. This unique collection presented under the patronage of the current Maharajah of India, His Highness Gaj Singh II, celebrates Boucheron's close links with India. The collection has proved to be an immediate outstanding success with both the press and clients.

The brand's famous *Quatre* jewellery collection maintained its iconic position and the *Serpent Bohème* jewellery collection, which was relaunched in 2013, has become a new pillar in terms of sales.

Regarding the watch business, the new stainless steel, round-case *Epure* watch was successfully launched during Baselworld Watch Fair 2015.

In September 2015, Hélène Poulit-Duquesne was appointed as Boucheron's new CEO. Benefiting from her 20-year experience in the luxury and jewellery industry, the Maison is planning to further strengthen the growth of its iconic collections by optimizing visibility and distribution in 2016.

Boucheron will again play an important role in the *Biennale des Antiquaires* in September 2016 alongside the best international jewellery brands.

Brioni

Brioni was founded in Rome in 1945 by Italian tailor Nazareno Fonticoli and entrepreneur Gaetano Savini.

Revolutionary since the beginning, in 1952 Brioni was the first men's couture House to stage a fashion show and to introduce bright colours and new fabrics to its tailoring collections, pushing back the boundaries of menswear and embracing new interpretations.

Over the years, Brioni strengthened its global reputation, obtaining recognition in America, where it was named the most prestigious men's luxury fashion brand by the Luxury Institute of New York in 2007 and 2011.

Part of Kering since 2012, Brioni develops sartorial ready-to-wear collections, shoes, bags, small leather goods, jewellery, eyewear and fragrances.

In November 2014, the brand appointed a new CEO, Gianluca Flore, to lead the brand's continued international expansion and consolidate its position in the luxury industry.

Innovation and contemporary functionality are Brioni's guiding values. The new management wants to revitalise the brand by making it relevant and attractive to the contemporary man – who is successful and influential, between 35 and 65 years old, with charismatic charm, a creative mind, and is passionate and knowledgeable about luxury products.

All of the brand's products are "Made in Italy", and meticulously handcrafted by expert artisans. Most of the production is made in-house in Brioni's ateliers in Penne, a small town in the Abruzzo region, with a rich, longstanding tailoring tradition. The art of Brioni products comes from the genuine workmanship of Brioni's tailors. These men and women, with many years of experience, shape each garment with the rigorous observance of Brioni's method. They are all educated at the *Scuola di Alta Sartoria* tailoring school, founded by the company in 1985 to perpetuate the sartorial tradition and train new generations of tailors.

While wholesale represents an important distribution channel for the brand, Brioni is continuously expanding its retail network by opening new strategic stores.

At the end of 2015, Brioni had 46 directly-operated stores, mainly located in Western Europe, North America and Japan. During the year, the company fine-tuned its retail network footprint, as reflected by the relocation of its Prague boutique to a strategic new venue in the heart of the city's commercial district, as well as in the US, with the renovation of its Las Vegas store. 2015 also marked the company's 70th anniversary and its return to the catwalk.

Moving forward, its ambitions for 2016 include consolidating the company's business in the US and Asia as well as strengthening brand awareness and visibility worldwide. Over the course of the year, the company will unveil a new store concept and a redesigned website in line with the new brand strategy to revitalise Brioni's positioning in the menswear luxury market.

CHRISTOPHER KANE

Founded in 2006 by the eponymous designer, Christopher Kane is a brand which is widely acknowledged to have spearheaded a revival of British high fashion, through the launch of innovative ready-to-wear styles. After having completing 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 in November 2014, Sarah Crook was appointed CEO of Christopher Kane with the goal of enhancing the brand's global expansion and reinforcing its organisational structure.

Christopher Kane has received several industry recognitions in recent years, including the highly acclaimed Womenswear Designer of the Year by the British Fashion Council (BFC) in 2013. Christopher Kane was nominated again this year by the BFC for two prestigious awards: Womenswear Designer of the Year and the Red Carpet Award.

On the distribution side, Christopher Kane's collections are currently distributed in over 30 countries across more than 150 wholesale accounts. Its primary product category is women's ready-to-wear, with recent expansion into menswear, accessories and shoes. In the shoe category, Christopher Kane launched this year a line of sneakers (the safety buckle sneakers), which has been well received by both the market and the press.

Christopher Kane's first retail store, on Mount Street in Mayfair, London, opened in February 2015 and represents a strong statement of the brand's image and identity. As well as helping increase brand awareness, the store provides significant leverage for strategic partnerships with third parties. In 2016, the brand expects to further strengthen its wholesale presence worldwide.

GP
GIRARD-PERREGAUX
HAUTE HORLOGERIE SUISSE DEPUIS 1791

JR
JEANRICHARD
1681

Girard-Perregaux is one of the oldest high-end watch manufacturers still in operation. Founded in 1791, the company is headquartered in La-Chaux-de-Fonds, Switzerland.

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.

Combining a passion for state-of-the-art *Haute Horlogerie* and a relentless quest for precision, Girard-Perregaux is one of the few Swiss watchmakers that designs and manufactures its own movements and cases in-house.

Since 2011, when Kering acquired 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 bright future.

To bolster its position in Western and Middle Eastern markets, Girard-Perregaux recently revamped and relaunched several of its signature collections that embody its heritage, craftsmanship and watchmaking culture. The Girard-Perregaux 1966 collection is now offered in a steel edition, while the Vintage 1945 line has been reinvented with titanium and other innovative materials. By introducing variations on two iconic models, Girard-Perregaux is targeting a younger customer base.

Haute Horlogerie continues to be the brand's most emblematic segment. In 2015, it received another award, the *Prix de la Montre à Sonnerie 2015*, for its *Minute Repeater Tourbillon with Gold Bridges* model at the *Grand Prix d'Horlogerie de Genève*. For the first time, this elegant watch combines the legendary *Tourbillon* and the minute repeater, considered to be at the foundation of the timepiece complication.

As part of its ongoing innovation drive, Girard-Perregaux will introduce a number of unique timepieces in 2016, thus confirming its top ranking among Switzerland's elite watchmakers.

Girard-Perregaux is present in over 60 countries through independent points of sale, prestigious department stores and specialist boutiques.

The watches are also sold through a franchise network of 18 mono-brand franchise stores located primarily in Asia and Europe.

In 2016, the new product offering will be accompanied by a refounded communication strategy focused on the brand's history and heritage. Another key brand development initiative will be to overhaul the distribution network.

Also based in La-Chaux-de-Fonds, JEANRICHARD sells its collections through independent points of sale and specialist multi-brand boutiques. Its four main markets are Mainland China, Japan, France and the United Kingdom.

Pomellato DoDo

Synonymous with creativity and character in the international jewellery scene, Pomellato was established in Milan in 1967, and was the first to introduce the prêt-à-porter philosophy to the world of jewellery.

Pomellato's creations – unique in their blend of colourful stones, stone cutting techniques and setting know-how – are immediately recognisable and have built a consistent, iconic style over the years. Jewels are crafted by the expert hands of goldsmiths, who transform the spirit of the brand into outstanding creations.

The *Nudo* collection remains the most iconic line thanks to rings that embody the very essence of Pomellato fusing design, colour and link to fashion. In 2016 Pomellato will celebrate the 15th anniversary of its iconic line.

Over the last few years the Pomellato brand has reinforced its most iconic lines with product extensions in more precious creations, such as the new *Nudo Diamond* line. In 2015, the new Milano line was launched together with the first Pomellato eyewear collection.

Following its strategic international expansion, the Pomellato brand currently has a distribution network that includes 40 directly-operated stores, 22 franchise boutiques and over 500 wholesale points of sale.

With a unisex and multi-generational appeal, the brand Dodo was created in 1995 as the first jewellery line to combine a decorative function with a message.

Over the past years, Dodo has launched successful new jewellery lines such as the *Sea Collection* and broadened its core activities with the launch of a new watch. In 2015 the watch business saw the introduction of new colours and a capsule collection of women's watches for Christmas. Dodo also launched a new precious collection, the *Starfish* line, and the *Lucky Chef* capsule to celebrate the Expo Milan 2015.

The Dodo distribution network currently includes 19 directly-operated stores, 13 franchise boutiques and approximately 400 wholesale partners, most of which are shared with the Pomellato brand. In 2014 Dodo opened a flagship located at the heart of the luxury quarter in Paris, rue Saint Honoré.

In December 2015 Kering announced the appointment of Sabina Belli as the new CEO of the Pomellato Group. In her new role she will have the responsibility of supporting Pomellato's and Dodo's further development and of strengthening their unique positioning globally.

In 2016 the group's strategy will feature the introduction of new product lines as well as the consolidation of existing collections for both the Pomellato and Dodo brands. In addition, the group plans to further enhance its retail network with targeted stores openings, especially in mature regions: Europe, the US and Japan.

qeelin

Created in 2004 by designer Dennis Chan, Qeelin has embraced the evocative myths of the East, creating lavish fine jewellery that is rich in symbolism. In each collection, iconic designs, carefully selected materials and exceptional craftsmanship deliver a combination of playfulness and enchanting oriental beauty.

The brand's identity is reflected in its name, a reference to the "Qilin", a Chinese mythical animal and rooted symbol of love, understanding and protection. The brand's iconic *Wulu* collection is inspired by the legendary Chinese gourd filled with auspicious associations. Qeelin is also well-known for its *Bo Bo* collection, featuring an articulated and playful representation of a diamond panda bear, China's treasured national hero.

Since Qeelin's acquisition by Kering in December 2012, the brand has accelerated its growth, through both retail and wholesale channels. Its boutique network expansion continued in 2015 primarily in Mainland China with Qeelin now counting 21 stores (14 directly-operated boutiques and seven franchise stores). To reinforce its international expansion the brand has also made its first steps in the US market, where business development will be driven by a selective network of independent retailers and department stores.

For its major advertising campaign this year, Qeelin commissioned the famous Chinese photographer Chen Man to present the *Wulu* collection as well as its new fine jewellery collection, *Wang Wang*, which is inspired by the Creative Director's love of animals.

In 2016, Qeelin will continue to invest in its expansion, primarily focusing on the Asian and US markets. The product offering will also be reinforced with a more accessible price point.

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 always been its core business, but during recent years the brand has been successfully extending its portfolio to include other product categories such as handbags and shoes, and has diversified 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 fragrance lines through licence agreements.

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

After starting out as primarily a wholesale business and building up more than 650 doors worldwide in over 50 countries, more 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 mostly concentrated on consolidating and nurturing the organic growth potential of its existing retail network over the past three years. However, it has still carried out some very selective store openings.

At the end of 2015, the brand owned a retail network of 35 directly-operated stores, with five new net openings taking place over the year, mainly in Japan, the US and China. Its online presence has helped to significantly enhance and reinforce the brand's 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 this channel by skimming it and engaging with key online players. During the year, two franchise boutiques were added to the network, bringing the total up to 22 franchise stores worldwide. This approach continues to represent a valuable tool for entering specific regions where brand awareness is not yet consolidated.

In 2016, the brand's priority will be to continue strengthening its product offering, fostering its retail operations and organisation to pursue its selective retail expansion. The brand will also consolidate its omni-channel approach to further increase the proximity of the brand to all of its customers. In addition, Stella McCartney wants to expand brand awareness particularly in China, and in other Asian countries.

ULYSSE NARDIN
SINCE 1846 LE LOCLE - SUISSE

Founded by Ulysse Nardin in 1846, this watchmaking House, with roots in the nautical world, joined Kering in November 2014.

Building on its strong identity and expertise in the high-end segment of marine chronometers and complication timepieces, Ulysse Nardin continues to introduce cutting-edge technologies and state-of-the-art materials, including silicium and other innovative materials. In addition, Ulysse Nardin is one of the few Swiss watchmakers to have in-house production capacity for high-precision movement components, particularly the regulating organs.

Ulysse Nardin's current distribution network includes 18 mono-brand boutiques (of which one directly-operated store) and more than 500 watch and jewellery selected points of sale around the world.

In 2015, under the leadership of CEO Patrik Hoffmann, the brand's sales organisation has been reinforced and new doors have been opened with a particular focus on the Chinese clientele.

In terms of products, in 2015 Ulysse Nardin launched its innovative *Anchor Tourbillon* watch, an example of avant-garde silicium based technology, which is the outcome of eight years of research and development. In Fall 2015, the watch received three very prestigious awards from international juries of industry experts: the Tourbillon Watch Prize at the *Grand Prix d'Horlogerie de Genève* (GPHG), the Watch of the Year Prize at the International Salon of Haute Horlogerie (SIAR) in Mexico, and the *Prix Orologio dell'Anno 2015*, from Italian watch magazine L'*Orologio*.

During the year, Ulysse Nardin strengthened and reaffirmed its roots with the marine world thanks to the sponsorship of the Artemis Racing team, challengers in the 35th America's Cup.

In 2016, Ulysse Nardin plans to streamline its product portfolio as well as to consolidate and upgrade its worldwide distribution network. A new global communication plan will also be introduced in 2016 to increase and support brand visibility and awareness.

worldwide sport & lifestyle market overview

This section contains information which is derived from the "2014 Global Sport Market Report" conducted by NPD, an independent market research firm, and published in June 2015.

This study's estimates of the size of the global sports market are based on NPD's consumer panel tracking data, in 14 countries (in 2014), representing approximately 80% of global sports sales. For the remaining 20%, NPD estimates are based on assumptions related to gross domestic product development.

Note that year after year some countries are surveyed using panels instead of being estimated. As a result, historical data (typically from 2006 to 2013) are subject to update by NPD each year.

Also note that i) all growth rates are expressed in reported terms; ii) the designation "Sport & Lifestyle" (SLS) refers to all types of sports from running and hiking to snowboarding; iii) the global Sport market, as reported by NPD, includes four major segments: apparel, footwear, equipment, and bicycles for all types of sport usage.

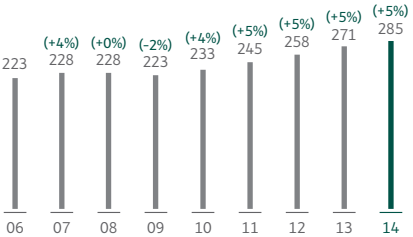
market overview: size, trends and main growth drivers

According to NPD, the global Sport & Lifestyle market generated revenue of €285 billion in 2014, representing a 5% increase compared to 2013, driven by Americas and Asia's performances. This marked the fifth consecutive year of positive growth.

The top three contributors (in term of percentage of global growth) were the United States (31%), China (14%), and Russia (7%).

From 2006 to 2014, the Sport & Lifestyle market grew at a compound annual growth rate of 3%.

Worldwide Sport & Lifestyle market trend (2006-2014, 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 are quick 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 increase market penetration and brand awareness;
- retail expansion: while wholesale distribution remains the most important distribution channel for Sporting Goods, industry players are also developing their network of directly-operated stores.

competitive environment

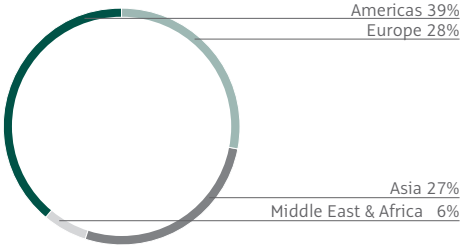
The Sport & Lifestyle market is a mass, global market. PUMA is currently one of the leading Sporting Goods brands after Nike and Adidas. In addition to these three major players, there are several players specialised either in one specific category, or initially targeting a specific region, such as Under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

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

regional overview

In 2014, the United States and China remained the two largest markets, accounting for 28% and 9% of the global market respectively.

Worldwide Sport & Lifestyle market: breakdown by region (2014)



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

2014 rank	Country	Year-on-year % of total *(in € billions)*	change	Size market
1	United States	80.7	+5.4%	28.3%
2	China	26.2	+7.7%	9.2%
3	Germany	13.0	+4.3%	4.6%
4	Japan	11.6	+1.5%	4.1%
5	France	10.9	+3.9%	3.8%
6	United Kingdom	10.2	+4.0%	3.6%
7	South Korea	9.3	+2.4%	3.3%
8	Brazil	8.7	+7.1%	3.1%
9	Canada	8.7	+5.6%	3.0%
10	Russia	8.6	+12.6%	3.0%

In the United States, sport apparel was extremely dynamic in 2014, up 10%, as consumers favoured Sport products for casual and daily use.

Out of the five major European countries, Germany, France and the UK were the most buoyant markets overall in 2014. Main drivers were footwear across all countries, apparel in Germany and the UK and bicycles in France.

In Russia, in spite of the subdued environment, the Sport & Lifestyle market was strong in 2014 (up 13%), as Russian consumers anticipated price increases and spent in their country rather than abroad. The Winter Olympics in Sochi also boosted domestic consumption.

In Japan, footwear sales were strong, led by walking/hiking, running and soccer. This year, golf and cycling sales (which represent 35% of the total Japanese Sport & Lifestyle market) decreased 4% and 3% respectively.

South Korea, which entered the top ten countries in 2014, saw a 3% drop in walking/hiking sales in 2014. Running, a key market, was soft. In contrast, cycling was up 5%.

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.

In 2014, all categories grew, with footwear and apparel registering the highest growth (up 6% for both), driven by the World Cup and "non-football textiles".

Worldwide Sport & Lifestyle market: breakdown by category (in 2014)

	Market value *(in € billions)*	Reported year-on-year change	% of total market
Footwear	79	+6%	28%
Apparel	96	+6%	34%
Equipment	74	+3%	26%
Bicycle and accessories	36	+2%	12%
Total	**285**	**+5%**	**100%**

In 2014, fitness, running and soccer were the sports that enjoyed the highest growth rates. Five main sports represented 44% of the Sport & Lifestyle market:

Sport	2014 value *(in € billions)*	Reported year-on-year change
Cycling	38	+2%
Fitness	31	+7%
Walking/Hiking	25	+3%
Running	20	+5%
Football/Soccer	11	+11%

NB: as mentioned in the introduction to this section, NPD updates historical data each year (2013 data have been updated).

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, and 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 multi-brand 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 represent approximately 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 2014. However, in the United States, e-commerce penetration is relatively higher and thus presents positive prospects for industry players.

market outlook

In the long term, NPD forecasts a compound annual growth rate of 4% for 2014 to 2020e. The Sport & Lifestyle market is therefore expected to reach sales in excess of €355 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 contribute equally to long-term growth:

- Consumer trends: the casual-use market will expand through increased penetration of branded sport-styled apparel and athletic footwear in daily life. The market for sport use will grow through increased concern for health considerations.
- Sports trends: within major sports, urbanisation will specifically foster running, basketball and all fitness activities. Paradoxically, urbanisation should also nurture a return in demand for outdoor activities and brands.

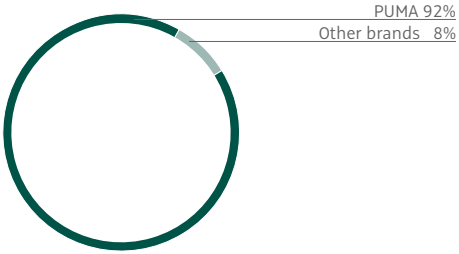
sport & lifestyle division

PUMA 50
Other brands 54
Volcom
Electric

2015 key figures

€3,683 million
in revenue

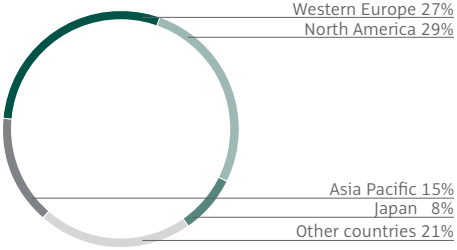
Breakdown by brand



Breakdown by product category

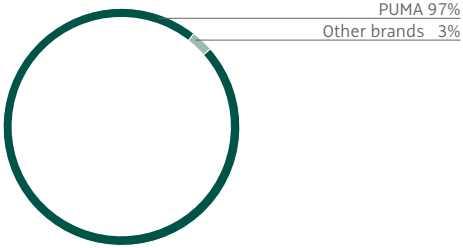


Breakdown by region

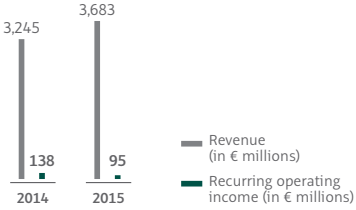


€95 million
in recurring operating income

Breakdown by brand



Revenue and recurring operating income



2015 key figures

€3,403 million
in revenue

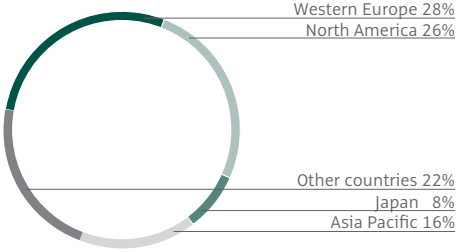
€92 million
in recurring operating income

10,988
average number of employees

Breakdown of 2015 revenue by product category



Breakdown of 2015 revenue by region



business concept

PUMA is one of the world's leading sports brands and designs, develops, and markets footwear, apparel and accessories. For over 65 years, PUMA has established a reputation for its fast product designs for the fastest athletes on the planet.

PUMA offers performance and sport-inspired Lifestyle products in categories such as Teamsport, Running and Training, Golf, and Motorsport. It has formed a series of exciting partnerships with renowned brands to bring innovative and fast designs to the world of sport. The PUMA Group owns the PUMA, COBRA Golf and Dobotex brands. The company distributes its products in more than 120 countries, employs about 11,000 people worldwide, and is headquartered in Herzogenaurach, Germany.

In 2013, CEO Bjørn Gulden introduced PUMA's new mission statement: to be the fastest sports brand in the world. This not only reflects PUMA's brand positioning of being *"Forever Faster"*, but also serves as the company's guiding principle, which is expressed through all of its actions and decisions. PUMA's objective is to be fast in reacting to new trends, fast in bringing new innovations to market, fast in decision-making and fast in solving problems for its partners and retailers.

competitive environment

The Sporting Goods industry is continuing to grow, driven by an increase in disposable income as well as a rise in the number of health-conscious people. The fact that more women are taking up sports is also contributing to this growth. From a distribution channel perspective, e-commerce is continuing to rapidly expand.

Volatile currencies and the strength of the US dollar in particular have continued to weigh on the profitability of companies within the Sporting Goods industry. The macro-economic environment has also been dampened by ongoing political tensions in eastern Ukraine and the Middle East.

strategy

PUMA's strategy encompasses five priorities: repositioning PUMA as the world's fastest sports brand and creating excitement around the brand, improving the product engine, optimising PUMA's revenue and distribution quality, increasing the speed of the organisation, and renewing the IT infrastructure. In 2015, PUMA continued to make progress in all of these key strategic priorities.

In terms of its repositioning as a sports brand, PUMA continued to enhance its product communication by giving consumers a stronger, simpler brand story and by better utilising its assets. Its new positioning is reflected in the company's ongoing marketing campaign "*Forever Faster*". The second wave of this brand campaign had a dedicated focus on Training and was brought to life through the unique training stories of PUMA's most elite brand ambassadors including Usain Bolt, Rihanna, Sergio Agüero, Arsenal Football Club, and the Cuban National Boxing team. The campaign was underpinned by *IGNITE XT*, PUMA's latest innovative footwear offering within the *IGNITE* franchise. The training shoe's responsive design maximises energy and movement during high intensity workouts.

PUMA's new multi-year partnership with Rihanna has generated a lot of positive press coverage and social media buzz. Rihanna was featured in in-store marketing campaigns promoting PUMA's key training styles of the season. She also played an important role in PUMA's brand campaign "*Forever Faster*" and has been a key element in PUMA's strategy to improve its product offering for women. Furthermore, PUMA and Rihanna have launched a series of Rihanna-inspired footwear and apparel styles. The first sneaker from PUMA BY RIHANNA brought out under her FENTY label was the *Creeper*. It generated unprecedented social media and press coverage for PUMA. The limited edition black and white colourway sold out within hours.

PUMA's 2015 sales performance also proved that PUMA is well on the way to improve its product engine. Stronger sales for its performance collections, especially in Footwear, underlined the increased commercial appeal of PUMA's products. The launch of PUMA's new running technology *IGNITE* was an important initiative, which delivered solid sell-in and sell-through performances in both wholesale and the company's own retail network. Positive feedback from retailers around the world regarding PUMA's new products as well as the order book for the coming seasons confirm that PUMA is on the right track.

In terms of improving the quality of distribution, PUMA's sales organisations continued to consolidate their relationships with key strategic accounts and to build new partnerships with strong retailers in both established and emerging markets. In the North American market, for example, PUMA reinforced its presence with shop-in-shops, special wall units and permanent in-store communication at major sports accounts, including Finish Line and Champs. The roll-out of the new *"Forever Faster"* store layout has continued worldwide for PUMA owned and operated stores.

In 2015, PUMA also made progress in simplifying its organisational structure and setup. The consolidation of the Europe and EEMEA regions (Eastern Europe, Middle East and Africa) under one leadership is a good example of this. In addition, synergies were generated in many areas, leading to a faster and more effective organisation. In terms of overall IT enhancement, PUMA continued to make progress in key areas, including standardising ERP systems, improving overall IT infrastructure and developing tools to make the design and planning processes more efficient.

Social, economic and environmental sustainability remains a core value for PUMA. As a company that offsets all carbon emissions from its own entities, PUMA was an official partner of the COP21, 2015 UN Climate Change Conference in Paris, and provided the uniforms for 180 students in charge of welcoming visitors from all over the world. These trainee hosts and hostesses wore specifically designed PUMA outfits, made entirely from organic cotton. Furthermore, PUMA helped 35 key suppliers in Bangladesh, Cambodia, China and Indonesia improve their energy efficiency and reduce their carbon footprint. The project, which was co-financed by the German Development Bank, identified over 200 measures with the potential to save a total of approximately 100,000 tonnes of CO_2 and generate an attractive return on investment.

2015 highlights and outlook for 2016

The launch of PUMA's *IGNITE* running innovation, which was presented by the World's Fastest Man Usain Bolt on New York City's Times Square in February, got 2015 off to a good start. The breaking new *IGNITE* foam technology offers maximised energy return and strongly represents PUMA's "*Forever Faster*" positioning. The sell-through of this cutting-edge footwear technology was a huge success throughout the year. The introduction of *IGNITE* was supported by PUMA's "Ignite Your City" film series, featuring ten global running crews wearing the new PUMA *IGNITE* in their respective cities. The campaign went viral on social media and created lots of positive buzz for PUMA.

Underlining its strong position in Football, PUMA achieved great visibility at both the Copa América in Chile and the FIFA Women's World Cup in Canada. At the Copa América, PUMA partnered host nation Chile, whose stellar performance throughout the tournament was rewarded with their first continental trophy. The PUMA team secured their victory with a penalty shootout over archrival Argentina and PUMA ambassador Sergio Agüero was amongst the tournament's best scorers with three goals.

At the FIFA Women's World Cup, PUMA star Marta made headlines by becoming the all-time leading scorer in Women's World Cup history, while Germany's Célia Šašić finished the tournament as the top scorer with six goals. Together with PUMA's three participating teams, Cameroon, Ivory Coast and Switzerland, more than 50 PUMA players helped give PUMA a strong on-pitch presence.

During the 2015 IAAF World Championships in Beijing, PUMA benefitted from excellent athlete and team performances with 18 podium positions for PUMA sponsored athletes and teams. The world's fastest man Usain Bolt once again proved his status as the greatest athlete of all time with triumphs in the 100 m, 200 m and 4x100 m relays, extending his record-breaking personal haul of IAAF World Championship gold medals to 11. The outstanding performance of the Jamaican Team, which finished second in the medals table after Kenya, as well as the performance of the other PUMA teams including the Bahamas, Cuba, Grenada, Cayman Islands, Switzerland and the Dominican Republic, ensured strong brand visibility for PUMA throughout the competition.

In our successful Motorsports category, PUMA continued to be a leading supplier with its exceptional Mercedes AMG Petronas and Scuderia Ferrari F1 teams. The Mercedes team's Lewis Hamilton won his third Formula 1 Drivers' World Championship, while Mercedes also won the Constructors' Championship title for the second consecutive year, marking the most dominant season for the "Silver Arrows" in more than 60 years.

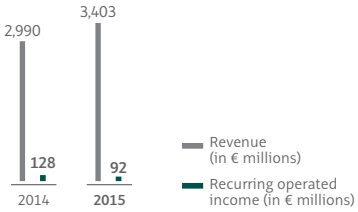
In September, COBRA PUMA GOLF golfer Rickie Fowler enjoyed another victory in the Deutsche Bank Championship at TPC Boston. Wearing his signature orange apparel and equipped with his Fly-Z+ Driver, Fowler powered his way to victory. He wore PUMA apparel and footwear from the 2015 Autumn/Winter collection, including the *Titantour*, the coolest shoe in golf. COBRA PUMA GOLF athlete Lexi Thompson also proved her outstanding talent by winning the LPGA KEG Hana Bank Championship in South Korea, amongst others.

In 2016, PUMA will continue to invest in marketing, extending its own retail store network and upgrading its IT infrastructure to become a faster, leaner and more efficient company in the future. Furthermore, the development of innovative and commercial products and close collaboration with key retailers will remain an important focus in PUMA's go-to-market strategy.

PUMA's "*Forever Faster*" brand campaign will see continuous investments accompanied by exciting product launches, as well as new partnerships with globally relevant brand ambassadors. Building on its strong heritage and credibility with women, PUMA has emphasised female consumers as a key growth segment. Its partnership with world-famous artist Rihanna, who is acting as a brand ambassador and Creative Director, underlines the brand's continued commitment to the female athletic consumer. PUMA will further optimise its product offering for women across its Performance and Lifestyle categories in the coming seasons. This improved product line-up for women includes the "Fierce", a training shoe with revolutionary specifications and aesthetics, and a complete collection of footwear and apparel styles by Rihanna.

Moving forward, 2016 promises to be an eventful year full of opportunities to further strengthen PUMA's positioning as a performance brand. In PUMA's football category, both the UEFA European Championship in France, where PUMA will be represented through Italy, the Czech Republic, Slovakia, Austria and Switzerland, and the Copa América in the US, will be major events to showcase PUMA's genuine focus on sports. In addition, the Olympics in Rio de Janeiro will be an important platform for increasing PUMA's brand presence through the world's fastest man Usain Bolt and many more of the world-class athletes and teams it sponsors.

Revenue and recurring operating income



other brands

- Volcom
- Electric

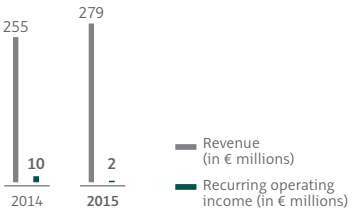
2015 key figures

€279 million
in revenue

€2 million
in recurring operating income

784
average number of employees

Revenue and recurring operating income



VOLCOM

Founded in the early 1990s, Volcom was created on the belief that there is a higher level of consciousness to be found within oneself 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.

During the year, Volcom reinforced its efforts to strengthen both its products and marketing, and has implemented a global organisation structure to improve its performance and relevance to its markets and clients.

Volcom has continued to experience positive sell-through in wholesale distribution and has continued to gain market share in core retail accounts. Branded retail was also a key focus for Volcom, with store openings particularly in France and the United States during the year, and some initiatives to optimise the network where needed. Volcom expanded the reach of its e-commerce platform, which is instrumental to foster online presence and drive sales.

Volcom has pursued its investments in marketing and operations in the Asia Pacific and Latin America regions, which are key markets for the brand and provide potential growth opportunities.

Volcom is continuously reinforcing 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. In 2015, Volcom launched several new campaigns, including its new surf movie, "Physic Migrations", as well as two new major marketing campaigns, "Real Life Happening" and "Welcome to Water".

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.

chapter 3
financial information

1. Activity report 58

1.1. Foreword – Definitions 58
1.2. 2015 highlights 59
1.3. 2015 business review 60
1.4. Analysis of operating performances by brand 66
1.5. Comments on the Group's financial position 77
1.6. Parent company net income and dividend payment 84
1.7. Transactions with related parties 85
1.8. Subsequent events 85
1.9. Outlook 85

2. Consolidated financial statements as of December 31, 2015 87

2.1. Consolidated income statement 87
2.2. Consolidated statement of comprehensive income 88
2.3. Consolidated statement of financial position 89
2.4. Consolidated statement of cash flows 90
2.5. Consolidated statement of changes in equity 91

Notes to the consolidated financial statements 92

3. Statutory Auditors' special report on the consolidated financial statements 175

4. Extracts of the parent company financial statements 176

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 2014 revenue restated for the impact of changes in Group structure in 2014 or 2015, and for translation differences relating to foreign subsidiaries' revenue in 2014.

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 2014 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 French accounting standards authority (*Autorité des Normes Comptables* – ANC) recommendation No. 2013-03, 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).

1.2. 2015 highlights

Change in management and creative responsibility at Gucci

On January 21, 2015, Marco Bizzarri – Gucci's President and CEO who succeeded Patrizio di Marco on January 1, 2015 – announced that Alessandro Michele had been appointed as the brand's new Creative Director following the departure of his predecessor Frida Giannini.

Alessandro Michele has been given total creative responsibility for all of Gucci's collections and its brand image. The first collection fully designed by Alessandro Michele is the 2016 Cruise collection, which was unveiled in New York on June 4, 2015 and has been available in stores since the end of the third quarter of 2015.

Finalisation of the partnership with Safilo and launch of Kering Eyewear

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 fully leverage the growth potential of its brands in this category.

As part of this strategic move, Kering and Safilo agreed to further their partnership and jointly intend to terminate the current Gucci licence agreement two years in advance, i.e., by December 31, 2016, which will result in total compensation of €90 million to be paid to Safilo. On January 12, 2015, Kering announced that it had signed a partnership agreement with Safilo covering the development, manufacture and supply of Gucci Eyewear products. The agreement took effect as from fourth-quarter 2015 in order to ensure a seamless transition for Gucci's Eyewear business.

On March 18, 2015, Kering announced the appointment of Roberto Vedovotto, CEO of Kering Eyewear, as a new member of its Executive Committee. Kering Eyewear was officially launched on June 30, 2015 when its first collection, *Collezione Uno* was presented at the Palazzo Grassi in Venice.

The overall €90 million in compensation due to Safilo has been recognised as an intangible asset in the 2015 financial statements and will be amortised as from January 1, 2017. The compensation will be paid in three equal instalments, with the first payment made on January 12, 2015 and the following two due in December 2016 and September 2018.

Reorganisation of the Couture & Leather Goods and Watches & Jewellery divisions and brands

On July 27, 2015, Kering announced that Grita Loebsack had been appointed Chief Executive Officer of Kering's Luxury – Couture & Leather Goods' emerging brands, effective September 14, 2015. The CEOs of Alexander McQueen, Balenciaga, Brioni, Christopher Kane, Stella McCartney and Tomas Maier will report to her. Kering's Luxury – Couture & Leather Goods division also includes Gucci, Bottega Veneta and Saint Laurent, which will remain under François-Henri Pinault's direct supervision.

The autonomy of each of Kering's brands will continue to be fully respected in the expansion of the Group's Luxury business and the brands will remain under the operational responsibility of their respective CEOs.

The second half of the year also saw the arrival of new CEOs within the Luxury – Watches & Jewellery division headed by Albert Bensoussan: Hélène Poulit-Duquesne was appointed CEO of Boucheron, effective September 28, 2015, and Sabina Belli was named CEO of the Pomellato group, effective December 10, 2015.

On July 31, 2015, Balenciaga and Alexander Wang announced their joint decision not to renew their contract beyond its initial term. Alexander Wang showed his final collection for Balenciaga in Paris on October 2, 2015. On October 7, 2015, Demna Gvasalia was appointed as the new Artistic Director of Balenciaga's collections. Demna Gvasalia has creative responsibility for the brand's collections and image and will present his first collection for the brand at the women's ready-to-wear autumn/winter 2016-17 show in Paris.

Sale of Italian luxury shoemaker Sergio Rossi

On December 30, 2015 Kering announced that it had closed the sale of the Italian luxury shoemaker, Sergio Rossi, to Investindustrial, in accordance with the terms announced on December 9, 2015.

The transaction included all the industrial assets of Sergio Rossi, the rights attached to the brand and the entire distribution network. The sale will allow the Sergio Rossi brand to continue its development with a strategic partner that can support the brand solidly and with prospects for long-term growth. Investindustrial is one of Europe's best-known industrial groups, which provides solutions and capital to mid-sized companies in order to accelerate their international expansion and improve their operational efficiency. Among the companies managed by Investindustrial today are brands such as Aston Martin, B&B Italia and Flos, which are internationally recognised for their excellence in Italian design. By choosing

Investindustrial, Kering selected a credible and reliable partner to ensure the continued long-term development of Sergio Rossi, in the best interests of the brand, the company, its staff and its customers.

This sale did not have a material impact on the Group's 2015 financial statements.

Other highlights

On January 15, 2015, Kering sold the assets of Movitex to the group's management team, after recapitalising it in accordance with the preliminary agreement signed on December 3, 2014.

On March 25, 2015 Kering bought out the non-controlling interests in Sowind Group in accordance with the shareholder agreements signed in June 2011. This acquisition did not have a material impact on the Group's 2015 financial statements.

On June 30, 2015, PUMA announced that it had sold the intellectual property rights (including trademark rights) of its subsidiary, Tretorn Group, to US-based Authentic Brands Group, LLC (ABG). Tretorn – which is based in Helsinborg in Sweden and makes sport and leisure products – was acquired by PUMA in 2002. This sale is in line with PUMA's strategy of refocusing on its core businesses.

On March 20, 2015, Kering issued a €500 million, 0.875% fixed-rate bond maturing in seven years. Also during the first half of 2015, Kering carried out two issues of notes in foreign currency – a USD 150 million issue in March 2015 of five-year floating-rate notes, and a USD 150 million issue in June 2015 of six-year fixed-rate notes with an annual coupon of 2.887%.

On September 22, 2015 and November 5, 2015, the Group topped up the 2.75% bond issue carried out in 2014 by €150 million and €50 million respectively.

1.3. 2015 business review

The main financial indicators taken from Kering's consolidated financial statements for 2015 are presented below:

(in € millions)	2015	2014	Change
Revenue	11,584.2	10,037.5	+15.4%
Recurring operating income	1,646.7	1,664.0	-1.0%
as a % of revenue	*14.2%*	*16.6%*	*-2.4 pts*
EBITDA	2,056.3	1,990.7	+3.3%
as a % of revenue	*17.8%*	*19.8%*	*-2.0 pts*
Net income attributable to owners of the parent	696.0	528.9	+31.6%
o/w continuing operations excluding non-recurring items	*1,017.3*	*1,177.4*	*-13.6%*
Gross operating investments	(672.1)	(551.4)	+21.9%
Free cash flow from operations	660.2	1,077.8	-38.7%
Total equity	11,623.1	11,262.3	+3.2%
o/w attributable to owners of the parent	*10,948.3*	*10,634.1*	*+3.0%*
Net debt	4,679.4	4,390.7	+6.6%

Revenue

Consolidated revenue from continuing operations amounted to €11,584 million in 2015, up 15.4% on 2014 as reported and 4.6% based on a comparable Group structure and exchange rate basis.

(in € millions)	2015	2014	Reported change	Comparable change (1)
Luxury Division	7,865.3	6,758.6	+16.4%	+4.1%
Sport & Lifestyle Division	3,682.5	3,245.1	+13.5%	+5.9%
Corporate and other	*36.4*	*33.8*	-	-
Total revenue	**11,584.2**	**10,037.5**	**+15.4%**	**+4.6%**

(1) On a comparable Group structure and exchange rate basis.

Revenue generated by the Luxury Division rose by a solid 16.4% year on year as reported and 4.1% on a comparable basis. In a volatile macroeconomic and monetary environment characterised by sharp contrasts across regions, the Luxury Division's well-balanced brand portfolio enabled it to deliver healthy performances, led notably by momentum in the directly operated store network as well as high tourist numbers in Western Europe and Japan.

Revenue for the Sport & Lifestyle Division was up 13.5% as reported. Comparable-basis growth came to 5.9%, driven by strong sales levels achieved due to the action plans implemented at PUMA which are delivering the expected results.

The overall year-on-year increase in reported consolidated revenue includes an €87 million positive impact from changes in Group structure during the year, primarily due to the acquisition of Ulysse Nardin, which has been consolidated since November 1, 2014.

Exchange rate fluctuations had a €924 million positive effect on revenue in 2015, of which €439 million was attributable to the rise in the US dollar against the euro and €322 million to the appreciation of Asian currencies (particularly the Hong Kong dollar and Chinese yuan).

Revenue by geographic area

(in € millions)	2015	2014	Reported change	Comparable change[1]
Western Europe	3,562.4	3,152.3	+13.0%	+9.9%
North America	2,652.0	2,146.7	+23.5%	+3.2%
Japan	1,101.1	962.5	+14.4%	+9.4%
Sub-total – mature markets	**7,315.5**	**6,261.5**	**+16.8%**	**+7.3%**
Eastern Europe, Middle East and Africa	773.7	728.5	+6.2%	-2.1%
South America	538.8	464.7	+15.9%	+11.1%
Asia-Pacific (excluding Japan)	2,956.2	2,582.8	+14.5%	-0.9%
Sub-total – emerging markets	**4,268.7**	**3,776.0**	**+13.0%**	**+0.3%**
Total revenue	**11,584.2**	**10,037.5**	**+15.4%**	**+4.6%**

(1) On a comparable Group structure and exchange rate basis.

The sharp fluctuations in exchange rates experienced in late 2014 and throughout 2015 had two consequences for the Group. Firstly, revenue growth expressed in euros is significantly higher than the figure at constant exchange rates. And secondly, price differences between countries increased, leading to adjustments in the pricing structure of the Group's Luxury brands and directly impacting tourist travel between different geographic regions.

During 2015, revenue growth in mature markets was once again buoyant (7.3% based on comparable data), driven by dynamic markets such as Western Europe and Japan. In emerging markets – which accounted for 37% of consolidated sales, with 26% generated in the Asia-Pacific region (excluding Japan) – overall revenue was slightly down year on year, except in South America where the Group reported a strong increase. Revenue generated outside the eurozone accounted for 79% of the consolidated total in 2015.

Quarterly revenue data

(in € millions)	First quarter	Second quarter	Third quarter	Fourth quarter	Total 2015
Gucci	869.0	1,005.2	924.1	1,099.7	**3,898.0**
Bottega Veneta	290.0	339.2	324.0	332.6	**1,285.8**
Yves Saint Laurent	211.4	231.7	243.4	287.1	**973.6**
Other Luxury brands	383.6	431.9	397.0	495.4	**1,707.9**
Luxury Division	**1,754.0**	**2,008.0**	**1,888.5**	**2,214.8**	**7,865.3**
PUMA	825.0	776.2	918.2	884.0	**3,403.4**
Other Sport & Lifestyle brands	65.0	64.8	81.4	67.9	**279.1**
Sport & Lifestyle Division	**890.0**	**841.0**	**999.6**	**951.9**	**3,682.5**
Corporate and other	**7.2**	**12.3**	**7.1**	**9.8**	**36.4**
Kering total	**2,651.2**	**2,861.3**	**2,895.2**	**3,176.5**	**11,584.2**

(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**

(comparable change)	First quarter	Second quarter	Third quarter	Fourth quarter	Full-year 2015
Gucci	-7.9%	+4.6%	-0.4%	+4.8%	**+0.4%**
Bottega Veneta	+3.1%	+9.3%	+4.3%	-3.1%	**+3.2%**
Yves Saint Laurent	+21.2%	+27.3%	+26.6%	+27.4%	**+25.8%**
Other Luxury brands	-4.5%	+6.4%	-1.0%	+10.6%	**+3.1%**
Luxury Division	**-2.6%**	**+8.0%**	**+3.1%**	**+7.2%**	**+4.1%**
PUMA	+4.5%	+7.5%	+3.9%	+11.7%	**+6.8%**
Other Sport & Lifestyle brands	-5.0%	+2.5%	-2.4%	-10.1%	**-3.9%**
Sport & Lifestyle Division	**+3.7%**	**+7.1%**	**+3.4%**	**+9.8%**	**+5.9%**
Corporate and other	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Kering total	**-0.6%**	**+7.7%**	**+3.1%**	**+8.0%**	**+4.6%**

Recurring operating income

Kering's recurring operating income amounted to €1,647 million in 2015, down 1% on 2014 on a reported basis, and consolidated recurring operating margin came to 14.2%. The Luxury Division's recurring operating margin narrowed to 21.7% during the year, with more than half of the decrease attributable to the combined impact of the effects of exchange rate fluctuations and related currency hedges as well as lower margins posted by Gucci and the Division's Watches brands.

Recurring operating margin for the Sport & Lifestyle Division amounted to 2.6%, reflecting the lower margin recorded by PUMA.

(in € millions)	2015	2014	Change
Luxury Division	1,708.0	1,665.6	+2.5%
Sport & Lifestyle Division	94.8	137.5	-31.1%
Corporate and other	(156.1)	(139.1)	-12.2%
Recurring operating income	**1,646.7**	**1,664.0**	**-1.0%**

The year on year change in recurring operating income can be analysed as follows:

- consolidated gross margin for 2015 amounted to €7,074 million, up €778 million or 12.4% on the previous year as reported;
- operating expenses rose 17.2% year on year on a reported basis, primarily due to currency effects, higher store running costs and ongoing significant investments in marketing operations within PUMA in the first half of 2015.

The Group's average headcount was 34,697 in 2015, representing a 5.5% increase on 2014.

EBITDA

At €2,056 million, consolidated EBITDA was 3.3% higher than in 2014, but the EBITDA margin narrowed by 2 percentage points to 17.8% in 2015 from 19.8%.

(in € millions)	2015	2014	Change
Luxury Division	2,025.4	1,919.2	+5.5%
Sport & Lifestyle Division	161.0	191.2	-15.8%
Corporate and other	(130.1)	(119.7)	-8.7%
EBITDA	**2,056.3**	**1,990.7**	**+3.3%**

Other non-recurring operating income and expenses

Other non-recurring operating income and expenses represented a net expense of €394 million in 2015 and primarily comprised (i) restructuring costs, (ii) asset impairment losses (including write-downs of the goodwill related to PUMA and one of the Other Luxury brands as well as asset write-downs recorded by Gucci as a result of the brand's current transition), and (iii) disposal gains, chiefly relating to the sale of the Tretorn brand and the capital gain arising on the sale of a property complex.

In 2014, this item represented a net expense of €112 million and primarily included (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.

Net finance costs

The Group's net finance costs can be analysed as follows:

(in € millions)	2015	2014	Change
Cost of net debt	(128.8)	(151.3)	-14.9%
Other financial income and expenses	(120.3)	(46.1)	+161.0%
Finance costs, net	**(249.1)**	**(197.4)**	**+26.2%**

In 2015, the Group's cost of net debt was just under €129 million, 15% lower than in 2014.

This year-on-year improvement was primarily due to a lower average cost of borrowing on the Group's long-term debt correlated with the reduction in the reference interest rates applicable to its short-term debt, as rates remained at an historic low.

However, this positive effect was partly offset by a year-on-year increase in the Group's average outstanding net debt, which was chiefly attributable to changes in Group structure resulting notably from (i) the recapitalisation of La Redoute and Relais Colis in 2014 and of Movitex in early 2015, and (ii) the acquisition of Ulysse Nardin in the last quarter of 2014.

"Other financial income and expenses" represented a net expense that was €74 million higher than in 2014, mainly due to the application of IAS 39, and notably the adverse impact of the ineffective portion of cash flow hedges.

Corporate income tax

The Group's income tax charge breaks down as follows:

(in € millions)	2015	2014	Change
Tax on recurring income	(336.5)	(268.0)	+25.6%
Tax on non-recurring items	14.8	(57.6)	-125.7%
Total tax charge	**(321.7)**	**(325.6)**	**-1.2%**
Effective tax rate	**32.0%**	**24.0%**	**+8.0 pts**
Recurring tax rate	**24.0%**	**18.3%**	**+5.7 pts**

Kering's effective tax rate rose sharply in 2015 notably due to the fact that a number of non-recurring operating losses were recorded during the year which did not have a corresponding positive tax effect, notably goodwill impairment losses.

Adjusted for the effect of non-recurring items and the related taxes, the recurring tax rate increased by 5.7 percentage points to 24.0% due chiefly to the one-off impact of currency hedging.

Share in earnings (losses) of equity-accounted companies

This item represented a negative €2.2 million in 2015 and mainly included the contribution of Wilderness, Tomas Maier and Altuzarra.

Net income from continuing operations

Consolidated net income from continuing operations came to €680 million in 2015 versus €1,028 million for the previous year.

Attributable net income from continuing operations amounted to €655 million compared with €1,008 million in 2014.

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).

In 2015, the Group reported net income of €41 million from discontinued operations, notably including the impacts of the sale of Sergio Rossi as well as the positive impact of the termination of commitments given under previous sale agreements.

In 2014, the Group reported a €479 million net loss from discontinued operations. This included (i) a €355 million loss related to Redcats, mainly comprising the cost of financing the social guarantees granted to the employees concerned by the modernisation measures at La Redoute and Relais Colis as well as a provision for vendor warranties given in connection with the sale of these two companies, and (ii) the net loss posted by Sergio Rossi, in particular a €52 million write-down recorded against the residual value of the brand.

Net income attributable to non-controlling interests

Net income attributable to non-controlling interests totalled €25 million in 2015 compared with €20 million in 2014.

Net income attributable to owners of the parent

Net income attributable to owners of the parent amounted to around €696 million in 2015 versus €529 million in 2014.

Adjusted for non-recurring items net of tax, attributable net income from continuing operations decreased 13.6%, coming in at €1,017 million versus €1,177 million in 2014.

Earnings per share

The weighted average number of Kering shares used to calculate earnings per share was approximately 126 million in 2015, virtually unchanged from the number used for 2014.

Earnings per share stood at €5.52 versus €4.20 for the previous year.

Earnings per share from continuing operations totalled €5.20 in 2015, compared with €8.00 for 2014.

Excluding non-recurring items, earnings per share from continuing operations amounted to €8.07, down 13.7% on the 2014 figure.

The impact of dilutive instruments on the calculation of earnings per share was almost neutral in 2015.

1.4. analysis of operating performances by brand

Luxury Division

(in € millions)	2015	2014	Change
Revenue	**7,865.3**	**6,758.6**	**+16.4%**
Recurring operating income	**1,708.0**	**1,665.6**	**+2.5%**
as a % of revenue	***21.7%***	***24.6%***	***-2.9 pts***
EBITDA	2,025.4	1,919.2	+5.5%
as a % of revenue	*25.8%*	*28.4%*	*-2.6 pts*
Gross operating investments	390.9	372.4	+5.0%
Average headcount	21,576	20,122	+7.2%

2015 was marked by considerable geopolitical and economic instability as well as by high volatility in both currency and stock markets, which weighed on consumer spending for Luxury Goods. According to the Bain-Altagamma research survey, during 2015 the relevant market in which the Kering group's Luxury brands operate only grew by between 1% and 2% at constant exchange rates.

In addition to this, market growth was very mixed across geographic regions, as sharp currency swings and heightened consumer sensitivity to the pricing policies of Luxury Goods brands led to major changes in buying behaviour and tourism patterns.

Business was very brisk in Europe, fuelled by a 21% surge in tourist purchases (mainly Chinese and Americans), with sales peaking in the second quarter and coming in at an excellent level in the third quarter, before slowing in the last three months of the year, partly due to the terrorist attacks in Paris in November.

In Japan, the market was buoyed by solid domestic consumer spending and an ongoing increase in the number of tourists from Mainland China.

In the Asia-Pacific region (excluding Japan), a number of countries also reported higher sales driven by purchases by Chinese tourists. This was particularly the case for Australia, throughout 2015, as well as for Singapore and South Korea in the last few months of the year.

Conversely, the market environment worsened once again in Hong Kong and, to a lesser extent, Macao. According to the Bain-Altagamma research survey, sales of Luxury products were also down (by 2%) in Mainland China although there were signs in the fourth quarter that the situation was beginning to stabilise, with sales for certain brands even picking up.

In North America, despite the positive economic indicators coming out of the United States, the Luxury industry was more volatile and less dynamic in 2015 than in 2014. Retail sales statistics show that there was a slowdown towards the end of the year, although the basis of comparison with 2014 was high. Throughout 2015 the strong US dollar led tourists and certain US consumers to make their purchases in other geographic regions.

In addition to the above market conditions, the sharp currency fluctuations (which began at the end of 2014 and became very apparent from early 2015) exacerbated the difference between sales growth figures in euros and those expressed at constant exchange rates.

Against this operating backdrop, Kering's Luxury brands as a whole outperformed the market in 2015, with overall revenue generated by the Luxury Division coming in at €7,865 million, up 16.4% as reported and up 4.1% on a comparable Group structure and exchange rate basis. The only effects during the year of changes in Group structure related to Ulysse Nardin, which has been consolidated since November 1, 2014.

The Luxury Division's year-on-year performance was mixed across quarters, with strong growth in the second and fourth quarters (8.0% and 7.2% respectively) and a good showing in the third quarter (up 3.1%), following on from a 2.6% contraction in the first three months of the year.

Gucci contributed some 50% of the Division's total revenue in 2015 versus 52% in the previous year (on a reported basis). The Division's Other Brands – apart from Bottega Veneta and Yves Saint Laurent – accounted for around 22% of the total, practically unchanged from 2014.

Retail sales in directly-operated stores and online rose by a very robust 7.2% on a comparable basis, and represented 70.6% of the Division's total revenue versus 68.6% in 2014. 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, as well as measures taken to prudently manage the expansion of the directly-operated store network.

Wholesale sales were 3.0% lower than in 2014 on a comparable basis, with a more significant downturn of 7.3% in the first half but 4.4% growth in the fourth quarter. The overall year-on-year decrease stemmed mainly from the 10.3% contraction in Gucci's wholesale sales resulting from the launch in the first few months of 2015 of a new

phase in its plan to streamline its wholesale distribution network. This plan forms part of the organisational and creative transition process underway within the brand and involves drastically reducing its exposure to multi-brand distributors in Europe.

By product category, the Division's overall revenue is becoming increasingly balanced. This reflects the complementarity of the brands in the portfolio, with Leather Goods, Ready-to-Wear and Shoes representing 53%, 16% and 12%, respectively and Watches & Jewellery accounting for 10%. Apart from Watches – which were adversely affected by a lacklustre market and the sharp appreciation of the Swiss franc – revenue was up in each of the Division's main product categories.

By geographic region, business for the Group's Luxury brands reflected the market trends described above. Consequently, growth was highest in the Division's traditional, more mature markets, coming in at 9.2% on a comparable basis, and even reaching 13.7% for the directly-operated store network.

Western Europe (which made up 32.6% of the Division's revenue) posted a very strong 13.0% increase, driven by robust sales in eurozone countries (up 18.6%). These figures were achieved thanks to high tourist numbers in Europe and steadily rising sales to local customers.

The Japanese market experienced a third year of strong growth, with revenue up 13.7% on a comparable basis following on from the 12.6% and 11.9% increases recorded in 2014 and 2013, respectively. This performance was fuelled by both robust sales in the domestic market and a massive influx of Chinese tourists.

In North America (which contributed 20.1% of the Division's sales) revenue was up 1.7%. The rise in the US dollar against many of the world's other major currencies had an adverse effect on sales to tourists and, to a lesser extent, domestic sales. At the same time, consumer spending on Luxury Goods in the United States seemed to be affected by the uncertainty in the global stock markets that prevailed during the year.

The Luxury Division's sales in emerging markets (which represented around 37.1% of its total revenue) were down 3.7% on a comparable basis.

In the Asia-Pacific region (excluding Japan) revenue declined 3.4%. In parallel, Hong Kong and Macao reported a sharp revenue decline, which could not be offset by the high levels of purchases by Chinese customers in some of the region's countries – including South Korea and especially Australia – or the sales growth, albeit moderate, achieved in Mainland China. Business in Mainland China was more buoyant in the fourth quarter of 2015, which drove a 0.8% revenue rise for the year as a whole.

Sales also decreased in the Division's other emerging markets, except for Latin America, which saw a jump in revenue, although part of this increase was to the detriment of sales in the United States.

The Luxury Division's recurring operating income amounted to around €1,708 million in 2015, up 2.5% as reported.

Recurring operating margin came in at 21.7%, down 290 basis points as reported. This decrease was due to (i) the combined effects of exchange rate fluctuations and currency hedges, which had a major dilutive impact in 2015, and (ii) the contraction in recurring operating income at constant exchange rates reported by several of the Division's brands.

In the second half of the year, the increase in recurring operating income was more pronounced (approximately 5%) and the dilutive effect on recurring operating margin was contained (down 210 basis points compared with 380 basis points in the first six months). This improved second-half performance was due to both an increase in revenue and tighter control over costs.

EBITDA rose 5.5% year on year and topped the €2 billion mark, coming in at €2,025 million. EBITDA margin stood at 25.8%. The year-on-year change in EBITDA was more favourable than for EBIT, reflecting the growing weight of depreciation and amortisation within operating income (up 25.2% on 2014) as a result of the Division's capital expenditure strategy implemented over the past several years.

The Luxury Division's gross operating investments totalled €391 million for 2015, 5.0% higher than in 2014. The increase mainly stemmed from currency effects, as at constant exchange rates gross operating investments rose only slightly year on year, reflecting – as in 2014 – the Division's focus on achieving organic growth on a same-store basis and consolidating the network of existing stores, while taking into consideration the more unsettled operating context for the Luxury industry. As a proportion of revenue, gross operating investments represented 5.0% in 2015 versus 5.5% in 2014.

As of December 31, 2015, the Luxury Division had a network of 1,264 directly-operated stores, including 773 (61%) in mature markets and 491 in emerging markets. Net store additions during the year totalled 78, compared with 90 in 2014.

Gucci

(in € millions)	2015	2014	Change
Revenue	**3,898.0**	**3,497.2**	**+11.5%**
Recurring operating income	**1,032.3**	**1,056.0**	**-2.2%**
as a % of revenue	***26.5%***	***30.2%***	***-3.7 pts***
EBITDA	1,206.1	1,199.2	+0.6%
as a % of revenue	*30.9%*	*34.3%*	*-3.4 pts*
Gross operating investments	192.8	186.4	+3.4%
Average headcount	10,570	9,623	+9.8%

Under the leadership of Marco Bizzarri, Gucci began a major transformation process in 2015, aimed at giving the brand new impetus.

The year also saw a new creative momentum take hold at Gucci, with the appointment of Alessandro Michele as Creative Director. Alessandro's collections have been resounding successes with both buyers and the press, which has led to a resurgence in the brand's customer appeal. These changes were accompanied by a new, more consistent communications strategy, with a greater emphasis on digital communications.

From a product perspective, the offering was streamlined and made clearer in 2015, thanks to a reworked merchandising approach that is more in touch with the brand's customers. New lines were successfully introduced, comprising contemporary interpretations of the GG signature and other iconic Gucci symbols and motifs.

Customer experience is one of the major focal points of Gucci's new strategy, and in October 2015 it launched a completely reconfigured version of the gucci.com website in the United States and Canada which it intends to roll out in other geographic regions throughout the course of 2016. With respect to physical distribution, 34 stores were opened or refurbished during 2015 based on a new store concept, and the plan for streamlining and improving the wholesale distribution network entered a new phase. Lastly, particular attention was given to service excellence and clienteling – two areas that are key to enhancing in-store productivity and reinforcing Gucci's renewed brand perception.

Gucci's performance in 2015 was, however, largely based on sales of collections presented in 2014 and does not therefore fully reflect the effects of the measures and initiatives put in place by Gucci's new management. For example, the first collection fully designed by Alessandro Michele is the Cruise 2016 collection, which was shown in New York in June 2015 and has been available in stores since the end of the third quarter of 2015. The initial positive signs of Gucci's transformation can be seen in the brand's performance for the last three months of the year and are expected to become even more apparent in 2016.

Gucci posted €3,898 million in revenue in 2015, up 11.5% year-on-year as reported and 0.4% at comparable exchange rates.

After a 1.6% comparable-basis contraction in the first half, when revenue was very adversely affected by the new phase of the plan to streamline the brand's wholesale distribution network, business picked up again in the second half, with growth of 2.4%, thanks notably to a strong rise in retail sales in directly-operated stores and wholesale sales coming in at more or less the same level as in the previous year.

Retail sales generated in directly-operated stores accounted for 81.8% of the brand's total sales in 2015 versus 79.0% in 2014 (on a reported basis).

At constant exchange rates, sales from this distribution channel increased 3.2% year on year, fuelled by strong revenue growth both in the second and fourth quarters (10.4% and 5.5% respectively). The robust second-quarter showing was due to an increase in promotions aimed at reducing inventory levels of collections released before the arrival of Alessandro Michele as Gucci's new Creative Director. The fourth-quarter sales figures were very encouraging as they reflect, to a certain extent, the brand's renewed appeal and the success of its new collections, even though their contribution to overall revenue for the quarter was still relatively modest, at just over 30%.

In the brand's mature markets, the year-on-year increase in revenue generated in directly-operated stores was most pronounced in Western Europe, where growth came to 18%. This revenue surge was fuelled by high tourist numbers, particularly Chinese and Americans, as well as very robust revenue growth in the domestic market, demonstrating the brand's enhanced appeal.

In Japan, where the Gucci brand is well established, sales in directly-operated stores were up 9.2% on a comparable basis, with a sharp acceleration in the second quarter led by an increase in sales to tourists.

In North America, sales increased only slightly on a comparable basis as they were weighed down by lower tourist numbers.

In emerging markets (which accounted for 43.7% of Gucci's sales in directly-operated stores versus 45.5% in 2014, as reported), sales dropped 3.3% on a comparable exchange rate basis, primarily as a result of a 5.6% contraction in the Asia-Pacific region. This region's downward trend was almost entirely due to the worsening consumer

environment in Hong Kong and Macao, as sales in Mainland China stabilised in 2015 and South Korea and Australia reported a very solid sales performance in line with the rise in tourist levels. The brand's revenue in other emerging markets was higher overall than in 2014, with South American customers opting to purchase in their domestic markets.

Sales growth in directly-operated stores in 2015 was fairly even across main product categories.

Leather Goods recorded a significant revenue rise, led by sales of handbags. In addition, the successful launch of new models offset the negative impact of the withdrawal, as planned, of products from older collections.

Gucci's other main product categories (Shoes and Ready-to-Wear) also delivered growth in 2015, spurred by the upswing in sales of Women's Ready-to-Wear lines, which began to be felt in 2014 and continued in 2015 thanks to the appeal of new collections.

Overall, sales of Leather Goods, Shoes and Ready-to-Wear accounted for 56.9%, 14.2% and 11.3% respectively of the brand's total revenue.

Wholesale sales were down 10.3% on a comparable basis for the full year, having dropped 20.9% on a comparable basis over the first six months of 2015. This reflects the new phase of the brand's plan to drastically streamline its wholesale distribution network (mainly in the multi-brand distributors segment) which was launched in late 2014/early 2015. However, wholesale sales for the last quarter of 2015 were very encouraging as they were up year on year. For the year as a whole though, all product categories were adversely affected by the additional reduction in volumes distributed by wholesalers.

Gucci's recurring operating income for 2015 came in at €1,032 million, down by a contained 2.2% year on year as reported. The brand's recurring operating margin narrowed by 370 basis points to 26.5%. Nearly half of this decrease was due to the combined dilutive impact of exchange rate fluctuations and currency hedges, and the remainder was attributable to an increase in operating expenses, which primarily derived from higher store running costs. The brand's operating performance picked up in the second half however, with recurring operating income more or less stable year on year (having slipped 4.9% in the first half), and recurring operating margin narrowing less significantly.

EBITDA edged up 0.6% to €1,206 million in 2015 and the EBITDA margin remained very high, at 30.9%.

As of December 31, 2015, Gucci operated 525 stores directly, including 218 in emerging markets. A net 20 new stores were added during the year. Five of the new openings reflect the decision taken in 2014 to bring back under direct management points of sale that were previously operated by third parties in South Africa and the United States.

Gucci's gross operating investments amounted to €193 million in 2015, up 3.4% on 2014, primarily as a result of currency effects. The figure for 2015 included the impact of a major store refurbishment program launched during the year, and as of December 31, 2015, a total of 34 points of sale had already been converted to the new store concept.

Bottega Veneta

(in € millions)	2015	2014	Change
Revenue	**1,285.8**	**1,130.5**	**+13.7%**
Recurring operating income	**374.5**	**357.2**	**+4.8%**
as a % of revenue	***29.1%***	***31.6%***	***-2.5 pts***
EBITDA	413.8	388.8	+6.4%
as a % of revenue	*32.2%*	*34.4%*	*-2.2 pts*
Gross operating investments	49.5	40.8	+21.3%
Average headcount	3,401	3,212	+5.9%

Bottega Veneta posted revenue of nearly €1,286 million in 2015, up 13.7% as reported and 3.2% at comparable exchange rates.

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 81.3% of the brand's total sales in 2015 and posted comparable revenue growth of 3.7%. Sales in directly-operated stores were weighed down in 2015 by unfavourable market conditions in the Asia-Pacific region as well as by wider price differences across regions due to the depreciation of the euro against many of the world's other major currencies.

High tourist numbers in Western Europe and Japan drove a strong performance in these two regions, with sales in directly-operated stores climbing by 31.1% and 10.0% respectively. In addition, the brand's appeal and popularity increased in Europe, which fuelled a rise in sales in the domestic market.

The strong dollar directly affected sales in North America, leading to an 8.3% contraction in revenue generated by directly-operated stores in this region.

In the Asia-Pacific region (excluding Japan) – which once again accounted for over 90% of Bottega Veneta's business in emerging markets – sales were hampered by a lacklustre Luxury Goods market in Greater China, despite the very positive trends seen in the region's other countries. Overall, revenue from directly-operated stores in emerging markets was down 8.4% year on year.

Sales generated in the wholesale network edged up 1.1% in 2015, although this figure masks very mixed trends. Excluding Western Europe – where Bottega Veneta is reorganizing its distribution with the aim of becoming more selective and exclusive – wholesale revenue advanced by around 14%.

Leather Goods once again constituted the brand's core business, making up 87.6% of total sales in 2015. Bottega Veneta is currently paying particular attention to increasing customer engagement for its handbag offering, by creating seasonal variations of its iconic pieces as well as introducing new models. Furthermore, with a view to consolidating its exclusive positioning, the brand is working on making its offering even more creative and luxurious, while at the same time ensuring that price gaps across regions are gradually reduced.

Bottega Veneta's performance in its other major product categories was also positive in 2015, particularly for Shoes. Nevertheless, in order to speed up short- and medium-term growth, during the year the brand reinforced its creative teams in charge of diversification for this category. It also increased the number of product references and expanded the amount of space allocated to the Shoes category within its stores.

All of the initiatives undertaken throughout the year to propel Bottega Veneta into a new stage of its development initially had a dilutive effect on recurring operating margin, as recurring operating income rose 4.8% to just below €375 million but recurring operating margin narrowed by 250 basis points to 29.1% as reported. The combined effect of exchange rate fluctuations and currency hedges also contributed to this decrease in profitability.

EBITDA climbed 6.4% to nearly €414 million in 2015. This represents a higher rise than that for recurring operating income, 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 251 as of December 31, 2015, including 110 in emerging markets. There were 15 net store additions during the year.

The brand's gross operating investments totalled nearly €50 million in 2015, up €9 million, or 21.3% on the previous year, as 2014 represented a trough in its capital expenditure cycle. Overall gross operating investments for 2015 represented 3.8% of Bottega Veneta's revenue, a relatively low ratio compared with Kering's other luxury brands.

Yves Saint Laurent

(in € millions)	2015	2014	Change
Revenue	**973.6**	**707.3**	**+37.7%**
Recurring operating income	**168.5**	**105.1**	**+60.3%**
as a % of revenue	***17.3%***	***14.9%***	***+2.4 pts***
EBITDA	207.9	130.9	+58.8%
as a % of revenue	*21.4%*	*18.5%*	*+2.9 pts*
Gross operating investments	63.1	54.2	+16.4%
Average headcount	1,943	1,712	+13.5%

In 2015, the success of the collections designed by Hedi Slimane – Creative Director with total responsibility for the brand's image – and the strategic relevance of its product offering helped further strengthen Yves Saint Laurent's brand appeal. This appeal – which was given an additional boost by continued investments in the brand's stores and a 360° communication strategy – resulted in very robust revenue growth for Yves Saint Laurent during the year.

The brand's revenue jumped 37.7% year on year as reported, or 25.8% based on comparable exchange rates, coming in just under the €1 billion mark at €974 million. Growth was even across the year, spurred both by strong demand from domestic customers in all countries and a massive influx of tourists in its European and Japanese stores.

The investments undertaken for the directly-operated store network since 2012 have enabled Yves Saint Laurent to increase the portion of sales generated through this exclusive distribution channel, which accounted for around 64% of the brand's total sales in 2015 versus 61.5% in 2014. Revenue from retail sales in directly-operated stores advanced by 28.7% during the year, primarily led by a strong increase in same-store sales. This performance also reflects the excellence of the brand's teams in allocating and restocking items within the store network.

Wholesale sales were up 21.3% based on comparable data, illustrating how wholesalers see the brand as a major growth driver for their business. This distribution channel also remains strategically important for Yves Saint Laurent as it represents a perfect fit with its retail channel.

The efforts undertaken since 2014 to align the performances of licensed product categories began to pay off in 2015, with revenue from royalties climbing 18.5% during the year.

As in 2014, all of Yves Saint Laurent's main product categories registered very strong sales growth.

The brand's Leather Goods offering remained highly popular, both with long-standing and new customers, and throughout the year Yves Saint Laurent carefully managed its price structure in order to factor in the effect of changes in exchange rates and market conditions in certain regions. Sales posted by this category rose 29.4% at constant exchange rates.

Revenue from Ready-to-Wear sales jumped by 26.2% at constant exchange rates and this category once again occupied an essential place in the brand's product offering, with well-balanced sales of Women's and Men's collections.

Yves Saint Laurent notched up revenue increases across all of its geographic regions in 2015.

In emerging markets – which contributed 28.9% of the brand's total revenue for the year – sales growth came to 17.5%. The economic climate in Hong Kong and Mainland China weighed on the brand's performance in Greater China, but the region's revenue figures nonetheless remained impressive. Yves Saint Laurent also reported a very robust revenue performance in the rest of the Asia-Pacific region as well as in Latin America.

Sales in Yves Saint Laurent's traditional markets soared by 29.5% on a comparable basis, reflecting the brand's renewed appeal both with local customers and with tourists from emerging markets. Revenue growth reached extremely high levels across all of these regions, coming in at 47.2% in Japan, where the brand was in remarkably high demand, 27.8% in North America, and 27.5% in Western Europe.

Yves Saint Laurent ended 2015 with recurring operating income of €169 million, versus around €105 million in 2014, representing a year-on-year increase of 60.3%. Recurring operating margin reached 17.3%, up 240 basis points as reported. This year-on-year improvement demonstrates how the brand has now reached a size that enhanced the positive impact of its operating leverage. Costs incurred to develop the brand by extending the store network and implementing an active brand marketing policy have not prevented the brand from better absorbing its fixed costs.

EBITDA amounted to €208 million, and EBITDA margin topped 20%, coming in at 21.4% (up 290 basis points on 2014).

As of December 31, 2015, the Yves Saint Laurent brand directly operated 142 stores, including 61 in emerging markets. There were 14 net store openings during the year, including the Tokyo flagship store in the Omotesando district.

Overall, the brand's gross operating investments rose to around €63 million in 2015, representing a 16.4% increase on 2014 although the pace of the increase was slower than that of the brand's revenue and operating income, which had a positive impact on cash flow generation.

Other Luxury brands

(in € millions)	2015	2014	Change
Revenue	**1,707.9**	**1,423.6**	**+20.0%**
Recurring operating income	**132.7**	**147.3**	**-9.9%**
as a % of revenue	***7.8%***	***10.3%***	***-2.5 pts***
EBITDA	197.6	200.3	-1.3%
as a % of revenue	*11.6%*	*14.1%*	*-2.5 pts*
Gross operating investments	85.5	91.0	-6.0%
Average headcount	5,662	5,575	+1.6%

Other Luxury brands include Ulysse Nardin since November 1, 2014. Consequently, year-on-year comparisons between 2015 and 2014 need to take into account this change in Group structure. In addition, due to Sergio Rossi's reclassification under assets held for sale at December 31, 2014, this brand's results in 2015 were no longer included under Other Luxury brands and the 2014 figures have been restated accordingly.

Total revenue generated by Other Luxury brands amounted to €1,708 million in 2015, up 20.0% year on year as reported and 3.1% on a comparable Group structure and exchange rate basis. Growth was particularly pronounced in the second and last quarters, with revenue rising 6.3% and 10.6% respectively based on comparable exchange rates. Other Luxury brands contributed nearly 21.7% of the Luxury Division's total revenue during the year.

The Couture & Leather Goods brands posted a particularly strong revenue rise of 7.7% on a comparable basis (with an 11.6% increase in the fourth quarter).

Jewellery brands reported a double-digit increase in revenue on a comparable basis, fuelled by very high business volumes in the last quarter. On the other hand, despite picking up steadily quarter after quarter, revenue of the Division's Watches brands contracted sharply in an unfavourable market environment. As a result, Sowind and Ulysse Nardin took steps to adapt their product offerings and organisational structures to the difficult operating context. These measures are also aimed at rapidly achieving operational synergies between the various Watches brands, particularly in terms of corporate support functions.

The wholesale network was once again the main distribution channel for Other Luxury brands, accounting for 53.8% of sales. This proportion reflects the differing stages of development of the Couture & Leather Goods brands as well as the specific distribution characteristics of Watches & Jewellery. Sales generated in the wholesale network decreased 4.9% year on year on a comparable basis, reflecting a contraction in wholesale sales of Watches and the restructuring measures currently underway in Brioni's distribution network. Although revenue trends were generally better for Other Luxury brands, wholesalers nevertheless showed a tendency to remain prudent in 2015 in terms of volumes purchased, due to the volatility of certain of the markets in which they operate.

Retail sales in directly-operated stores advanced 16.3% based on comparable data, led by the strong performance of Couture & Leather Goods brands as well as by growth of the Jewellery brands. Developing an exclusive distribution network remains a strategic objective for all of the brands but the pace of this development needs to be adapted to each brand's maturity, as well as its positioning in its traditional markets and the depth and scope of its product offering.

Ready-to-Wear remained the best-selling product category, making up 30.5% of total Other Luxury brands revenue, and also reported year-on-year growth, particularly for women's collections. Watches & Jewellery represented the second largest revenue generator, accounting for 30.4% of the total, but this category saw contrasting trends during the year between its two different segments (year-on-year growth in Jewellery and a contraction in Watches). Leather Goods and Shoes posted the highest year-on-year increase in revenue among Other Luxury brands for 2015.

Other Luxury brands saw mixed trends across geographic regions in 2015, with high growth in mature markets (up 8.0% on a comparable basis) and an 8.0% revenue contraction in emerging markets.

This reflects the fact that the performance of certain brands (particularly Brioni and Ulysse Nardin) was weighed down by weak demand in Eastern Europe and the Middle East. Conversely, sales remained stable in the Asia-Pacific region, edging up 0.6%. Revenue from Couture & Leather Goods brands climbed by a steep 12.6% on a comparable basis in this region (with particularly brisk momentum in the fourth quarter), thanks to their increasing appeal and renown, especially in Mainland China. Sales declined overall in Hong Kong, particularly for Watches.

In the Other Luxury brands' mature markets – which made another significant contribution to sales, representing 72.5% of the total – Japan and Western Europe were the main growth drivers, reporting revenue rises of 18.5% and 12.1%, respectively, thanks to resilient spending by local customers and a steep increase in tourist numbers. In North America, the market environment worsened throughout the year and revenue for Other Luxury brands was down on 2014.

Recurring operating income for Other Luxury brands retreated 9.9% year on year to €133 million, and recurring operating margin narrowed by 250 basis points to 7.8%, partly due to the adverse impact of currency hedges. These overall figures also reflect the decrease in profitability reported by the Watches brands, which suffered a steep drop in gross margins due to the sharp rise in the Swiss franc and persistently unsettled market conditions.

EBITDA came in at just under €198 million, down approximately €3 million, or 1.3%, on 2014 as reported.

The network of directly-operated stores owned by Other Luxury brands totalled 346 units as of December 31, 2015, including 244 in mature markets and 102 in emerging markets. Altogether, there were 29 net store additions during the year.

Despite a negative currency effect arising from the conversion of foreign currency denominated capital expenditure, gross operating investments decreased year on year to €85 million. As in 2014, this reflects the brands' highly selective and disciplined capital spending strategies.

The Group's Couture & Leather Goods brands performed as follows in 2015:

Alexander McQueen posted very solid sales growth, fuelled by the performance of directly-operated stores. One of the highlights of 2015 for this brand's store network was the opening of a flagship store in Paris. The brand's rapid growth and increasing visibility – which was boosted during the year by the success of the "Savage Beauty" exhibition at the Victoria and Albert Museum in London – clearly justifies the capital expenditure drive undertaken in both 2015 and 2014. However, these investments have had a short-term dilutive impact on Alexander McQueen's recurring operating income.

The McQ brand – which is positioned in the accessible luxury segment – reported satisfactory results in 2015 and maintained solid margins.

Balenciaga saw its revenue increase by over 10% in 2015 for the second year in a row, led by the expansion of its directly-operated network, which now accounts for some 60% of revenue. With the October 2015 appointment of Demna Gvasalia as Artistic Director for Balenciaga's collections, the brand has embarked on a new phase in its development.

In 2015, Brioni was once again adversely affected by the decline in purchases by Russian tourists in Western Europe and the Middle East. The brand pursued its measures to streamline distribution channels, by optimising its store network and being more selective in its choice of third-party distributors. These measures, combined with the difficult economic context, weighed on the brand's profitability for the year.

For Christopher Kane, 2015 marked the brand's first-ever store opening, which took place in London – its home city. Steps were also taken to speed up synergies within the Group and Christopher Kane's teams were strengthened with a view to accompanying the brand in the next stages of its growth.

Stella McCartney experienced another year of strong growth in 2015. Sales were up in all product categories and across all distribution channels. This momentum helped to offset the adverse impact of the expenditure incurred for new store openings and drove an increase in both recurring operating income and recurring operating margin.

For the Watches & Jewellery brands, performance was more mixed:

Boucheron reported a sharp revenue increase in 2015, powered by the success of both its jewellery and high-jewellery collections, particularly the *Quatre* and *Serpent Bohème* lines. High-jewellery sales were outstanding, which reinforced Boucheron's position in this segment. Boucheron's revenue growth led to a further increase in its recurring operating income and recurring operating margin.

Similarly, Pomellato and Dodo delivered very robust growth in 2015, mainly in their traditional markets in Europe. These brands' successful performance during the year primarily reflect measures put in place to completely rework their offerings and collections, as well as a widening of its customer base, which now includes a larger proportion of tourists. This steady rise in the brands' non-European customers as well as their solid recurring operating income figures demonstrate their growth potential.

As was the case for other jewellery brands, Qeelin experienced strong growth in the last quarter of 2015 and ended the year with solid revenue gains in Mainland China and new regions (in Asia and North America).

For both Girard-Perregaux and Ulysse Nardin, business volumes were hampered in 2015 by the morose operating environment and currency fluctuations which had a highly negative effect on the watch industry. The focus for these two brands during the year was therefore on seeking synergies, optimising production, streamlining offers and reorganising the distribution network. These initiatives enabled the brands to contain the drop in recurring operating income, which remained positive, and were taken to ensure that their strong potential can be exploited in 2016. Both Girard-Perregaux and Ulysse Nardin remain benchmark players in the watch industry, as demonstrated by the awards won by Ulysse Nardin in 2015 for its *Anchor Tourbillon* innovation.

Sport & Lifestyle Division

(in € millions)	2015	2014	Change
Revenue	**3,682.5**	**3,245.1**	**+13.5%**
Recurring operating income	**94.8**	**137.5**	**-31.1%**
as a % of revenue	***2.6%***	***4.2%***	***-1.6 pts***
EBITDA	161.0	191.2	-15.8%
as a % of revenue	*4.4%*	*5.9%*	*-1.5 pts*
Gross operating investments	91.0	85.5	+6.4%
Average headcount	11,772	11,645	+1.1%

The Sport & Lifestyle Division reported revenue of €3,683 million in 2015, up by 13.5% as reported and by a robust 5.9% at comparable exchange rates. Currency effects were significant during the year as the Division is exposed to currencies that have appreciated considerably against the euro since the end of 2014. The only change in Group structure in 2015 – which did not have a material impact – was the sale of Tretorn to ABG on June 30.

In line with the upturn that began in 2014, wholesale sales (which represented 78.7% of the Division's total revenue) increased by 5.3% on a comparable basis, with PUMA reporting a 6.4% rise. This further 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 advanced 9.0% on a comparable basis, led by solid same-store growth and a very promising 27.4% jump in online sales.

By product category, Footwear sales (which represented 41.3% of the Division's total) rose by a sharp 9.8% on a comparable basis, confirming that this product category is back on the growth track.

Revenue generated by Apparel was up 5.0% based on comparable data, a robust showing despite the unfavourable bases of comparison with 2014 when the FIFA World Cup took place and the partnership with Arsenal was launched.

Conversely, Accessories revenue was hindered by Electric's weak performance in 2015. Overall, however, sales of Accessories ended the year up slightly.

In emerging markets – which made up 35.7% of total revenue – the Sport & Lifestyle Division posted brisk revenue growth of 10.6% on a comparable basis. All of the Division's emerging markets reported very robust sales rises, but the upswing was particularly pronounced in the Asia-Pacific region.

Revenue generated by the Sport & Lifestyle Division in its more mature markets rose by a very solid 3.5% on a comparable basis, with the pace of growth accelerating in North America in the second half of the year. Western Europe also fared well, with revenue up 2.7%. In the eurozone, sales for the Division's two main markets (Germany and France) picked up considerably, whereas in Japan revenue contracted slightly during the year.

The Sport & Lifestyle Division ended 2015 with recurring operating income of around €95 million, versus €138 million in 2014. Recurring operating margin narrowed by 160 basis points to 2.6%. This decrease reflects the lower margin recorded by PUMA, primarily due to unfavourable currency effects and the impact of an expected increase in marketing and communications costs.

EBITDA totalled around €161 million, representing a year-on-year decrease of 15.8%.

Gross operating investments rose by 6.4% to €91 million in 2015, partly as a result of currency effects but also due to the increase in capital expenditure at PUMA as a result of the brand's relaunch plan.

PUMA

(in € millions)	2015	2014	Change
Revenue	**3,403.4**	**2,990.2**	**+13.8%**
Recurring operating income	**92.4**	**128.0**	**-27.8%**
as a % of revenue	***2.7%***	***4.3%***	***-1.6 pts***
EBITDA	150.7	178.6	-15.6%
as a % of revenue	*4.4%*	*6.0%*	*-1.6 pts*
Gross operating investments	84.5	75.9	+11.3%
Average headcount	10,988	10,830	+1.5%

After an action-packed year in 2014 which saw major events such as the FIFA World Cup, as well as the creation of new partnerships and alliances (including with Arsenal and Rihanna), and the implementation of major communications initiatives (the *Forever Faster* international advertising campaign), PUMA leveraged the extremely positive effects of this dynamic momentum built up to showcase the brand. At the same time it pursued its strategy aimed at streamlining the brand's offering and making it more innovative and consequently regaining market share with major distributors.

PUMA's revenue totalled €3,403 million in 2015, up 13.8% year on year as reported. At constant exchange rates and excluding the impact of changes in Group structure (i.e. the sale of Tretorn on June 30, 2015), growth was a very solid 6.8%. Comparable growth for the second half was even higher at 7.6%, spurred by an excellent last quarter when revenue advanced 11.7%.

Wholesale sales – which accounted for 78.2% of the brand's total revenue – climbed by 6.4% on a comparable basis. This distribution channel reported growth in all of the brand's main regions apart from Japan, where wholesale sales remained stable. The year-on-year improvement was particularly pronounced in PUMA's strategic markets such as the United States, Germany, the United Kingdom and France, demonstrating that the initiatives put in place to realign the offering with customer expectations and improve the quality of the wholesale distribution network are paying off.

Revenue posted by PUMA's directly-operated stores rose 9.4%, fuelled by higher same-store sales. All of the brand's regions contributed to this increase, including Western Europe despite a weaker performance in the first half of the year. Online sales registered particular progress in 2015 and made up nearly 10% of the brand's total retail sales during the year.

Sales of Footwear – which once again accounted for the highest proportion of PUMA's revenue, at 44.3% – advanced 9.9% on a comparable basis. The last three months of 2015 marked the sixth quarter in a row that this key category reported growth and this excellent performance clearly affirms the brand's rebound in the Footwear segment. The 2015 showing was driven by the launch of new product ranges in the Running, Training, Football and Golf categories, which proved very popular both with distributors and end-customers, as well as by a leaner offering and the innovative features of a number of recently-launched products.

Apparel sales (36.6% of PUMA's total revenue) climbed 6.2% on a comparable basis – a strong performance in view of the extremely unfavourable basis of comparison with 2014 when sales of replica football shirts were boosted by the FIFA World Cup.

Sales of Accessories edged up 2.0% on a comparable basis, despite a mixed start to the year.

Emerging markets made up 40.5% of PUMA's 2015 revenue, versus 36.8% in 2014 as reported. Sales in these markets advanced 11.2% on a comparable basis. PUMA's revenue in Mainland China surged by 21.7%, reflecting the success of measures launched in 2013 to reorganise the brand's distribution in the region. Sales trends were also extremely positive in the brand's other major emerging markets, especially in Latin America and India.

In Western Europe, revenue rose 2.1% for the year as a whole, with a faster pace of growth in the second half. 2015 also saw sales recovery in the eurozone's two main markets (Germany and France) as well as buoyant momentum in the United Kingdom.

In North America, sales climbed 8.8% on a comparable basis, driven by the success of new footwear models in this key market and by the brand's enhanced appeal and exposure among distributors.

Japan was the only major region where the brand's revenue decreased in 2015, albeit slightly.

PUMA's contribution to the Group's recurring operating income amounted to €92 million in 2015 and the brand's recurring operating margin narrowed by 160 basis points to 2.7%. EBITDA contracted year on year to €151 million.

Currency effects were particularly unfavourable for PUMA during the year, significantly impacting recurring operating margin. The strengthening of the US dollar pushed up supply costs and the brand's currency hedges and targeted price increases were not sufficient to offset the resulting negative impact on gross margin. At constant exchange rates, PUMA's recurring operating margin increased year on year.

The €36 million decrease in recurring operating income in absolute terms (of which €30 million occurred in the first half) chiefly stemmed from an increase in operating expenses – primarily communication and marketing costs incurred as part of PUMA's announced brand investment plan.

As of December 31, 2015, PUMA's directly-operated retail network included 651 stores, representing 27 net additions compared with December 31, 2014. Around two-thirds of existing stores and new stores opened during the year are in emerging markets where this distribution channel is growing and is delivering strong recurring operating margins.

Gross operating investments amounted to €85 million, up 11.3% on 2014, reflecting the combined impact of the conversion into euros of investments undertaken outside the eurozone and the brand's continuing measures to overhaul its supply chain and information systems.

Other Sport & Lifestyle brands

(in € millions)	2015	2014	Change
Revenue	**279.1**	**254.9**	**+9.5%**
Recurring operating income	**2.4**	**9.5**	**-74.7%**
as a % of revenue	***0.9%***	***3.7%***	***-2.8 pts***
EBITDA	10.3	12.6	-18.3%
as a % of revenue	*3.7%*	*4.9%*	*-1.2 pts*
Gross operating investments	6.5	9.6	-32.3%
Average headcount	784	815	-3.8%

Volcom and Electric recorded combined revenue of €279 million in 2015, up 9.5% year on year as reported but down 3.9% based on constant exchange rates.

The Surfwear and Action Sports market did not see any major improvement during the year. Both the brands in this segment and their distribution networks experienced lower revenue, which hampered gross margins and recurring operating margin.

Against this backdrop Volcom continued to implement the strategy it launched in 2013 aimed at safeguarding margins, improving distribution, and more effectively harmonising its product offering.

As a result it contained the decrease in wholesale sales at 2.2% despite the measures taken by wholesalers to radically streamline their store networks. On the other hand, direct retail sales (accounting for around 18% of the brand's total revenue) increased by 3.2% on the back of a substantial rise in online sales.

Volcom's Apparel category once again contributed some 84% of the brand's revenue in 2015 and its sales were slightly down on 2014. The Footwear category continued to grow, with another rise in revenue, while sales generated by the Accessories category contracted.

Volcom's revenue in its mature markets edged back year on year, notably in North America which is still the brand's main market, representing 64.8% of revenue. This contraction was partly offset by a very encouraging performance in the brand's emerging markets, particularly South America and the Asia-Pacific region.

After a major repositioning drive in the accessories market and a complete overhaul of its offering around new ranges of sunglasses, snow goggles and watches during the previous two years, Electric had reported strong sales growth in 2014. However, as substantially all of the brand's sales are generated through the wholesale distribution channel, its revenue was weighed down throughout 2015 by wholesalers' wait-and-see attitude as well as by unfavourable weather conditions.

Volcom and Electric's combined recurring operating income decreased to €2 million in 2015 and recurring operating margin came in at around 1%. EBITDA margin stood at 3.7%, down 120 basis points on 2014.

Volcom's directly-operated store network comprised 50 stores as of December 31, 2015, including 8 in emerging markets.

Volcom and Electric's gross operating investments totalled some €6 million in 2015, a €4 million decrease compared with 2014.

Corporate and other

The "Corporate and other" 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), a profit centre for services that it provides on behalf of non-Group brands, such as companies from the former Redcats group.

It also incorporates Kering Eyewear, responsible for bringing the Group's Eyewear business (sunglasses and frames) in-house. However, for the 2014-2016 ramp-up period of this business (the first year of operations for the Gucci license being 2017), the losses associated with Kering Eyewear are being recognised as non-recurring operating expenses.

Net costs recorded by the "Corporate and other" segment in 2015 totalled around €156 million, up only 12.2% compared with 2014. This increase was due to the transfer to this segment of new assignments and cross-business projects carried out on behalf of the Group's brands, notably in relation to the maintenance and upgrading of information systems.

Gross operating investments recorded by the "Corporate and other" segment came to €190 million, up €97 million year on year. This increase was almost entirely due to two non-recurring transactions: (i) the payment of the first instalment of the compensation due to Safilo for early termination of the Gucci eyewear licence, and (ii) property-related investments concerning Kering's Paris head office, Gucci's offices in Milan, and the building located in Tokyo's Omotesando district which houses Yves Saint Laurent's flagship store in Japan.

1.5. comments on the group's financial position

(in € millions)	Dec. 31, 2015	Dec. 31, 2014	Change
Goodwill, brands and other intangible assets, net	15,044.3	14,788.0	+256.3
Other non-current assets, net	569.1	310.0	+259.1
Current assets, net	1,071.0	924.4	+146.6
Provisions	(381.9)	(394.0)	+12.1
Capital employed	**16,302.5**	**15,628.4**	**+674.1**
Net assets held for sale	0.0	24.6	-24.6
Total equity	**11,623.1**	**11,262.3**	**+360.8**
Net debt	**4,679.4**	**4,390.7**	**+288.7**

Capital employed

As of December 31, 2015, capital employed was €674 million higher than at the previous year-end.

Goodwill, brands and other intangible assets, net

As of December 31, 2015, "Goodwill, brands and other intangible assets, net" represented 63% of total assets (versus 64% as of December 31, 2014) and mainly comprised:

- goodwill amounting to €3,759 million, of which €2,788 million related to the Luxury Division and €971 million to the Sport & Lifestyle Division. Goodwill decreased in 2015 due to the completion during the year of the purchase price allocation process for Ulysse Nardin and the recognition of a €150 million impairment loss against goodwill related to PUMA and one of the Other Luxury brands;
- brands valued at €10,851 million, of which €6,944 million for the Luxury Division and €3,907 million for the Sport & Lifestyle Division.

Net of deferred tax liabilities relating to brands (which are recorded under "Other non-current assets, net" as shown below), this item came to €12,302 million as of December 31, 2015.

Other non-current assets, net

(in € millions)	Dec. 31, 2015	Dec. 31, 2014	Change
Property, plant and equipment, net	2,073.0	1,887.2	+185.8
Net deferred tax liabilities	(2,008.3)	(2,033.8)	+25.5
Investments in equity-accounted companies	20.9	23.2	-2.3
Non-current financial assets, net	443.6	397.2	+46.4
Other	39.9	36.2	+3.7
Other non-current assets, net	**569.1**	**310.0**	**+259.1**

Net property, plant and equipment rose in 2015, due to the impact of recurring transactions during the year (acquisitions/disposals and depreciation) and exchange rate fluctuations.

Deferred tax liabilities chiefly relate to brands recognised on business combinations, notably Gucci and PUMA.

As of December 31, 2015, investments in equity-accounted companies primarily comprised shares in Wilderness, Tomas Maier and Altuzarra. The year-on-year increase in non-current financial assets, net in 2015 was chiefly due to purchases of real-estate investments.

Property, plant and equipment corresponding to the Group's operating infrastructure break down as follows in units:

		Owned outright	Finance leases	Operating leases	Dec. 31, 2015	Dec. 31, 2014
Stores	Luxury Division	10	4	1,250	1,264	1,173
	Sport & Lifestyle Division	4	1	697	702	677
Logistics units	Luxury Division	11	1	69	81	69
	Sport & Lifestyle Division	6		33	39	37
Production units & other	Luxury Division	30	2	39	71	71
	Sport & Lifestyle Division	2		2	4	7

Current assets, net

As of December 31, 2015, net current assets totalled €1,071 million, versus €924 million as of December 31, 2014. This item breaks down as follows:

(in € millions)	Dec. 31, 2015	Dec. 31, 2014	Change
Inventories	2,191.2	2,234.7	-43.5
Trade receivables	1,137.1	1,030.0	+107.1
Trade payables	(939.7)	(982.8)	+43.1
Current tax receivables/payables	(210.8)	(139.5)	-71.3
Other current assets and liabilities	(1,106.8)	(1,218.0)	+111.2
Current assets, net	**1,071.0**	**924.4**	**+146.6**

As of December 31, 2015, Kering's net current assets were almost €147 million higher than at the previous year-end.

After stripping out the impact of fluctuations in exchange rates and changes in Group structure however, changes in working capital requirement led to a net cash outflow of €219 million (see Note 24 to the consolidated financial statements).

- changes in inventories (adjusted for the impact of fluctuations in exchange rates and changes in Group structure) resulted in a net cash outflow of €70 million in 2015. The increase in inventories during the year reflects higher volumes of purchases by PUMA in order to maintain its sales levels in line with the growth forecast for 2016;
- the increase in trade receivables during 2015 led to a €72 million net cash outflow, reflecting growth in wholesale sales, notably at Saint Laurent and PUMA.

The year-on-year decrease in trade payables and the net liability recorded in other current assets and liabilities led to a €77 million net cash outflow in 2015, primarily reflecting the payment of restructuring costs by Gucci.

Provisions

As of December 31, 2015, provisions for pensions and other post-employment benefits were €23 million higher than the December 31, 2014 figure, chiefly as a result of the first-time consolidation of Ulysse Nardin. The portion of current provisions that will not give rise to cash outflows in the coming 12 months amounted to €9 million.

Other provisions decreased in 2015 compared with year-end 2014, mainly reflecting (i) the expiry of vendor warranties given in connection with the sale of Redcats, and (ii) the reversal of a provision for tax risks as the risks concerned were extinguished during the year.

(in € millions)	Dec. 31, 2015	Dec. 31, 2014	Change
Provisions for pensions and other post-employment benefits	142.3	119.1	+23.2
Other provisions for contingencies and losses	239.6	274.9	-35.3
Provisions	**381.9**	**394.0**	**-12.1**

Net assets held for sale

This item results from applying IFRS 5 to operations that were discontinued or sold during the year, or were in the process of being sold.

Equity

(in € millions)	Dec. 31, 2015	Dec. 31, 2014	Change
Equity attributable to owners of the parent	10,948.3	10,634.1	+314.2
Equity attributable to non-controlling interests	674.8	628.2	+46.6
Total equity	**11,623.1**	**11,262.3**	**+360.8**

As of December 31, 2015, Kering's total equity was higher than at the previous year-end, with equity attributable to owners of the parent up €314 million, mainly due to the combined impact of:

- €696 million in net income attributable to owners of the parent for 2015;
- €505 million in dividends and interim dividends paid by Kering;
- a €77 million positive effect from fair value remeasurements of cash flow hedges;
- a €117 million positive effect from currency translation adjustments;
- a €71 million adverse effect of other changes.

During 2015, Kering carried out the following treasury share transactions:

- purchases and sales of shares under the liquidity agreement (1,683,029 shares purchased and 1,683,029 shares sold);
- the purchase of 8,021 shares and the allotment of 8,090 shares to employees under the 2011 and 2012 free share plans;
- the purchase of 125,000 shares and the sale of 118,870 shares to employee beneficiaries under stock option plans, notably the 2007 plans.

As of December 31, 2015, Kering's share capital was made up of 126,279,322 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 27,598 shares in treasury as of December 31, 2015 compared with 21,537 at the previous year-end.

As of December 31, 2015, equity attributable to non-controlling interests mainly related to PUMA, for a total of €512 million (versus €539 million one year earlier), and the Luxury Division's brands, for €163 million (€88 million as of December 31, 2014).

The year-on-year change in the amount of equity attributable to non-controlling interests primarily reflects net income attributable to non-controlling interests for 2015 as well as dividends paid.

Net debt

The Group's net debt totalled €4,679 million as of December 31, 2015, representing an increase of €289 million or 6.6% compared with the previous year-end. As of December 31, 2015, Kering's net debt broke down as follows:

(in € millions)	Dec. 31, 2015	Dec. 31, 2014	Change
Bonds	3,674.5	3,390.4	+284.1
Bank borrowings	313.4	264.0	+49.4
Commercial paper	1,299.7	969.8	+329.9
Other borrowings	538.2	856.4	-318.2
Gross borrowings	**5,825.8**	**5,480.6**	**+345.2**
Cash and cash equivalents	(1,146.4)	(1,089.9)	-56.5
Net debt	**4,679.4**	**4,390.7**	**+288.7**

In the first half of 2015, Kering redeemed the €750 million worth of bonds that matured in April 2015. These bonds comprised a first tranche issued in 2010 for €500 million, which was topped up in 2012 by a €250 million tranche, with an overall coupon of 3.75%.

New borrowings issued in 2015 include an aggregate €1,026 million worth of bond debt. The issues carried out in the first half of the year correspond to (i) a €500 million issue in March 2015 of seven-year bonds with a fixed-rate annual coupon of 0.875% and (ii) two issues of notes in foreign currency – a USD 150 million issue in March 2015 of five-year floating rate notes, and a USD 150 million issue in June 2015 of six-year fixed-rate notes with an annual coupon of 2.887%. In September and November, the Group topped up by €150 million and €50 million respectively the €300 million issue carried out in 2014 of 2.75% bonds maturing in 2024, which therefore increased the total nominal amount of the bond issue to €500 million.

As of December 31, 2015, the Group's gross borrowings included €76 million concerning put options granted to minority shareholders (compared with €310 million as of December 31, 2014).

In accordance with the Group's interest rate management policy, fixed-rate borrowings accounted for 75.8% of the Group's total gross borrowings as of December 31, 2015 (including hedges), compared with 68.6% one year earlier.

As of December 31, 2015, the Group's gross borrowings were mainly denominated in euros. The proportion denominated in Japanese yen represented 6.5% of total gross borrowings (6.8% as of December 31, 2014) and the proportion denominated in other currencies stood at 8.8% (6.7% as of December 31, 2014).

Kering minimises its exposure to concentration risk by diversifying its sources of financing. Therefore, non-bank debt accounted for 85.4% of gross borrowings as of December 31, 2015, versus 79.6% as of December 31, 2014. Kering's credit facilities are taken out with a diversified pool of top-tier French and non-French banks. As of December 31, 2015, 71.5% 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% of the total and no single bank accounted for more than 15% of the aggregate amount of confirmed credit facilities available to the Group.

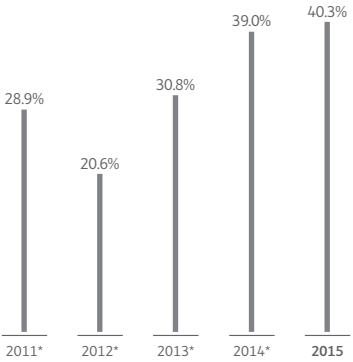
Kering only carries out borrowing and investment transactions with leading financial institutions and it spreads these transactions amongst the various institutions concerned.

Solvency

As of December 31, 2015, Kering had a very robust financial structure:

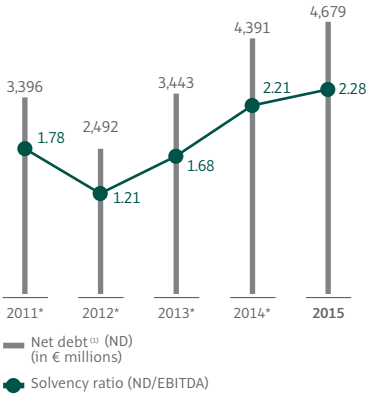
- Its gearing ratio (net debt to equity) was 40.3% (versus 39.0% as of December 31, 2014).
- Its solvency ratio (net debt to EBITDA) was 2.28 (versus 2.21 as of December 31, 2014).

GEARING



* *Reported data, not restated.*

SOLVENCY



* *Reported data, not restated.*

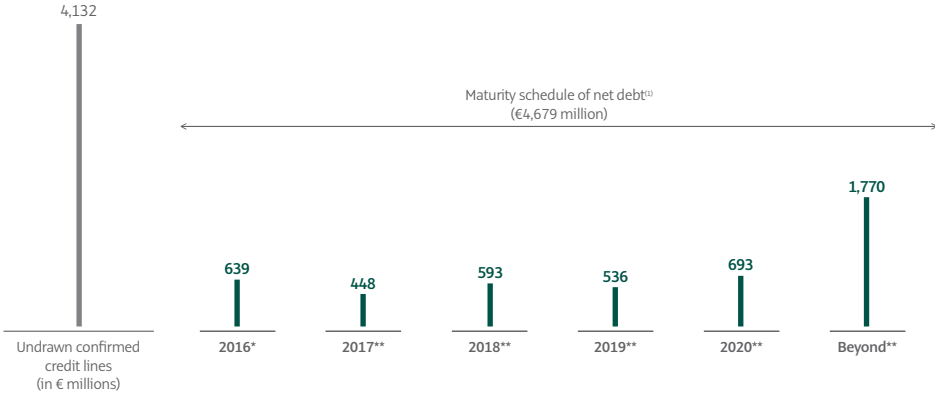
Kering's bank borrowing facilities are subject to just one financial covenant which provides that the solvency ratio (net debt to EBITDA, calculated annually on a proforma basis at the year-end) must not exceed 3.75.

Kering's long-term rating by Standard & Poor's has remained unchanged since March 2012 at BBB with a "stable" outlook.

Liquidity

As of December 31, 2015, Kering had cash and cash equivalents totalling €1,146 million (€1,090 million as of December 31, 2014), as well as confirmed undrawn medium-term credit facilities amounting to €4,132 million (€4,125 million as of December 31, 2014).

MATURITY SCHEDULE OF NET DEBT



* *Gross borrowings after deduction of cash equivalents.*
** *Gross borrowings.*

(1) Net debt is defined on page 58.

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 30.6% and 42.3% respectively of total gross borrowings as of December 31, 2015, compared with 41.7% and 36.9% respectively as of December 31, 2014.

Cash and cash equivalents exclusively comprise cash instruments and money-market funds that are not subject to any risk of changes in value. As of December 31, 2015, the Group had access to €4,153 million in confirmed credit facilities (of which €21 million drawn down), versus €4,144 million as of December 31, 2015.

The Group's loan agreements feature standard *pari passu*, cross default and negative pledge clauses.

The bonds issued between 2009 and 2015 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 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.

Changes in net debt

Changes in net debt during 2015 and 2014 can be analysed as follows:

(in € millions)	2015	2014
Net debt as of January 1	**4,390.7**	**3,442.9**
Free cash flow from operations	(660.2)	(1,077.8)
Net interest paid and dividends received	166.4	228.1
Dividends paid	561.5	497.7
Acquisition of Kering shares	7.3	8.5
Other acquisitions and disposals	67.3	1,197.9
Other movements	146.4	93.4
Net debt as of December 31	**4,679.4**	**4,390.7**

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 2015, the Group's free cash flow from operations totalled €660 million.

(in € millions)	2015	2014	Change
Cash flow from operating activities before tax, dividends and interest	**1,845.3**	**1,844.3**	**+0.1%**
Change in working capital requirement (excluding tax)	(219.3)	(160.3)	+36.8%
Corporate income tax paid	(330.4)	(422.7)	-21.8%
Net cash from operating activities	**1,295.6**	**1,261.3**	**+2.7%**
Net operating investments	(635.4)	(183.5)	+246.3%
Free cash flow from operations	**660.2**	**1,077.8**	**-38.7%**

In 2015, cash flow from operating activities before tax, dividends and interest was stable compared with 2014.

Changes in working capital requirement gave rise to a net cash outflow of €219 million in 2015 (€160 million in 2014).

This €59 million year-on-year increase reflects the following factors:

- a €271 million adverse impact arising from a sharp fall in trade payables due mainly to payment time lags at PUMA;
- a €50 million negative effect due to an increase in trade receivables from third-party distributors, notably for Yves Saint Laurent and PUMA;
- offset by a disciplined increase in inventories, which had a favourable impact of almost €179 million.

Corporate income tax paid in 2015 was €92 million lower than in the previous year, reflecting the fact that the 2014 figure included tax paid on the gain realised on the sale of a property complex.

The net cash outflow relating to net operating investments totalled €635 million in 2015. Net of €368 million in proceeds from disposals of property, plant and equipment and intangible assets (primarily from the sale of a property complex), the figure recorded for 2014 came out at €552 million.

Gross operating investments totalled €672 million in 2015, up 22% compared with 2014. Adjusted for the first instalment paid in January 2015 of the compensation due to Safilo, the year-on-year increase amounted to 16.1%. This item breaks down as follows:

(in € millions)	2015	2014	Change
Luxury Division	390.9	372.4	+5.0%
Sport & Lifestyle Division	91.0	85.5	+6.4%
Corporate and other	190.2	93.5	+103.4%
Gross operating investments	**672.1**	**551.4**	**+21.9%**

The 5.0% increase in this item recorded by the Luxury Division was mainly attributable to currency effects. The year-on-year stability at constant exchange rates reflects the Division's focus on organic growth on a same-store basis and on consolidating its existing store network. The increase for the Sport & Lifestyle Division was also primarily due to currency effects. In 2015, 46% of the Group's gross operating investments concerned the store network (versus 59% in 2014).

The year-on-year increase in gross operating investments for the "Corporate and other" segment chiefly corresponds to the aforementioned compensation paid to Safilo as well as to investments in information systems and real estate projects, notably in Milan, Paris and Tokyo.

Available cash flow

In 2015, net cash outflows relating to net finance costs included €12 million in interest paid and dividends received versus €5 million in 2014.

Available cash flow for the year amounted to €494 million compared with €850 million in 2014.

Dividends paid

Dividends paid in 2015 were slightly higher than in 2014. The 2015 figure included €57 million paid to minority shareholders of consolidated subsidiaries (€24 million in 2014), of which almost €43 million related to PUMA. The cash dividend paid by Kering to its own shareholders in 2015 amounted to €505 million (including the interim cash dividend paid on January 26, 2015), representing a slight increase compared with 2014.

Acquisitions and disposals

The €7 million recorded under "Acquisition of Kering shares" – which corresponds to purchases net of sales – primarily relates to the purchase of 133,021 shares for the Group's stock option and free share plans.

During 2015 Kering did not purchase any PUMA shares and kept its interest in the company at 85.81%, unchanged from year-end 2014.

The impact of other acquisitions and disposals of securities during 2015 mainly includes (i) nearly €84 million in financial investments made by the Group, primarily concerning real estate entities and (ii) nearly €4 million in net financial cash flows related to discontinued operations.

In 2014, the impact of other acquisitions and disposals of securities 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.

Other movements

This item primarily includes the impact of fluctuations in exchange rates and 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 2015 with net income of €527 million, compared with €818 million in 2014. The 2015 total includes €657 million in dividends received from subsidiaries (versus €1,187 million in 2014).

At its February 18, 2016 meeting, the Board decided that, at the Annual General Meeting to be held to approve the financial statements for the year ended December 31, 2015, it will ask shareholders to approve a €4.00 per-share cash dividend for 2015.

An interim dividend amounting to €1.50 per share was paid on January 25, 2016 pursuant to a decision by the Board of Directors on December 16, 2015.

If the final dividend is approved, the total cash dividend payout in 2016 will amount to €505 million.

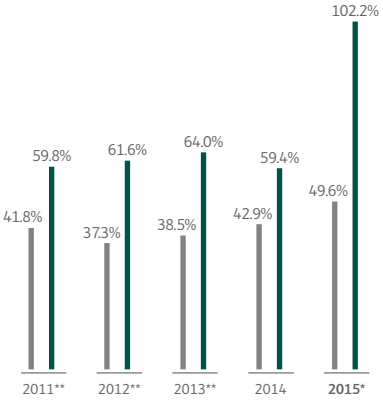
Kering's goal is to maintain well-balanced payout ratios bearing in mind, on the one hand, changes in net income from continuing operations (excluding non-recurring items) attributable to owners of the parent and, on the other hand, the amount of available cash flow. The Group has decided to keep its 2015 dividend at the same level as for 2014 as a sign of its confidence in its future development, despite the fact that this will result in a higher payout rate expressed in terms of available cash flow.

DIVIDEND PER SHARE (IN €)



** Subject to approval at the Annual General Meeting.*

PAYOUT RATIOS



** Subject to approval at the Annual General Meeting.*
*** Reported data, not retstated.*

1.7. transactions with related parties

Transactions with related parties are described in Note 35 to the consolidated financial statements.

1.8. subsequent events

No significant events occurred between December 31, 2015 and February 18, 2016 – the date on which the Board of Directors authorised the consolidated financial statements for issue.

1.9. outlook

Positioned in structurally high-growth markets, Kering has very solid fundamentals and a portfolio of powerful brands with strong potential.

In 2016, the Luxury activities will focus on achieving same-store revenue growth, with a targeted and selective expansion strategy for the store network, which will lead to a slower pace of net store openings. At Gucci, the changes put in place since 2015 in terms of both creative vision and the brand's product offering will be stepped up and bear fruit during the course of the year. With regards to the Sport & Lifestyle activities, PUMA expects to capitalise on its successful repositioning and achieve further revenue growth as well as an increase in recurring operating income.

In an unsettled economic environment, with currency fluctuations that could once again lead to volatility in the short term, Kering intends to pursue its strategy of rigorously managing and allocating its resources in order to enhance its operating performance, cash flow generation and return on capital employed.

2. consolidated financial statements as of december 31, 2015

2.1. consolidated income statement for the years ended december 31, 2015 and 2014

(in € millions)	Notes	2015	2014
CONTINUING OPERATIONS			
Revenue	**5**	**11,584.2**	**10,037.5**
Cost of sales		(4,510.0)	(3,741.7)
Gross margin		**7,074.2**	**6,295.8**
Payroll expenses	6-7	(1,820.6)	(1,545.2)
Other recurring operating income and expenses		(3,606.9)	(3,086.6)
Recurring operating income	**8**	**1,646.7**	**1,664.0**
Other non-recurring operating income and expenses	9	(393.5)	(112.1)
Operating income		**1,253.2**	**1,551.9**
Finance costs, net	10	(249.1)	(197.4)
Income before tax		**1,004.1**	**1,354.5**
Corporate income tax	11	(321.7)	(325.6)
Share in earnings (losses) of equity-accounted companies		(2.2)	(0.8)
Net income from continuing operations		**680.2**	**1,028.1**
o/w attributable to owners of the parent		655.0	1,007.7
o/w attributable to non-controlling interests		25.2	20.4
DISCONTINUED OPERATIONS			
Net income (loss) from discontinued operations	**12**	**41.0**	**(478.8)**
o/w attributable to owners of the parent		41.0	(478.8)
o/w attributable to non-controlling interests			
Net income of consolidated companies		**721.2**	**549.3**
o/w attributable to owners of the parent		696.0	528.9
o/w attributable to non-controlling interests		25.2	20.4
Net income attributable to owners of the parent		**696.0**	**528.9**
Earnings per share *(in €)*	13.1	5.52	4.20
Fully diluted earnings per share *(in €)*	13.1	5.52	4.20
Net income from continuing operations attributable to owners of the parent		**655.0**	**1,007.7**
Earnings per share *(in €)*	13.1	5.20	8.00
Fully diluted earnings per share *(in €)*	13.1	5.20	8.00
Net income from continuing operations (excluding non-recurring items) attributable to owners of the parent		**1,017.3**	**1,177.4**
Earnings per share *(in €)*	13.2	8.07	9.35
Fully diluted earnings per share *(in €)*	13.2	8.07	9.35

2.2. consolidated statement of comprehensive income for the years ended december 31, 2015 and 2014

(in € millions)	Notes	2015	2014
Net income		**721.2**	**549.3**
Actuarial gains and losses [1]		(29.7)	(5.3)
Unrecognised surplus of pension plan assets			10.0
Share in other comprehensive income (expense) of associates not reclassified to income			
Total items not reclassified to income		**(29.7)**	**4.7**
Foreign exchange gains and losses		125.6	74.7
Cash flow hedges [1]		74.9	(151.1)
Available-for-sale financial assets [1]		0.4	(0.7)
Share in other comprehensive income (expense) of associates			
Total items to be reclassified to income		**200.9**	**(77.1)**
Other comprehensive income (expense), net of tax	**14**	**171.2**	**(72.4)**
Total comprehensive income		**892.4**	**476.9**
o/w attributable to owners of the parent		860.0	440.4
o/w attributable to non-controlling interests		32.4	36.5

(1) Net of tax.

2.3. consolidated statement of financial position as of december 31, 2015 and 2014

Assets

(in € millions)	Notes	Dec. 31, 2015	Dec. 31, 2014
Goodwill	16	3,758.8	4,039.9
Brands and other intangible assets	17	11,285.5	10,748.1
Property, plant and equipment	18	2,073.0	1,887.2
Investments in equity-accounted companies	20	20.9	23.2
Non-current financial assets	21	458.4	400.0
Deferred tax assets	11.2	849.6	758.0
Other non-current assets		39.9	36.2
Non-current assets		**18,486.1**	**17,892.6**
Inventories	22	2,191.2	2,234.7
Trade receivables	23	1,137.1	1,030.0
Current tax receivables	11.2	123.8	138.4
Other current financial assets	24	81.2	106.3
Other current assets	24	685.0	673.5
Cash and cash equivalents	28	1,146.4	1,089.9
Current assets		**5,364.7**	**5,272.8**
Assets classified as held for sale	**12**		**88.5**
TOTAL ASSETS		**23,850.8**	**23,253.9**

Equity and liabilities

(in € millions)	Notes	Dec. 31, 2015	Dec. 31, 2014
Share capital	25	505.2	505.1
Capital reserves		2,428.3	2,427.4
Treasury shares		(5.1)	(3.4)
Translation adjustments		63.6	(52.9)
Remeasurement of financial instruments		(9.9)	(86.9)
Other reserves		7,966.2	7,844.8
Equity attributable to owners of the parent	**25**	**10,948.3**	**10,634.1**
Non-controlling interests		674.8	628.2
Total equity	**25**	**11,623.1**	**11,262.3**
Non-current borrowings	29	4,039.9	3,192.2
Other non-current financial liabilities	30	14.8	2.8
Provisions for pensions and other post-employment benefits	26	133.4	111.9
Other non-current provisions	27	82.3	49.3
Deferred tax liabilities	11.2	2,857.9	2,791.8
Non-current liabilities		**7,128.3**	**6,148.0**
Current borrowings	29	1,785.9	2,288.4
Other current financial liabilities	24-30	238.9	346.8
Trade payables	24	939.7	982.8
Provisions for pensions and other post-employment benefits	26	8.9	7.2
Other current provisions	27	157.3	225.6
Current tax liabilities	11.2	334.6	277.9
Other current liabilities	24	1,634.1	1,651.0
Current liabilities		**5,099.4**	**5,779.7**
Liabilities associated with assets classified as held for sale	**12**		**63.9**
TOTAL EQUITY AND LIABILITIES		**23,850.8**	**23,253.9**

2.4. consolidated statement of cash flows for the years ended december 31, 2015 and 2014

(in € millions)	Notes	2015	2014
Net income from continuing operations		**680.2**	**1,028.1**
Net recurring charges to depreciation, amortisation and provisions on non-current operating assets		409.6	326.7
Other non-cash income and expenses		209.6	(95.0)
Cash flow from operating activities	**33.1**	**1,299.4**	**1,259.8**
Interest paid/received		168.8	218.8
Dividends received		(1.4)	
Net income tax payable	11.1	378.5	365.7
Cash flow from operating activities before tax, dividends and interest		**1,845.3**	**1,844.3**
Change in working capital requirement	24	(219.3)	(160.3)
Corporate income tax paid	11.2.1	(330.4)	(422.7)
Net cash from operating activities		**1,295.6**	**1,261.3**
Purchases of property, plant and equipment and intangible assets	33.2	(672.1)	(551.4)
Proceeds from disposals of property, plant and equipment and intangible assets		36.7	367.9
Acquisitions of subsidiaries, net of cash acquired	33.3	(20.2)	(593.8)
Proceeds from disposals of subsidiaries and associates, net of cash transferred	33.3	(5.4)	3.6
Purchases of other financial assets		(131.1)	(144.1)
Proceeds from disposals of other financial assets		21.0	9.9
Interest and dividends received		12.4	5.3
Net cash used in investing activities		**(758.7)**	**(902.6)**
Increase/decrease in share capital and other transactions with owners	33.4	2.1	3.2
Treasury share transactions	33.5	(7.3)	(8.5)
Dividends paid to owners of the parent company		(504.9)	(473.2)
Dividends paid to non-controlling interests		(56.6)	(24.4)
Bond issues	29-33.6	1,070.4	862.7
Bond redemptions	29-33.6	(756.7)	(948.1)
Increase/decrease in other borrowings	29-33.6	87.3	546.7
Interest paid and equivalent		(178.8)	(233.4)
Net cash used in financing activities		**(344.5)**	**(275.0)**
Net cash from (used in) discontinued operations	12	3.5	(442.7)
Impact of exchange rate variations		(98.4)	(73.2)
Net increase (decrease) in cash and cash equivalents		**97.5**	**(432.2)**
Cash and cash equivalents at beginning of year	**33**	**805.4**	**1,237.6**
Cash and cash equivalents at end of year	**33**	**902.9**	**805.4**

2.5. consolidated statement of changes in equity

(Before appropriation of net income) *(in € millions)*	Number of shares outstanding[1]	Share capital	Capital reserves	Treasury shares	Cumulative translation adjustments	Remeasurement 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, 2014	**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	**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**
Total comprehensive income					**116.5**	**77.0**	**666.5**	**860.0**	**32.4**	**892.4**
Increase/decrease in share capital	12,832	0.1	0.9					1.0		1.0
Treasury shares[3]	(6,061)			(1.7)			(3.6)	(5.3)		(5.3)
Valuation of share-based payment							0.6	0.6		0.6
Dividends paid and interim dividends							(504.9)	(504.9)	(56.6)	(561.5)
Changes in Group structure and other changes							(37.2)	(37.2)	70.8	33.6
As of December 31, 2015[2]	**126,251,724**	**505.2**	**2,428.3**	**(5.1)**	**63.6**	**(9.9)**	**7,966.2**	**10,948.3**	**674.8**	**11,623.1**

(1) Shares with a par value of €4 each.
(2) Number of shares outstanding as of December 31, 2015: 126,279,322.
(3) Net of tax.

notes to the consolidated financial statements for the year ended december 31, 2015

Note 1	Introduction	93
Note 2	Accounting policies and methods	93
Note 3	Highlights	105
Note 4	Operating segments	107
Note 5	Revenue	111
Note 6	Payroll expenses	112
Note 7	Share-based payment	113
Note 8	Recurring operating income	116
Note 9	Other non-recurring operating income and expenses	117
Note 10	Finance costs (net)	118
Note 11	Income taxes	118
Note 12	Non-current assets held for sale and discontinued operations	121
Note 13	Earnings per share	123
Note 14	Other comprehensive income	124
Note 15	Non-controlling interests	125
Note 16	Goodwill	125
Note 17	Brands and other intangible assets	126
Note 18	Property, plant and equipment	128
Note 19	Impairment tests on non-financial assets	130
Note 20	Investments in equity-accounted companies	131
Note 21	Non-current financial assets	132
Note 22	Inventories	132
Note 23	Trade receivables	133
Note 24	Other current assets and liabilities	133
Note 25	Equity	134
Note 26	Employee benefits	134
Note 27	Provisions	139
Note 28	Cash and cash equivalents	140
Note 29	Borrowings	141
Note 30	Exposure to interest rate, foreign exchange and equity risk	147
Note 31	Accounting classification and market value of financial instruments	156
Note 32	Net debt	159
Note 33	Statement of cash flows	159
Note 34	Contingent liabilities, contractual commitments not recognised and other contingencies	161
Note 35	Transactions with related parties	165
Note 36	Subsequent events	165
Note 37	List of consolidated subsidiaries as of December 31, 2015	166

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 Euronext Paris stock exchange.

The consolidated financial statements for the year ended December 31, 2015 reflect the accounting position of Kering and its subsidiaries, together with its interests in associates and joint ventures.

On February 18, 2016, the Board of Directors approved the consolidated financial statements for the year ended December 31, 2015 and authorised their publication. 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, 2015 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 Standards Interpretations Committee (IFRS IC).

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 IFRS IC 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/ras/index_fr.htm.

2.2. IFRS basis adopted

2.2.1. Standards, amendments and interpretations effective as of January 1, 2015

The Group's consolidated financial statements comply with the following amendments to published standards and interpretations which came into effect on January 1, 2015 and have been adopted by the European Union:

- IFRIC 21 – Levies, published in May 2013;
- the amendments contained in the Annual Improvements to IFRSs 2011-2013 Cycle published in December 2013.

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 as of January 1, 2015

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, 2015.

- the amendments contained in the Annual Improvements to IFRSs 2010-2012 Cycle published in December 2013, which will be mandatorily applicable in 2016;
- the amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation, published in May 2014, which will be mandatorily applicable in 2016.

The other main standards and interpretations that have not yet been adopted by the European Union are as follows:

- IFRS 9 – Financial Instruments and the amendments to IFRS 9, IFRS 7, and IAS 39 – Hedge Accounting, which the IASB indicates will be mandatorily applicable as from January 1, 2018, set out the recognition and disclosure principle for financial assets and financial liabilities. These principles will ultimately supersede those contained in IAS 39 – Financial Instruments;
- IFRS 15 – Revenue from Contracts with Customers, which the IASB indicates will be mandatorily applicable as from January 1, 2018, establishes new revenue recognition principles and will ultimately supersede both IAS 18 – Revenue and IAS 11 – Construction Contracts;
- the amendments contained in the Annual Improvements to IFRSs 2012-2014 Cycle, which the IASB indicates will be mandatorily applicable in 2016.

The Group is currently assessing the impacts of these standards and interpretations. At this stage, the impacts are not expected to be material for the Group.

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;
- defined benefit plan assets measured at fair value;
- liabilities in respect of cash-settled share-based payments (share appreciation rights or SARs) measured at fair value;
- 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 IFRS 3 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 derecognised, with an offsetting entry to the 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 the present value of the strike price. Subsequent changes in the value of the commitment are recorded by an adjustment to goodwill.

Put options granted after January 1, 2009

The Group records a financial liability at the present value of the strike price in respect of the put options granted to holders of non-controlling interests in the entities concerned.

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 derecognised non-controlling interests is recorded as a deduction from equity attributable to owners of the parent.

Subsequent changes in the value of the commitment are recorded by an adjustment to equity.

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 *structured* 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 other than simply holding voting rights. The existence and effect of potential voting rights are considered when assessing control, if the rights are substantive. Control 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 or joint 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 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 plus the amount of any non-controlling interest in the acquiree over the net fair value of the identifiable assets and liabilities acquired is recognised as goodwill. If the difference is negative, the gain on the bargain purchase is immediately recognised in income.

The Group may choose to measure any non-controlling interests resulting from each business combination at fair value (full goodwill method) or at the proportionate share in the identifiable net assets acquired, which are also generally measured at fair value (partial 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.

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.

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 designated as a net investment in a foreign subsidiary are 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 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.

Impairment tests are described in Note 2.10.

2.7. Brands and other intangible assets

Intangible assets are recognised at cost less accumulated amortisation and impairment losses.

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.

Intangible assets are amortised over their useful life where this is finite and are tested for impairment when there is an indication that it may be impaired. 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.

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. Most of the Group's brands are intangible assets with indefinite useful lives.

Impairment tests are described in Note 2.10.

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

For the purposes of impairment testing, assets are grouped into cash-generating units (CGUs), i.e., the smallest group of assets that generates cash inflows from continuing use, that are largely independent of the cash inflows from other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

CGUs comprising goodwill and/or intangible assets with indefinite useful lives, such as certain brands, are tested for impairment at least annually during the second half of each reporting period.

An impairment test is also performed for all CGUs when events or circumstances indicate that they 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 of the assets.

Impairment tests seek to determine whether the recoverable amount of a CGU is less than its net carrying amount.

The recoverable amount of a CGU 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 corresponds to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These values are determined based on market data (comparison with similar listed companies, values adopted in recent transactions and stock market prices).

When the CGU's recoverable amount is less than its net carrying amount, an impairment loss is recognised.

Impairment is charged first to goodwill where appropriate, and recognised under "Other non-recurring operating income and expenses" in the income statement as part of operating income.

Impairment losses recognised in respect of property, plant and equipment and other intangible assets may be reversed at a later date if there is an indication that the impairment loss no longer exists or has decreased. 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.

They primarily comprise eligible money-market funds (OPCVMs) classified as current assets under cash equivalents, as well as derivatives not designated as hedging instruments within a hedging relationship.

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. For short-term receivables without a stated interest rate, fair value and amortised cost approximate 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, deposits and guarantees, trade receivables and other short-term receivables are included in this category and are presented in non-current financial assets, trade receivables and other current financial assets in the statement of financial position.

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 the definitions of other financial asset categories. 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 debt 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 with respect to the hedged risk. 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 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 accounting standards authority (*Autorité des Normes Comptables* – ANC) recommendation No. 2013-03. 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 non-derivative 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 and certain other exceptions. 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 a group that generates cash flows that can be clearly distinguished from the rest of the group 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' 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.

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.

note 3 – highlights

The Kering group consolidated financial statements for the year ended December 31, 2015 include the financial statements of the companies listed in Note 37.

3.1. Change in management and creative responsibility at Gucci

On January 21, 2015, Marco Bizzarri – Gucci's President and CEO who succeeded Patrizio di Marco on January 1, 2015 – announced that Alessandro Michele had been appointed as the brand's new Creative Director following the departure of his predecessor Frida Giannini.

Alessandro Michele has been given total creative responsibility for all of Gucci's collections and its brand image. The first collection fully designed by Alessandro Michele is the 2016 Cruise collection, which was unveiled in New York on June 4, 2015 and has been available in stores since the end of the third quarter of 2015.

3.2. Finalisation of the partnership with Safilo and launch of Kering Eyewear

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 fully leverage the growth potential of its brands in this category.

As part of this strategic move, Kering and Safilo agreed to further their partnership and jointly intend to terminate the current Gucci licence agreement two years in advance, i.e., by December 31, 2016, which will result in total compensation of €90 million to be paid to Safilo. On January 12, 2015, Kering announced that it had signed a partnership agreement with Safilo covering the development, manufacture and supply of Gucci Eyewear products. The agreement took effect as from fourth-quarter 2015 in order to ensure a seamless transition for Gucci's Eyewear business.

On March 18, 2015, Kering announced the appointment of Roberto Vedovotto, CEO of Kering Eyewear, as a new member of its Executive Committee. Kering Eyewear was officially launched on June 30, 2015 when its first collection, *Collezione Uno,* was presented at the Palazzo Grassi in Venice.

The overall €90 million in compensation due to Safilo has been recognised as an intangible asset in the 2015 financial statements and will be amortised as from January 1, 2017. The compensation will be paid in three equal instalments, with the first payment made on January 12, 2015 and the following two due in December 2016 and September 2018.

3.3. Reorganisation of the Couture & Leather Goods and Watches & Jewellery brands

On July 27, 2015, Kering announced that Grita Loebsack had been appointed Chief Executive Officer of Kering's Luxury – Couture & Leather Goods' emerging brands, effective September 14, 2015. The CEOs of Alexander McQueen, Balenciaga, Brioni, Christopher Kane, Stella McCartney and Tomas Maier will report to her. Kering's Luxury – Couture & Leather Goods division also includes Gucci, Bottega Veneta and Saint Laurent, which will remain under François-Henri Pinault's direct supervision.

The autonomy of each of Kering's brands will continue to be fully respected in the expansion of the Group's Luxury business and the brands will remain under the operational responsibility of their respective CEOs.

The second half of the year also saw the arrival of new CEOs within the Luxury – Watches & Jewellery division headed by Albert Bensoussan: Hélène Poulit-Duquesne was appointed CEO of Boucheron, effective September 28, 2015, and Sabina Belli was named CEO of Pomellato, effective December 10, 2015.

On July 31, 2015, Balenciaga and Alexander Wang announced their joint decision not to renew their contract beyond its initial term. Alexander Wang showed his final collection for Balenciaga in Paris on October 2, 2015. On October 7, 2015, Demna Gvasalia was appointed as the new Artistic Director of Balenciaga's collections. Demna Gvasalia has creative responsibility for the brand's collections and image and will present his first collection for the brand at the women's ready-to-wear autumn/winter 2016-17 show in Paris.

3.4. Sale of Italian luxury shoemaker Sergio Rossi

On December 30, 2015 Kering announced that it had closed the sale of the Italian luxury shoemaker, Sergio Rossi, to Investindustrial, in accordance with the terms announced on December 9, 2015.

The transaction included all the industrial assets of Sergio Rossi, the rights attached to the brand and the entire distribution network. The sale will allow the Sergio Rossi brand to continue its development with a strategic partner that can support the brand solidly and with prospects for long-term growth. Investindustrial is one of Europe's best-known industrial groups, which provides solutions and capital to mid-sized companies in order to accelerate their international expansion and improve their operational efficiency. Among the companies managed by Investindustrial today are brands such as Aston Martin, B&B Italia and Flos, which are internationally recognised for their excellence in Italian design.

By choosing Investindustrial, Kering selected a credible and reliable partner to ensure the continued long-term development of Sergio Rossi, in the best interests of the brand, the company, its staff and its customers.

This sale did not have a material impact on the Group's 2015 financial statements.

3.5. Other highlights

On January 15, 2015, Kering sold the assets of Movitex to the group's management team, after recapitalising it in accordance with the preliminary agreement signed on December 3, 2014.

On March 25, 2015 Kering bought out the non-controlling interests in Sowind Group in accordance with the shareholder agreements signed in June 2011. This acquisition did not have a material impact on the Group's 2015 financial statements.

On June 30, 2015, PUMA announced that it had sold the intellectual property rights (including trademark rights) of its subsidiary, Tretorn Group, to US-based Authentic Brands Group, LLC (ABG). Tretorn – which is based in Helsinborg in Sweden and makes sport and leisure products – was acquired by PUMA in 2002. This sale is in line with PUMA's strategy of refocusing on its core businesses.

On March 20, 2015, Kering issued a €500 million, 0.875% fixed-rate bond maturing in seven years. Also during the first half of 2015, Kering carried out two issues of notes in foreign currency – a USD 150 million issue in March 2015 of five-year floating-rate notes, and a USD 150 million issue in June 2015 of six-year fixed-rate notes with an annual coupon of 2.887%.

On September 22, 2015 and November 5, 2015, the Group topped up the 2.75% bond issue carried out in 2014 by €150 million and €50 million respectively.

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

(in € millions)	Gucci	Bottega Veneta
December 31, 2015		
Revenue	3,898.0	1,285.8
– Non-Group	3,898.0	1,285.8
– Group		
Recurring operating income (loss)	**1,032.3**	**374.5**
Recurring charges to depreciation, amortisation and provisions on non-current operating assets	173.8	39.3
Other non-cash recurring operating income and expenses	76.0	18.1
Purchases of property, plant and equipment and intangible assets, gross	192.8	49.5
Segment assets	**8,474.1**	**796.6**
Segment liabilities	**1,930.3**	**209.6**
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**	**731.4**
Segment liabilities	**2,105.7**	**184.6**

Yves Saint Laurent	Other Luxury brands	Luxury Division	PUMA	Other Sport & Lifestyle brands	Sport & Lifestyle Division	Corporate and Other	Total
973.6	1,707.9	**7,865.3**	3,403.4	279.1	**3,682.5**	36.4	**11,584.2**
973.6	1,707.9	**7,865.3**	3,403.4	279.1	**3,682.5**	36.4	**11,584.2**
168.5	**132.7**	**1,708.0**	**92.4**	**2.4**	**94.8**	**(156.1)**	**1,646.7**
39.4	64.9	**317.4**	58.3	7.9	**66.2**	26.0	**409.6**
17.7	14.5	**126.3**	0.2	(2.9)	**(2.7)**	134.6	**258.2**
63.1	85.5	**390.9**	84.5	6.5	**91.0**	190.2	**672.1**
1,419.9	**3,201.3**	**13,891.9**	**6,148.9**	**425.1**	**6,574.0**	**704.6**	**21,170.5**
308.5	**601.8**	**3,050.2**	**1,755.2**	**140.6**	**1,895.8**	**369.9**	**5,315.9**
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**
1,378.0	**3,108.5**	**13,696.6**	**6,149.0**	**414.4**	**6,563.4**	**389.6**	**20,649.6**
306.4	**557.4**	**3,154.1**	**1,750.7**	**137.3**	**1,888.0**	**274.5**	**5,316.6**

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 consists of goodwill and brands, which are analysed based on the revenue they generate in each region, and not based on their geographic location.

(in € millions)	2015	2014
Western Europe	3,562.4	3,152.3
North America	2,652.0	2,146.7
Japan	1,101.1	962.5
Sub-total – mature markets	**7,315.5**	**6,261.5**
Eastern Europe, Middle East and Africa	773.7	728.5
South America	538.8	464.7
Asia-Pacific (excluding Japan)	2,956.2	2,582.8
Sub-total – emerging markets	**4,268.7**	**3,776.0**
Total revenue	**11,584.2**	**10,037.5**

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:

(in € millions)	2015	2014
Goodwill	3,758.8	4,039.9
Brands and other intangible assets	11,285.5	10,748.1
Property, plant and equipment	2,073.0	1,887.2
Other non-current assets	39.9	36.2
Non-current segment assets	**17,157.2**	**16,711.4**
Inventories	2,191.2	2,234.7
Trade receivables	1,137.1	1,030.0
Other current assets	685.0	673.5
Segment assets	**21,170.5**	**20,649.6**
Investments in equity-accounted companies	20.9	23.2
Non-current financial assets	458.4	400.0
Deferred tax assets	849.6	758.0
Current tax receivables	123.8	138.4
Other current financial assets	81.2	106.3
Cash and cash equivalents	1,146.4	1,089.9
Assets classified as held for sale		88.5
Total assets	**23,850.8**	**23,253.9**

The reconciliation of total segment liabilities with total Group equity and liabilities is as follows:

(in € millions)	2015	2014
Deferred tax liabilities on brands	2,742.1	2,682.8
Trade payables	939.7	982.8
Other current liabilities	1,634.1	1,651.0
Segment liabilities	**5,315.9**	**5,316.6**
Total equity	11,623.1	11,262.3
Non-current borrowings	4,039.9	3,192.2
Other non-current financial liabilities	14.8	2.8
Non-current provisions for pensions and other post-employment benefits	133.4	111.9
Other non-current provisions	82.3	49.3
Other deferred tax liabilities	115.8	109.0
Current borrowings	1,785.9	2,288.4
Other current financial liabilities	238.9	346.8
Current provisions for pensions and other post-employment benefits	8.9	7.2
Other current provisions	157.3	225.6
Current tax liabilities	334.6	277.9
Liabilities associated with assets classified as held for sale		63.9
Total equity and liabilities	**23,850.8**	**23,253.9**

note 5 – revenue

(in € millions)	2015	2014
Net sales of goods	11,368.1	9,829.3
Net sales of services	3.9	1.9
Revenue from concessions and licences	164.0	163.5
Other revenue	48.2	42.8
Total	**11,584.2**	**10,037.5**

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).

(in € millions)	2015	2014
Luxury Division	(1,169.4)	(969.6)
Sport & Lifestyle Division	(526.1)	(463.6)
Corporate and other	(125.1)	(112.0)
Total	**(1,820.6)**	**(1,545.2)**

In 2015, payroll expenses recorded under "Corporate and other" include a €0.6 million charge (€1.2 million in 2014) 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:

	2015	2014
Luxury Division	21,576	20,122
Sport & Lifestyle Division	11,772	11,645
Corporate and other	1,349	1,123
Total	**34,697**	**32,890**

The total headcount of continuing operations is as follows:

	2015	2014
Luxury Division	23,145	22,088
Sport & Lifestyle Division	14,155	14,135
Corporate and other	1,501	1,218
Total	**38,801**	**37,441**

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, 2015, 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:

	2005/1 Plan	2005/2 Plan	2005/3 Plan	2007/1 Plan	2007/2 Plan	2011/2 Plan	2012/2 Plan
Stock option and free share plans	Subscription options	Subscription options	Subscription options	Purchase options	Purchase options	Free shares	Free shares
Grant date	01/03/2005	05/19/2005	05/19/2005	05/14/2007	09/17/2007	05/19/2011	04/27/2012
Expiry date	01/02/2015	05/18/2015	05/18/2015	05/13/2015	09/16/2015	N/A	N/A
Vesting of rights	(a)	(b)	(b)	(b)	(b)	(d)	(d)
Number of beneficiaries	13	458	22	248	14	76	88
Number initially granted	25,530	333,750	39,960	355,500	51,300	9,455	39,640
Number outstanding as of Jan. 1, 2015	250	13,496	400	126,040	2,900	8,090	38,120
Number forfeited in 2015		-32		-400			8,980
Number exercised in 2015		12,432	400	116,470	2,400	8,090	
Number of shares issued							
Number expired in 2015	250	1,096		9,970	500		
Number outstanding as of Dec. 31, 2015							29,140
Number exercisable as of Dec. 31, 2015							
Strike price *(in €)*	75.29	78.01	78.97	127.58	127.58	N/A	N/A
Fair value at measurement date *(in €)*	11.61	11.19	10.98	20.99	24.74	69.91	74.62
Weighted average price of options exercised/shares issued *(in €)*	129.00	128.24	131.97	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.

(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.

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 with 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:

Stock option and free share plans	2005/1 Plan Subscription options	2005/2 Plan Subscription options	2005/3 Plan Subscription options	2007/1 Plan Purchase options	2007/2 Plan Purchase options	2011/2 Plan Free shares	2012/2 Plan Free shares
Volatility	23.75%	21.00%	21.00%	23.00%	24.50%	28.00%	29.00%
Risk-free interest rate	3.83%	3.49%	3.49%	4.49%	4.47%	2.32%	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 2015 in respect of stock option and free share plans was €0.6 million (€1.2 million in 2014).

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, 2015 and their movements during the year are as follows:

	2008/III Plan	2008/IV Plan	2008/V Plan
	Subscription options	Subscription options	Subscription options
Grant date	4/22/2010	4/15/2011	4/30/2012
Expiry date	4/21/2015	4/21/2016	4/21/2017
Number initially granted	126,184	151,290	145,375
Number outstanding as of Jan. 1, 2015	98,693	103,463	113,469
Number exercised in 2015			
Number forfeited/(reinstated) in 2015	98,693	2,000	6,500
Number outstanding as of Dec. 31, 2015		101,463	106,969
Number exercisable as of Dec. 31, 2015		101,463	
Weighted average price of options exercised *(in €)*			

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/III Plan	2008/IV Plan	2008/V Plan
Volatility	34.50%	29.20%	26.80%
Risk-free interest rate	1.60%	2.40%	0.30%

No expense was recognised by PUMA in 2015 (an expense of €0.4 million was recognised in 2014).

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 systematically 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 2015, a surplus expense recognised in respect of Kering Holland BV SARs was written back to recurring operating income for €0.9 million. No expense had been recognised in 2014.

The strike price of SARs outstanding as of December 31, 2015 is between €40.18 and €46.72 and the weighted average remaining contractual term is 0.3 years (1.2 years as of end-2014).

The carrying amount of the liability relating to these SARs was €0.1 million as of December 31, 2015, with an intrinsic value of €0.1 million (€0.3 million and €0.3 million, respectively, as of December 31, 2014).

Plan movements	2015	2014
SARs outstanding as of January 1	**1,404**	**17,004**
Weighted average strike price (in €)	***42.25***	***79.84***
SARs granted during the year		
Weighted average strike price (in €)		
SARs exercised during the year	1,000	15,600
Weighted average strike price (in €)	*43.08*	*83.30*
SARs forfeited during the year		
Weighted average strike price (in €)		
SARs outstanding as of December 31	**404**	**1,404**
Weighted average strike price (in €)	***40.23***	***46.26***
SARs exercisable as of December 31	400	1,400
Weighted average strike price (in €)	*40.18*	*42.25*

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 and in comparison with the average increase in a basket of 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.

On May 22, 2015, 114,997 KMUs were granted, with a unit value of €167.

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.

In accordance with IFRS 2, the value of services rendered by beneficiaries is recalculated by an independent expert at the end of each reporting period.

In 2015, the Group recognised a €15.2 million expense in respect of KMUs within recurring operating income (€10.1 million expense in 2014).

note 8 – recurring operating income

Recurring operating income is the primary indicator of the Group's operating performance, and breaks down as follows:

(in € millions)	2015	2014
Luxury Division	1,708.0	1,665.6
Sport & Lifestyle Division	94.8	137.5
Corporate and other	(156.1)	(139.1)
Total	**1,646.7**	**1,664.0**

Charges to depreciation, amortisation and provisions on non-current operating assets included in recurring operating income amounted to €409.6 million in 2015 (€326.7 million in 2014). Other net non-cash recurring operating income amounted to €258.2 million in 2015 compared to other net non-cash operating expense of €24.4 million in 2014.

note 9 – other non-recurring operating income and expenses

(in € millions)	2015	2014
Non-recurring operating expenses	**(541.8)**	**(309.2)**
Restructuring costs	(39.6)	(61.1)
Asset impairment	(501.8)	(247.5)
Capital losses on disposals		(0.6)
Other	(0.4)	
Non-recurring operating income	**148.3**	**197.1**
Capital gains on disposals	148.3	192.2
Other		4.9
Total	**(393.5)**	**(112.1)**

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 €393.5 million in 2015 and included the following items:

- restructuring costs of €39.6 million, mainly concerning the Luxury Division;
- asset impairment totalling €501.8 million, including €123.0 million charged against PUMA goodwill, €27.0 million charged against the goodwill of one of the other Luxury Division brands, and €192.0 million charged against Gucci assets in connection with the brand's current period of transition;
- net capital gains on disposals totalling €148.3 million, mainly including the sale of a property complex.

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.

note 10 – finance costs (net)

This caption breaks down as follows:

(in € millions)	2015	2014
Cost of net debt	**(128.8)**	**(151.3)**
Income from cash and cash equivalents	8.9	7.9
Finance costs at amortised cost	(136.1)	(160.6)
Gains and losses on borrowings hedged by fair value hedges		1.4
Gains and losses on fair value and cash flow hedging derivatives	(1.6)	
Other financial income and expenses	**(120.3)**	**(46.1)**
Net losses on available-for-sale financial assets	0.1	(4.9)
Foreign exchange gains and losses	(14.8)	(7.7)
Ineffective portion of cash flow hedges	(95.1)	(21.8)
Gains and losses on derivative instruments not qualifying for hedge accounting (foreign exchange and interest rate hedges)	(0.3)	1.1
Impact of discounting assets and liabilities	(10.2)	(9.1)
Other finance costs		(3.7)
Total	**(249.1)**	**(197.4)**

note 11 – income taxes

11.1. Analysis of the income tax expense in respect of continuing operations

11.1.1. Income tax expense

(in € millions)	2015	2014
Income before tax	**1,004.1**	**1,354.5**
Taxes paid out of operating income	(378.5)	(365.7)
Other taxes payable not impacting operating cash flow	1.5	(5.2)
Income tax payable	(377.0)	(370.9)
Deferred tax income/(expense)	55.3	45.3
Total tax charge	**(321.7)**	**(325.6)**
Effective tax rate	**32.0%**	**24.0%**

Income tax expense on dividends was recognised in an amount of €15.1 million in 2015 (€14.2 million in 2014).

The maximum income tax expense on the balance of dividends to be paid in 2016 in respect of 2015 is estimated at €9.5 million.

11.1.2. Reconciliation of the tax rate

(as a % of pre-tax income)	2015	2014
Tax rate applicable in France	**38.0%**	**38.0%**
Impact of taxation of foreign subsidiaries	-18.4%	-17.9%
Theoretical tax rate	**19.6%**	**20.1%**
Effect of items taxed at reduced rates	0.0%	0.7%
Effect of permanent differences	2.6%	-0.5%
Effect of unrecognised temporary differences	1.3%	1.5%
Effect of unrecognised tax losses carried forward	4.1%	-2.7%
Effect of changes in tax rates	0.2%	0.2%
Other	4.2%	4.8%
Effective tax rate	**32.0%**	**24.0%**

In 2015, 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 in 2015 mainly includes the tax on dividends, the impact of tax reassessments and various foreign taxes.

11.1.3. Recurring tax rate

Excluding non-recurring items, the Group income tax rate is as follows:

(in € millions)	2015	2014
Income before tax	1,004.1	1,354.5
Non-recurring items	(393.5)	(112.1)
Recurring income before tax	**1,397.6**	**1,466.6**
Total tax charge	(321.7)	(325.6)
Tax on non-recurring items	14.8	(57.6)
Recurring tax charge	**(336.5)**	**(268.0)**
Recurring tax rate	**24.0%**	**18.3%**

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:

(in € millions)	2014	Net income	Cash outflows relating to operating activities	Cash outflows relating to investing activities	Other[1]	Other items recognised in equity	2015
Current tax receivables	138.4						123.8
Current tax liabilities	(277.9)						(334.6)
Net current tax liabilities	**(139.5)**	**(378.5)**	**330.4**	**(7.9)**	**(13.5)**	**(1.8)**	**(210.8)**

(1) "Other" includes changes in Group structure, currency effects and reclassifications of statement of financial position items.

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:

(in € millions)	2014	Net income	Other[1]	Other items recognised in equity	2015
Intangible assets	(2,675.8)	12.2	(76.0)	0.5	(2,739.1)
Property, plant and equipment	17.0	38.5	0.6	(0.5)	55.6
Other non-current assets	89.0	(53.4)	(0.9)	(0.2)	34.5
Other current assets	284.4	43.0	21.2	(0.5)	348.1
Total equity	1.0		(1.4)		(0.4)
Borrowings	(0.1)	(5.0)	0.2		(4.9)
Provisions for pensions and other post-employment benefits	62.5	3.9	3.4		69.8
Other provisions	(13.4)	(24.4)	42.0		4.2
Other current liabilities	83.9	20.8	(25.5)	5.5	84.7
Recognised tax losses and tax credits	117.7	19.7	1.8		139.2
Net deferred tax assets (liabilities)	**(2,033.8)**	**55.3**	**(34.6)**	**4.8**	**(2,008.3)**
Deferred tax assets	758.0				849.6
Deferred tax liabilities	(2,791.8)				(2,857.9)
Deferred tax	**(2,033.8)**	**55.3**	**(34.6)**	**4.8**	**(2,008.3)**

(1) "Other" includes changes in Group structure, currency effects and reclassifications of different types of deferred tax items.

The impact on income tax expense for the periods presented is described in Note 11.1.1.

11.3. Unrecognised deferred tax

Tax losses and tax credits not recognised as deferred tax assets amounted to €2,274.7 million as of December 31, 2015 (€2,471.2 million as of December 31, 2014).

Changes in unused tax losses and tax credits and the associated expiry schedule are set out below:

(in € millions)

As of January 1, 2014	**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**
Losses generated during the year	110.3
Losses utilised and time barred during the year	(260.0)
Effect of changes in Group structure and exchange rate adjustments	(46.8)
As of December 31, 2015	**2,274.7**

Ordinary tax loss carry-forwards	**438.8**
Less than five years	274.4
More than five years	164.4
Indefinite tax loss carry-forwards	**1,835.9**
Total	**2,274.7**

There were no unrecognised deferred taxes in respect of temporary differences relating to investments in subsidiaries, associates and joint ventures as of December 31, 2015.

note 12 – non-current assets held for sale and discontinued operations

During 2014 and January 2015, Kering completed the sale of the Redcats group by disposing of La Redoute, Relais Colis, Diam and the assets of the Movitex group.

In addition, on December 30, 2015, Kering sold Sergio Rossi to Investindustrial under the terms announced on December 9, 2015.

For all periods presented, assets held for sale and discontinued operations mainly comprise Redcats and Sergio Rossi. Assets held for sale also include the proceeds from Groupe Fnac's redemption of its undated deeply subordinated notes (TSSDI) on December 30, 2015. 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 assets held for sale and discontinued operations are as follows:

(in € millions)	2015	2014
Revenue	**77.9**	**582.9**
Cost of sales	(40.5)	(249.0)
Gross margin	**37.4**	**333.9**
Payroll expenses	(19.4)	(114.5)
Other recurring operating income and expenses	(34.0)	(276.1)
Recurring operating income (loss)	**(16.0)**	**(56.7)**
Other non-recurring operating income and expenses	(1.8)	(381.5)
Operating income (loss)	**(17.8)**	**(438.2)**
Finance costs, net	(0.7)	(10.8)
Income (loss) before tax	**(18.5)**	**(449.0)**
Corporate income tax	1.9	13.8
Share in earnings (losses) of equity-accounted companies		
Net income (loss) on disposal of discontinued operations	57.6	(43.6)
Net income (loss)	**41.0**	**(478.8)**
o/w attributable to owners of the parent	41.0	(478.8)
o/w attributable to non-controlling interests		

(in € millions)	2015	2014
Net cash used in operating activities	(52.9)	(141.6)
Net cash from investing activities	21.0	19.4
Net cash from (used in) financing activities	35.4	(537.4)
Impact of exchange rate variations		3.2
Net change in cash and cash equivalents	**3.5**	**(656.4)**
Opening cash and changes in intra-Group cash flows		213.7
Net cash from (used in) discontinued operations [1]	**3.5**	**(442.7)**

(1) Line item in the consolidated statement of cash flows.

The main cash flows related to discontinued operations concern the sale of Sergio Rossi, the discharge of vendor warranties granted in connection with the Redcats sale and Groupe Fnac's redemption of its undated deeply subordinated notes.

The impact of assets held for sale on the Group's consolidated statement of financial position was as follows:

(in € millions)	2015	2014
Assets classified as held for sale	**-**	**88.5**
Liabilities associated with assets classified as held for sale	**-**	**63.9**

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, 2015

(in € millions)	Consolidated Group	Continuing operations	Discontinued operations
Net income attributable to ordinary shareholders	**696.0**	**655.0**	**41.0**
Weighted average number of ordinary shares outstanding	126,332,226	126,332,226	126,335,226
Weighted average number of treasury shares	(335,899)	(335,899)	(335,899)
Weighted average number of ordinary shares	**125,996,327**	**125,996,327**	**125,999,327**
Basic earnings per share *(in €)*	**5.52**	**5.20**	**0.33**
Net income attributable to ordinary shareholders	**696.0**	**655.0**	**41.0**
Convertible and exchangeable instruments			
Diluted net income attributable to owners of the parent	**696.0**	**655.0**	**41.0**
Weighted average number of ordinary shares	125,996,327	125,996,327	125,999,327
Potentially dilutive ordinary shares			
Weighted average number of diluted ordinary shares	**125,996,327**	**125,996,327**	**125,999,327**
Fully diluted earnings per share *(in €)*	**5.52**	**5.20**	**0.33**

Earnings per share as of December 31, 2014

(in € millions)	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 earnings (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)**

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.

(in € millions)	2015	2014
Net income attributable to ordinary shareholders	**655.0**	**1,007.7**
Other non-recurring operating income and expenses	(393.5)	(112.1)
Income tax on other non-recurring operating income and expenses	14.8	(57.6)
Non-controlling interests in other non-recurring operating income and expenses	16.4	
Net income excluding non-recurring items	**1,017.3**	**1,177.4**
Weighted average number of ordinary shares outstanding	126,332,226	126,264,178
Weighted average number of treasury shares	(335,899)	(342,549)
Weighted average number of ordinary shares	**125,996,327**	**125,921,629**
Basic earnings per share excluding non-recurring items *(in €)*	**8.07**	**9.35**
Net income excluding non-recurring items	**1,017.3**	**1,177.4**
Convertible and exchangeable instruments		
Diluted net income attributable to owners of the parent	**1,017.3**	**1,177.4**
Weighted average number of ordinary shares	125,996,327	125,921,629
Potentially dilutive ordinary shares		23,049
Weighted average number of diluted ordinary shares	**125,996,327**	**125,944,678**
Fully diluted earnings per share *(in €)*	**8.07**	**9.35**

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:

(in € millions)	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 (expense) as of December 31, 2014	**(72.9)**	**0.5**	**(72.4)**

(in € millions)	Gross	Income tax	Net
Foreign exchange gains and losses	125.6		125.6
Cash flow hedges	71.2	3.7	74.9
– change in fair value	*(184.1)*		
– gains and losses reclassified to income	*255.3*		
Available-for-sale financial assets	0.6	(0.2)	0.4
– change in fair value	*0.6*		
– gains and losses reclassified to income			
Unrecognised surplus of pension plan assets			
Actuarial gains and losses	(31.2)	1.5	(29.7)
Share in other comprehensive income (expense) of associates			
Other comprehensive income as of December 31, 2015	**166.2**	**5.0**	**171.2**

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 cash flow hedging instruments reclassified to income are recognised under gross margin.

Gains and losses on available-for-sale financial assets reclassified to income are recognised under net finance costs.

note 15 – non-controlling interests

The Group performed quantitative and qualitative analyses of its non-controlling interests as of December 31, 2015. 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

(in € millions)	Gross	Impairment losses	Net
Goodwill as of January 1, 2014	**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**
Acquisitions	17.2		17.2
Assets classified as held for sale and discontinued operations			
Impairment losses (see Note 19)		(150.0)	(150.0)
Put options granted to non-controlling shareholders	2.5		2.5
Translation adjustments	60.5	(24.3)	36.2
Other movements	(187.0)		(187.0)
Goodwill as of December 31, 2015	**4,464.7**	**(705.9)**	**3,758.8**

In 2015, the negative €187 million in other movements relates to the adjustment of the carrying amount of Ulysse Nardin goodwill following the completion of the purchase price accounting and in particular the allocation of a brand value.

All goodwill recognised in 2015 was allocated to CGUs at the end of the reporting period.

The breakdown of the net amount of goodwill by division is as follows:

(in € millions)	2015	2014
Luxury Division	2,788.3	2,943.5
Sport & Lifestyle Division	970.5	1,096.4
Total	**3,758.8**	**4,039.9**

note 17 – brands and other intangible assets

(in € millions)	Brands	Other intangible assets	Total
Gross amount as of December 31, 2014	**10,486.3**	**727.1**	**11,213.4**
Changes in Group structure	319.4	1.6	321.0
Acquisitions		210.9	210.9
Assets classified as held for sale and discontinued operations			
Other disposals		(11.5)	(11.5)
Translation adjustments	91.3	23.7	115.0
Other movements		(2.9)	(2.9)
Gross amount as of December 31, 2015	**10,897.0**	**948.9**	**11,845.9**
Accumulated amortisation and impairment as of December 31, 2014	**(21.5)**	**(443.8)**	**(465.3)**
Changes in Group structure			
Assets classified as held for sale and discontinued operations			
Other disposals		9.7	9.7
Amortisation		(65.6)	(65.6)
Impairment losses (see Note 19)	(24.5)		(24.5)
Translation adjustments	(0.5)	(14.9)	(15.4)
Other movements		0.7	0.7
Accumulated amortisation and impairment as of December 31, 2015	**(46.5)**	**(513.9)**	**(560.4)**
Carrying amount as of December 31, 2014	**10,464.8**	**283.3**	**10,748.1**
Changes in Group structure	319.4	1.6	321.0
Acquisitions		210.9	210.9
Assets classified as held for sale and discontinued operations			
Other disposals		(1.8)	(1.8)
Amortisation		(65.6)	(65.6)
Impairment losses (see Note 19)	(24.5)		(24.5)
Translation adjustments	90.8	8.8	99.6
Other movements		(2.2)	(2.2)
Carrying amount as of December 31, 2015	**10,850.5**	**435.0**	**11,285.5**

(in € millions)	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**

The breakdown of net brand value by Division is as follows:

(in € millions)	2015	2014
Luxury Division	6,943.4	6,577.5
Sport & Lifestyle Division	3,907.1	3,887.3
Total	**10,850.5**	**10,464.8**

note 18 – property, plant and equipment

(in € millions)	Land and buildings	Plant and equipment	Other PP&E	Total
Gross amount as of December 31, 2014	**953.1**	**2,369.8**	**277.8**	**3,600.7**
Changes in Group structure	(6.4)	2.9	(0.1)	(3.6)
Acquisitions	6.1	307.8	166.4	480.3
Assets classified as held for sale and discontinued operations				
Disposals	(11.4)	(207.9)	(24.0)	(243.3)
Translation adjustments	43.7	135.5	7.1	186.3
Other movements	16.2	54.0	(53.4)	16.8
Gross amount as of December 31, 2015	**1,001.3**	**2,662.1**	**373.8**	**4,037.2**
Accumulated depreciation and impairment as of December 31, 2014	**(235.0)**	**(1,344.5)**	**(134.0)**	**(1,713.5)**
Changes in Group structure	10.6	4.8	0.1	15.5
Assets classified as held for sale and discontinued operations				
Disposals	5.1	198.6	22.4	226.1
Depreciation	(17.0)	(371.2)	(18.7)	(406.9)
Impairment losses (see Note 19)				
Translation adjustments	(8.0)	(76.6)	(4.2)	(88.8)
Other movements	0.1	(5.7)	9.0	3.4
Accumulated depreciation and impairment as of December 31, 2015	**(244.2)**	**(1,594.6)**	**(125.4)**	**(1,964.2)**
Carrying amount as of December 31, 2014	**718.1**	**1,025.3**	**143.8**	**1,887.2**
Changes in Group structure	4.2	7.7		11.9
Acquisitions	6.1	307.8	166.4	480.3
Assets classified as held for sale and discontinued operations				
Disposals	(6.3)	(9.3)	(1.6)	(17.2)
Depreciation	(17.0)	(371.2)	(18.7)	(406.9)
Impairment losses (see Note 19)				
Translation adjustments	35.7	58.9	2.9	97.5
Other movements	16.3	48.3	(44.4)	20.2
Carrying amount as of December 31, 2015	**757.1**	**1,067.5**	**248.4**	**2,073.0**
o/w assets owned outright	704.6	1,067.5	69.4	1,841.5
o/w assets held under finance leases	52.5		179.0	231.5

(in € millions)	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

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	
	2015	2014	2015	2014
Luxury Division	8.3% -10.5%	8.3% -11.0%	3.0%	3.0%
Sport & Lifestyle Division	9.8% -11.0%	9.8% -11.7%	2.25%	2.25%

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, Pomellato, 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 9.0%.

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 10.0%.

For information purposes, PUMA's market capitalisation was €3.0 billion as of December 31, 2015. 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, 2015, 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 2015 gave rise to the recognition of an impairment loss against the goodwill of the PUMA CGU (€123.0 million – see Note 19.3.), against the goodwill of one of the Other Luxury brands CGU (€27.0 million), and against one of the Other Sport & Lifestyle brands (€24.0 million). Besides impairment losses recognised against the goodwill of these two CGUs and against one of the Other Sport & Lifestyle brands, 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 a significant impairment loss against other CGUs.

The sensitivity to changes in key assumptions is shown below:

		Impairment loss due to:		
(in € millions)	Value of net assets concerned as of Dec. 31, 2015	10 basis point increase in post-tax discount rate	10 basis point decrease in perpetual growth rate	10 basis point decrease in normative cash flows
Luxury Division	11,912	(11)	(7)	-
Sport & Lifestyle Division	4,914	(89)	(73)	(5)
Gucci brand	4,800	-	-	-
PUMA brand	3,500	-	-	-

The PUMA and one of the Other Luxury brands CGUs are sensitive to a rise of 0.1 basis point in the post-tax discount rate and a decrease of 0.1 basis point in the perpetual growth rate and in normative cash flows.

19.3. Impairment losses recognised during the period

The impairment tests carried out by the Group in 2015 gave rise to the recognition of an impairment loss against the goodwill of the PUMA CGU (€123.0 million), against the goodwill of one of the Other Luxury brands CGU (€27.0 million), and against one of the Other Sport & Lifestyle brands (€24.0 million). The impairment losses recognised against the goodwill of PUMA and the goodwill of one of the Other Luxury brands result from the difference between the carrying amount of these CGUs and their recoverable amounts. For PUMA, this difference chiefly reflects strong currency volatility in 2015.

The expense 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 2014 gave rise to the recognition of an impairment loss against the goodwill of the CGU of Other Sport & Lifestyle brands amounting to €189.0 million. This loss reflected the difference between the carrying amount of the Other Sport & Lifestyle brands CGU and its recoverable amount against a backdrop of a squeeze on margins in the Action Sport segment.

note 20 – investments in equity-accounted companies

(in € millions)	2015	2014
Investments in equity-accounted companies	20.9	23.2

As of December 31, 2015, investments in equity-accounted companies essentially included Wilderness, Tomas Maier and Altuzarra shares.

The market value of the Group's interest in Wilderness amounts to €19.0 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)	2015	2014
Non-consolidated investments	156.6	140.3
Derivative financial instruments		0.4
Available-for-sale financial assets	20.7	20.0
Loans and receivables due from non-consolidated investments	37.3	17.9
Deposits and guarantees	157.8	141.7
Other	86.0	79.7
Total	**458.4**	**400.0**

note 22 – inventories

(in € millions)	2015	2014
Commercial inventories	2,508.4	2,399.1
Industrial inventories	460.3	445.4
Gross amount	**2,968.7**	**2,844.5**
Allowances	(777.5)	(609.8)
Carrying amount	**2,191.2**	**2,234.7**

Movements in allowances	2015	2014
As of January 1	**(609.8)**	**(568.7)**
Additions	(241.1)	(40.2)
Reversals	196.6	22.1
Changes in Group structure	(87.9)	
Assets classified as held for sale and discontinued operations		(5.5)
Translation adjustments	(35.3)	(17.5)
As of December 31	**(777.5)**	**(609.8)**

No inventories were pledged to secure liabilities as of December 31, 2015 or December 31, 2014.

The amount of inventories recognised during the period under "Cost of sales" is €30.7 million (€263.7 million in 2014).

note 23 – trade receivables

(in € millions)	2015	2014
Trade receivables	1,211.2	1,103.9
Allowances	(74.1)	(73.9)
Carrying amount	**1,137.1**	**1,030.0**

Movements in allowances	2015	2014
As of January 1	**(73.9)**	**(86.5)**
Net reversals	3.0	16.1
Changes in Group structure	0.1	(3.1)
Assets classified as held for sale and discontinued operations	(1.1)	0.8
Translation adjustments	(2.2)	(1.2)
As of December 31	**(74.1)**	**(73.9)**

Provisions are calculated on the basis of the probability of recovering the receivables concerned. Trade receivables break down by age as follows:

(in € millions)	2015	2014
Not past due	915.5	848.8
Less than one month past due	147.4	121.1
One to six months past due	93.0	75.1
More than six months past due	55.3	58.9
Allowance for doubtful receivables	(74.1)	(73.9)
Carrying amount	**1,137.1**	**1,030.0**

No trade receivables were pledged to secure liabilities as of December 31, 2015 or December 31, 2014.

note 24 – other current assets and liabilities

(in € millions)	2014	Working capital cash flows	Other cash flows	Changes in Group structure	Translation adjustments and other	2015
Inventories	2,234.7	70.1		(72.1)	(41.5)	2,191.2
Trade receivables	1,030.0	71.9		(3.1)	38.3	1,137.1
Other current financial assets and liabilities	(240.5)	0.6	17.5	(0.2)	64.9	(157.7)
Current tax receivables/payables	(139.5)		(56.0)	(13.5)	(1.8)	(210.8)
Trade payables	(982.8)	74.4		1.5	(32.8)	(939.7)
Other	(977.5)	2.3		(10.2)	36.3	(949.1)
Other current assets and liabilities	**924.4**	**219.3**	**(38.5)**	**(97.6)**	**63.4**	**1,071.0**

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 would not have a material impact on its business, financial position or net assets.

note 25 – equity

As of December 31, 2015, the share capital amounted to €505,117,288, comprising 126,279,322 fully paid-up shares with a par value of €4 each (126,226,490 shares with a par value of €4 each as of December 31, 2014).

25.1. Kering treasury shares and options on Kering shares

In 2015, the Group made a net acquisition of 6,061 treasury shares, resulting from the following transactions:

- the acquisition of 1,683,029 shares under the liquidity agreement;
- the disposal of 1,683,029 shares under the liquidity agreement;
- the acquisition of 8,021 Kering shares to be allotted to employees under the 2011 and 2012 free share plans;
- the allotment of 8,090 shares which mature in 2011 to employees under the May 2015 free share plan;
- the acquisition of 125,000 Kering shares to be allotted to employees under the 2007 stock purchase option plan;
- the disposal of 116,470 shares to employees under the May 2007 stock purchase option plan and 2,400 shares under the September 2007 stock purchase option plan.

As a result of the various stock subscription options exercised in 2015, the share capital increased by 12,832 shares.

As of December 31, 2015, Kering's share capital therefore comprises 126,279,322 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, 2015, 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, 2014). Outside the scope of the liquidity agreement, Kering holds 27,598 treasury shares to be granted to employees under the 2012 free share plans which mature in 2016. Kering no longer holds any shares pending allocation to stock purchase option plans (21,537 shares at December 31, 2014).

25.2. Appropriation of 2015 net income

At its February 18, 2016 meeting, the Board decided that, at the Annual General Meeting to be held to approve the financial statements for the year ended December 31, 2015, it will ask shareholders to approve a €4.00 per-share cash dividend for 2015.

An interim dividend amounting to €1.50 per share was paid on January 25, 2016 pursuant to a decision by the Board of Directors on December 16, 2015.

If the final dividend is approved, the total cash dividend payout in 2016 will amount to €505.1 million.

The cash dividend paid for 2014 amounted to €4.00 per share, representing a total payout of €505.0 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, statutory dismissal compensation (TFR) in Italy, 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, Kering's French entities choose to pay long-service bonuses 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 must transfer their TFR funding to an external fund manager. This concerns the large majority of plans operated by Kering group companies.

- **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 in the form of a foundation. 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 the fair value of plan assets in the year are shown below:

(in € millions)	Dec. 31, 2015						
	Present value of obligation	Fair value of plan assets	Financial position	Change	Provision	Other comprehensive income	Expense recognised
As of January 1	**227.3**	**106.6**	**120.7**		**120.7**		
Current service cost	16.0		16.0		16.0		(16.0)
Curtailments and settlements	(3.2)	(3.2)					
Interest cost	5.4		5.4		5.4		(5.4)
Interest income on plan assets		3.0	(3.0)		(3.0)		3.0
Past service cost	(1.1)		(1.1)		(1.1)		1.1
Actuarial gains and losses							
Impact of changes in demographic assumptions	(1.7)		(1.7)		(1.7)	1.7	
Impact of changes in financial assumptions	9.3		9.3		9.3	(9.3)	
Impact of experience adjustments	(0.5)		(0.5)		(0.5)	0.5	
Return on plan assets (excluding interest income)		3.2	(3.2)		(3.2)	3.2	
Effect of asset ceiling							
Benefits paid	(14.5)	(8.3)	(6.2)		(6.2)		
Contributions paid by beneficiaries	5.0	5.0					
Contributions paid by employer		7.3	(7.3)		(7.3)		
Changes in Group structure	32.7	20.3	12.4		12.4		
Assets classified as held for sale and discontinued operations	(1.6)		(1.6)		(1.6)	(27.3)	
Insurance premium for risk benefits	(1.2)	(1.2)					
Administrative expense		(0.7)	0.7		0.7		(0.7)
Exchange differences	10.6	8.2	2.4		2.4		
As of December 31	**282.5**	**140.2**	**142.3**		**142.3**	**(31.2)**	**(18.1)**
o/w continuing operations					142.3		(18.1)
o/w discontinued operations							

(in € millions)	Dec. 31, 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)		
Assets classified as held for sale and discontinued operations	(110.4)	(121.3)	10.9	(9.3)	1.6	27.3	(27.3)
Insurance premium for risk 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**	**(35.0)**
o/w continuing operations					119.1		(7.7)
o/w discontinued operations					1.6		(27.3)

As of December 31, 2015, the present value of the benefit obligation amounted to €282.5 million, breaking down as:

- €57.3 million in respect of wholly unfunded plans (€60.7 million as of end-2014);
- €225.2 million in respect of fully or partially funded plans (€166.6 million as of end-2014).

The breakdown of the present value of the benefit obligation by type of plan and country as of December 31, 2015 was as follows:

(in € millions)	2015	2014
Retirement gratuities – France	19.9	22.2
Long-service awards – France		0.1
Statutory dismissal compensation (TFR) – Italy	33.5	35.9
Supplementary pension plans – United Kingdom	37.9	35.2
Supplementary pension plans (LPP) – Switzerland	157.6	100.6
Other	33.6	33.3
Present value of benefit obligation as of December 31	**282.5**	**227.3**

The Group expects to pay an estimated €7.3 million in contributions in 2016.

(in € millions)	Total 2015	France	Switzerland	Italy	Other
Employer contributions in respect of 2016	7.3		5.4		1.9
Benefits					
2016	9.0	0.2	5.4	1.5	1.9
2017	8.4	0.3	4.8	1.4	1.9
2018	9.0	0.5	5.4	1.2	1.9
2019	8.4	0.3	4.7	1.4	2.0
2020	89.4	81.3	4.6	1.5	2.0
2021/ 2024	429.8	389.9	21	8.9	10.0

Funded defined benefit plan assets break down as follows:

- debt instruments account for 34.3%, or €48.2 million (31.6%, or €33.6 million as of end-2014);
- equity instruments account for 18.1%, or €25.4 million (19.7%, or €21.0 million as of end-2014);
- insurance policies account for 11.4%, or €16.0 million, and investment funds 14.0%, or €19.6 million (30.2% of the total fair value of plan assets, or €32.2 million as of end-2014);
- property accounts for 12.1%, or €16.9 million (11.0%, or €11.7 million as of end-2014);
- other assets account for 10.1%, or €14.2 million (7.5%, or €8.0 million as of end-2014).

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 2015, actuarial gains were recognised for a total of €31.2 million (see Note 14).

Cumulative actuarial gains and losses recognised in other comprehensive income since January 1, 2004 amounted to €71.1 million as of December 31, 2015.

26.2. Actuarial assumptions

The main actuarial assumptions used to estimate the Group's obligations are as follows:

	France		Switzerland		Italy		UK	
	2015	2014	2015	2014	2015	2014	2015	2014
Average maturity of plans	12.0	12.0	17.0	17.0	11.0	11.0	24.0	24.0
Discount rate	2.00%	2.00%	0.90%	1.50%	2.00%	2.00%	4.00%	4.10%
Expected rate of increase in salaries	3.27%	3.15%	1.17%	1.91%	2.86%	3.00%	4.20%	4.20%
Inflation rate	1.75%	2.00%	0.60%	0.80%	1.75%	2.00%	2.50%	2.50%

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 0.4% 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

(in € millions)	2014	Charge	Reversal (utilised provision)	Reversal (surplus provision)	Translation adjustments	Other	2015
Provisions for restructuring costs							
Provisions for claims and litigation	8.0	1.3	(1.5)	(0.4)	(0.2)	(0.6)	6.6
Other provisions	41.3	32.4	(0.6)	(0.5)	3.1		75.7
Other non-current provisions	**49.3**	**33.7**	**(2.1)**	**(0.9)**	**2.9**	**(0.6)**	**82.3**
Provisions for restructuring costs	28.4	20.0	(19.6)	0.1	0.3	(4.0)	25.2
Provisions for claims and litigation	78.0	4.8	(5.9)	(7.3)	0.1	(19.8)	49.9
Other provisions	119.2	17.9	(77.5)	(9.2)	0.6	31.2	82.2
Other current provisions	**225.6**	**42.7**	**(103.0)**	**(16.4)**	**1.0**	**7.4**	**157.3**
Total	**274.9**	**76.4**	**(105.1)**	**(17.3)**	**3.9**	**6.8**	**239.6**
Impact on income	**(99.1)**	**(76.4)**		**17.3**			**(59.1)**
– on recurring operating income	(10.3)	(21.1)		1.5			(19.6)
– on other non-recurring operating income and expenses	(8.6)	(45.2)		7.1			(38.1)
– on net finance costs		(0.1)					(0.1)
– on income taxes							
– on net income (loss) from discontinued operations	(80.2)	(10.0)		8.7			(1.3)

Provisions for claims and litigation mainly relate to claims brought by third parties and litigation with tax authorities in various countries.

"Other provisions" mainly correspond to vendor warranties granted as part of prior disposals.

Other provisions decreased in 2015 compared with end-2014 due mainly to the discharge of vendor warranties granted in connection with the sale of Redcats and to the write-back of a provision for tax risks as the corresponding risks were extinguished during the period.

note 28 – cash and cash equivalents

28.1. Breakdown by category

Cash and cash equivalents break down as follows:

(in € millions)	2015	2014
Cash	943.5	1,033.3
Cash equivalents	202.9	56.6
Total	**1,146.4**	**1,089.9**

As of December 31, 2015, cash equivalents include mutual funds, certificates of deposit and term deposits and accounts 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, 2015, no reclassifications were made as a result of these reviews.

28.2. Breakdown by currency

(in € millions)	2015	%	2014	%
EUR	528.9	46.1%	446.3	41.0%
USD	114.1	10.0%	159.3	14.6%
CNY	86.3	7.5%	40.5	3.7%
KRW	62.9	5.5%	38.7	3.6%
GBP	54.4	4.8%	42.6	3.9%
CHF	44.7	3.9%	74.2	6.8%
HKD	41.4	3.6%	73.6	6.7%
Other currencies	213.7	18.6%	214.7	19.7%
Total	**1,146.4**		**1,089.9**	

note 29 – borrowings

29.1. Breakdown of borrowings by maturity

(in € millions)	2015	Y+1	Y+2	Y+3	Y+4	Y+5	Beyond
Non-current borrowings	**4,039.9**		**447.8**	**593.0**	**536.6**	**692.7**	**1,769.8**
Bonds	3,674.5		349.4	498.2	497.0	635.8	1,694.1
Confirmed lines of credit							
Other bank borrowings	234.4		84.4	82.2	3.9	42.1	21.8
Obligations under finance leases	63.5		4.8	5.4	3.5	3.9	45.9
Other borrowings	67.5		9.2	7.2	32.2	10.9	8.0
Current borrowings	**1,785.9**	**1,785.9**					
Bonds							
Confirmed lines of credit							
Drawdowns on unconfirmed lines of credit	105.4	105.4					
Other bank borrowings	79.0	79.0					
Obligations under finance leases	7.6	7.6					
Bank overdrafts	243.5	243.5					
Commercial paper	1,299.7	1,299.7					
Other borrowings	50.7	50.7					
Total	**5,825.8**	**1,785.9**	**447.8**	**593.0**	**536.6**	**692.7**	**1,769.8**
%		**30.6%**	**7.7%**	**10.2%**	**9.2%**	**11.9%**	**30.4%**

(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%**

All gross borrowings as of December 31, 2015 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.

Bond issues represented 63.1% of gross borrowings as of December 31, 2015 and 61.9% as of end-2014.

Borrowings with a maturity of more than one year represented 69.4% of total gross borrowings as of December 31, 2015 and 58.3% as of December 31, 2014.

The total amount of confirmed lines of credit was €4,152.7 million at the end of the reporting period, including €20.9 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)	2015	Non-current borrowings	Current borrowings	%	2014	%
EUR	4,936.5	3,493.0	1,443.5	84.7%	4,738.5	86.5%
JPY	377.0	189.1	187.9	6.5%	374.0	6.8%
USD	341.5	320.5	21.0	5.9%	60.1	1.1%
CNY	84.0		84.0	1.4%	84.8	1.5%
CHF	26.8	22.2	4.6	0.5%	163.0	3.0%
HKD	8.1	8.0	0.1	0.1%	12.9	0.2%
Other currencies	51.9	7.1	44.8	0.9%	47.3	0.9%
Total	**5,825.8**	**4,039.9**	**1,785.9**		**5,480.6**	

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)	2015	2014
Bonds	3,674.5	3,390.4
Other bank borrowings	313.4	264.0
Confirmed lines of credit		
Drawdowns on unconfirmed lines of credit	105.4	133.9
Commercial paper	1,299.7	969.8
Obligations under finance leases	71.1	71.6
Bank overdrafts	243.5	284.5
Other borrowings	118.2	366.4
Total	**5,825.8**	**5,480.6**

Group borrowings primarily consist of bonds, bank borrowings and commercial paper issues, which account for 92.8% of gross borrowings as of December 31, 2015 (91.1% as of December 31, 2014).

As of December 31, 2015, the Group's other borrowings included €75.7 million concerning put options granted to non-controlling shareholders (see Note 2.3.2).

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, 2015.

This programme was signed and approved by Luxembourg's financial sector supervisory commission (*Conseil de Surveillance du Secteur Financier* – CSSF) on December 2, 2015. The programme existing as of December 31, 2015 expires on December 2, 2016.

As of December 31, 2015, the bonds issued under this programme totalled €3,675.6 million, of which €275.6 million were issued in US dollars.

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	2015	2014
150.0 (1)	6.50% fixed	6.57%	06/29/2009	-	06/29/2017	**149.7**	149.6
200.0 (2)	6.50% fixed	6.57%	11/06/2009	-	11/06/2017	**199.7**	199.5
750.0 (3)	3.75% fixed	3.87% & 3.24%	04/08/2010 & 01/26/2012	-	04/08/2015		750.0
500.0 (4)	3.125% fixed	3.31%	04/23/2012	-	04/23/2019	**497.0**	496.2
500.0 (5)	2.50% fixed	2.58%	07/15/2013	-	07/15/2020	**498.3**	497.9
500.0 (6)	1.875% fixed	2.01%	10/08/2013	-	10/08/2018	**498.2**	497.6
500.0 (7)	2.75% fixed	2.81% & 2.57% & 2.50% & 2.01% & 1.87%	04/08/2014 & 05/30/2014 & 06/26/2014 & 09/22/2015 & 11/05/2015	-	04/08/2024	**514.3**	302.8
500.0 (8)	1.375% fixed	1.47%	10/01/2014	-	10/01/2021	**497.2**	496.8
500.0 (9)	0.875% fixed	1.02%	03/27/2015	-	03/28/2022	**495.6**	
50.0 (10)	1.60% fixed	1.66%	04/16/2015	-	04/16/2035	**49.5**	

(1) 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.

(2) 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.

(3) 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.

(4) 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.

(5) 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.

(6) 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.

(7) 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, 1,000 additional bonds issued on June 26, 2014, 1,500 additional bonds issued on September 22, 2015 and 500 additional bonds issued on November 5, 2015, thereby raising the issue to 5,000 bonds.
Redemption: in full on April 8, 2024.

(8) 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.

(9) Issue price: bond issue on March 27, 2015, comprising 5,000 bonds with a par value of €100,000 each under the EMTN programme.
Redemption: in full on March 28, 2022.

(10) Issue price: bond issue on April 16, 2015, comprising 500 bonds with a par value of €100,000 each under the EMTN programme.
Redemption: in full on April 16, 2035.

Kering USD bond issues

(in € millions)

Par value	Issue interest rate	Effective interest rate	Issue date	Documented/ non-documented hedge	Maturity	2015	2014
137.8 (1)	Floating 3-month USD Libor +0.73%	1.30%	03/09/2015	2.589% fixed-rate swap for the full amount *Documented under IFRS*	03/09/2020	**137.5**	
137.8 (2)	2.887% fixed	2.94%	06/09/2015	-	06/09/2021	**137.5**	

(1) Issue price: bond issue on March 9, 2015 in the form of floating-rate notes, comprising 150 notes with a par value of USD 1,000,000 under the EMTN programme, i.e., representing a total of USD 150 million.
Redemption: in full on March 9, 2020.

(2) Issue price: bond issue on June 9, 2015, comprising 150 bonds with a par value of USD 1,000,000 each under the EMTN programme, i.e., representing a total of USD 150 million.
Redemption: in full on June 9, 2021.

The bonds issued between 2009 and 2015 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 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 the Luxury Division

(in € millions)

Par value	Issue interest rate	Effective interest rate	Issue date	Documented/ non-documented hedge	Maturity	2015	2014
30.5 (1)	Floating JPY Tibor +0.35%	-	03/31/2011	-	03/31/2016	**3.1**	8.3
32.4 (2)	Floating JPY Tibor +0.45%	-	12/14/2011	-	09/15/2016		11.7
35.9 (3)	Floating JPY Tibor +0.50%	-	09/27/2012	-	09/28/2015		10.9
43.9 (4)	Floating JPY Tibor +0.45%	-	09/30/2013	-	09/30/2016	**32.2**	33.8
34.8 (5)	Floating JPY Tibor +0.38%	-	04/15/2014	-	04/15/2017	**28.7**	29.2
30.5 (6)	Floating JPY Tibor +0.40%	-	12/14/2014	-	12/14/2018	**30.5**	27.5
38.1 (7)	Floating JPY Tibor +0.40%	-	04/15/2015	-	04/15/2020	**38.1**	

(1) Redeemable loan contracted in March 2011 for JPY 4,000 million (€30.5 million). The outstanding balance on this loan was JPY 400 million (€3.1 million) as of December 31, 2015.

(2) Redeemable loan contracted in December 2011 for JPY 4,250 million (€32.4 million), repaid ahead of maturity in April 2015.

(3) Redeemable loan contracted in September 2012 for JPY 4,700 million (€35.9 million).

(4) Redeemable loan contracted in September 2013 for JPY 5,756 million (€43.9 million). The outstanding balance on this loan was JPY 4,225 million (€32.2 million) as of December 31, 2015.

(5) Redeemable loan contracted in April 2014 for JPY 4,560 million (€34.8 million). The outstanding balance on this loan was JPY 3,760 million (€28.7 million) as of December 31, 2015.

(6) Loan contracted in December 2014 for JPY 4,000 million (€30.5 million).

(7) Loan contracted in April 2015 for JPY 5,000 million (€38.1 million).

29.5.2. Confirmed lines of credit available to the Group

As of December 31, 2015, the Group had access to €4,152.7 million in confirmed lines of credit versus €4,144.2 million as of December 31, 2014.

29.5.3. Breakdown of confirmed lines of credit

Kering and Kering Finance SNC: €3,901.0 million breaking down by maturity as follows:

(in € millions)	2015	Less than one year	One to five years	More than five years	2014
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 initially maturing in June 2019. This facility provides for two one-year loan extension options. In June 2015 the Group confirmed that it would exercise one extension option. As a result, €2,442.5 million of this syndicated facility now matures in June 2020 and the remaining €57.5 million in June 2019.

As of December 31, 2015, the Group still has a one-year extension option.

This June 2014 syndicated loan had not been drawn by the Group as of December 31, 2015. Total confirmed undrawn credit lines available to Kering and Kering Finance SNC amounted to €3,901.0 million as of December 31, 2015.

Other confirmed lines of credit: €251.7 million breaking down by maturity as follows:

(in € millions)	2015	Less than one year	One to five years	More than five years	2014
PUMA[(1)]	**251.7**	244.7	7.0		**243.2**

(1) PUMA: including €20.9 million drawn down in the form of bank borrowings as of the end of December 2015.

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, 2015, 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, 2015 and there is no foreseeable risk of breach.

The undrawn balance on these confirmed lines of credit as of December 31, 2015 was €4,131.8 million (€4,125.5 million as of December 31, 2014).

The undrawn confirmed lines of credit guarantee the Group's liquidity and back the commercial paper issue programme, on which a total of €1,299.7 million remained outstanding as of December 31, 2015 (€969.8 million as of December 31, 2014).

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, 2015 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:

(in € millions)	2015	Y+1	Y+2	Y+3	Y+4	Y+5	Beyond	2014
Swaps: fixed-rate lender	500.0	400.0		100.0				400.0
Swaps: fixed-rate borrower	149.6					137.8	11.8	13.1
Other interest rate instruments	100.0			100.0				200.0
Total	**749.6**	**400.0**		**200.0**		**137.8**	**11.8**	**613.1**

In accordance with the interest rate risk hedging policy, these instruments are chiefly designed to convert fixed interest rates on negotiable debt securities, fixed-rate borrowings and credit line drawdowns into floating rates.

The Group has also entered into fixed-rate lender swaps in an amount of €600 million.

These instruments also convert floating-rate bonds into fixed-rate debt.

As of December 31, 2015, fixed-rate borrower swaps for a notional amount of USD 150 million convert all USD bond debt initially issued at floating rates into fixed-rate debt.

In accordance with IAS 39, these financial instruments were analysed with respect to hedge accounting eligibility criteria.

As of December 31, 2015, documented and non-documented financial instruments can be analysed as follows:

(in € millions)	2015	Fair value hedges	Cash flow hedges	Non-documented hedges
Swaps: fixed-rate lender	500.0			500.0
Swaps: fixed-rate borrower	149.6		149.6	
Other interest rate instruments	100.0			100.0
Total	**749.6**		**149.6**	**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, 2015, 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:

		2015 maturities			
(in € millions)	2015	Less than one year	One to five years	More than five years	2014
Fixed-rate financial assets	**58.1**	**14.3**	**43.8**		**60.1**
Bonds	3,537.0		1,842.9	1,694.1	3,390.4
Commercial paper	1,299.7	1,299.7			929.8
Other borrowings	28.4	3.1	25.0	0.3	28.1
Fixed-rate financial liabilities	**4,865.1**	**1,302.8**	**1,867.9**	**1,694.4**	**4,348.3**

- floating-rate financial assets and liabilities, exposed to a cash flow risk before hedging:

		2015 maturities			
(in € millions)	2015	Less than one year	One to five years	More than five years	2014
Floating-rate financial assets	**1,271.2**	**1,140.7**	**25.5**	**105.0**	**1,125.2**
Bonds	137.5		137.5		
Commercial paper					40.0
Other borrowings	823.2	483.1	264.7	75.4	1,092.3
Floating-rate financial liabilities	**960.7**	**483.1**	**402.2**	**75.4**	**1,132.3**

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:

		2015 maturities			
(in € millions)	2015	Less than one year	One to five years	More than five years	2014
Fixed-rate financial assets	**58.1**	**14.3**	**43.8**		**60.1**
Bonds	3,474.5		1,780.4	1,694.1	3,190.4
Commercial paper	899.7	899.7			529.8
Other borrowings	40.3	4.4	30.6	5.3	41.2
Fixed-rate financial liabilities	**4,414.5**	**904.1**	**1,811.0**	**1,699.4**	**3,761.4**

- floating-rate financial assets and liabilities, exposed to a cash flow risk after hedging:

		2015 maturities			
(in € millions)	2015	Less than one year	One to five years	More than five years	2014
Floating-rate financial assets	**1,271.2**	**1,140.7**	**25.5**	**105.0**	**1,125.2**
Bonds	200.0		200.0		200.0
Commercial paper	400.0	400.0			440.0
Other borrowings	811.3	481.8	259.1	70.4	1,079.2
Floating-rate financial liabilities	**1,411.3**	**881.8**	**459.1**	**70.4**	**1,719.2**

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:

		Before hedging		After hedging	
(in € millions)	2015	Fixed-rate	Floating-rate	Fixed-rate	Floating-rate
Gross borrowings	**5,825.8**	**4,865.1**	**960.7**	**4,414.5**	**1,411.3**
%		83.5%	16.5%	75.8%	24.2%

		Before hedging		After hedging	
(in € millions)	2014	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%

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 €5.2 million on pre-tax consolidated net income. As of December 31, 2014, the impact of a sudden 50 basis-point increase or decrease in interest rates was estimated at €8.4 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 and US dollar yield curve as of December 31, 2015.

(in € millions)	Impact on reserves	Impact on income
As of December 31, 2015		
Increase of 50 basis points	2.9	(2.6)
Decrease of 50 basis points	(2.9)	2.3
As of December 31, 2014		
Increase of 50 basis points		(2.8)
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.

The impact on net finance costs is generated by interest rate instruments eligible for cash flow hedge accounting.

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:

(in € millions)	2015	2014
Currency forwards	(3,332.9)	(2,916.5)
Cross currency swaps	(101.5)	(91.6)
Currency options – export tunnels	(55.3)	(267.7)
Currency options – purchases	(137.2)	(22.7)
Currency options – sales		22.7
Total	**(3,626.9)**	**(3,275.8)**

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, 2015, documented and non-documented derivative instruments were as follows:

(in € millions)	2015	USD	JPY	GBP	
Cash flow hedges					
Forward purchases and forward purchase swaps	**929.2**	887.1	0.4	40.9	
Forward sales and forward sale swaps	**(2,815.7)**	(937.2)	(392.6)	(280.3)	
Currency options – purchases of export tunnels	**(55.3)**		(55.3)		
Currency options – purchases	**(137.2)**	(86.3)	(50.9)		
Fair value hedges					
Forward purchases and forward purchase swaps	**444.1**	233.9	70.1	21.1	
Forward sales and forward sale swaps	**(1,203.2)**	(227.6)	(87.4)	(177.0)	
Not documented					
Forward purchases and forward purchase swaps	**193.6**	187.8	0.1		
Forward sales and forward sale swaps	**(880.9)**	(557.8)		(27.3)	
Cross currency swaps	**(101.5)**		(101.5)		
Currency options – purchases					
Currency options – sales					
Maturity					
Less than one year					
Forward purchases and forward purchase swaps	**1,402.0**	1,143.9	70.6	62.0	
Forward sales and forward sale swaps	**(4,794.9)**	(1,718.5)	(451.0)	(470.3)	
Currency options – purchases of export tunnels	**(55.3)**		(55.3)		
Currency options – purchases	**(137.2)**	(86.3)	(50.9)		
Currency options – sales					
More than one year					
Forward purchases and forward purchase swaps	**164.9**	164.9			
Forward sales and forward sale swaps	**(104.9)**	(4.1)	(29.0)	(14.3)	
Cross currency swaps	**(101.5)**		(101.5)		
Currency options – purchases of export tunnels					
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, 2015, 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 recognised 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	2014
					0.8		**716.4**
	(384.3)	(297.6)	(41.2)	(51.2)	(150.5)	(280.8)	**(2,112.4)**
							(267.7)
20.8	34.7	22.7	1.0	3.5	11.2	25.1	**276.1**
(48.8)	(143.2)	(207.3)	(23.8)	(17.6)	(50.0)	(220.5)	**(1,024.4)**
					2.6	3.1	**316.8**
(270.2)	(10.1)				(8.5)	(7.0)	**(1,089.0)**
							(91.6)
							(22.7)
							22.7
20.8	34.7	22.7	1.0	3.5	14.6	28.2	**1,280.1**
(319.0)	(536.8)	(498.4)	(65.0)	(65.4)	(199.9)	(470.6)	**(4,161.3)**
							(253.2)
							(22.7)
							22.7
							29.2
	(0.8)	(6.5)		(3.4)	(9.1)	(37.7)	**(64.5)**
							(91.6)
							(14.5)

As of December 31, 2015, the exposure to foreign exchange risk on the statement of financial position was as follows:

(in € millions)	2015	USD	JPY	GBP
Monetary assets	3,206.7	1,159.8	218.5	236.1
Monetary liabilities	1,427.3	742.2	409.6	28.9
Gross exposure in the statement of financial position	1,779.4	417.6	(191.1)	207.2
Forecast exposure	2,092.2	132.0	498.4	239.5
Gross exposure before hedging	**3,871.6**	**549.6**	**307.3**	**446.7**
Hedging instruments	(3,626.8)	(507.8)	(617.1)	(422.6)
Gross exposure after hedging	**244.8**	**41.8**	**(309.8)**	**24.1**

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, 2015, 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, 2015	Impact on reserves		Impact on income	
(in € millions)	10% increase	10% decrease	10% increase	10% decrease
USD	10.2	(5.6)	0.7	(3.4)
JPY	43.5	(49.9)	(0.2)	(0.5)
CNY	27.1	(33.1)	(1.2)	1.4

As of December 31, 2014	Impact on reserves		Impact on income	
(in € millions)	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

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, 2015, no equity risk hedging transaction had been recognised as a derivative instrument in accordance with IAS 39.

CHF	HKD	CNY	SGD	TWD	KRW	Other	2014
361.6	159.7	290.8	42.2	36.1	111.8	590.1	2,817.8
58.9	12.4	101.4	2.7	10.7	0.6	59.9	1,266.2
302.7	147.3	189.4	39.5	25.4	111.2	530.2	1,551.6
	384.3	297.6	41.2	51.2	149.7	298.3	1,631.8
302.7	**531.6**	**487.0**	**80.7**	**76.6**	**260.9**	**828.5**	**3,183.4**
(298.2)	(502.9)	(482.2)	(64.0)	(65.3)	(188.5)	(478.2)	(3,275.8)
4.5	**28.7**	**4.8**	**16.7**	**11.3**	**72.4**	**350.3**	**(92.4)**

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 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 €4.4 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, 2015, 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.

(in € millions)	2015	Interest rate risk	Foreign exchange risk	Other market risks	2014
Derivative assets	**72.0**		**72.0**		**96.5**
Non-current					**0.4**
At fair value through income					0.4
Cash flow hedges					
Fair value hedges					
Current	**72.0**		**72.0**		**96.1**
At fair value through income	2.7		2.7		18.8
Cash flow hedges	53.1		53.1		70.6
Fair value hedges	16.2		16.2		6.7
Derivative liabilities	**62.5**	**2.9**	**59.6**		**157.7**
Non-current	**14.8**	**2.9**	**11.9**		**2.8**
At fair value through income	12.3	0.4	11.9		1.5
Cash flow hedges	2.5	2.5			1.3
Fair value hedges					
Current	**47.7**		**47.7**		**154.9**
At fair value through income	2.3		2.3		24.5
Cash flow hedges	34.9		34.9		113.5
Fair value hedges	10.5		10.5		16.9
TOTAL	**9.5**	**(2.9)**	**12.4**		**(61.2)**

The effective portion of derivatives hedging future cash flows is recorded against equity.

Changes in the cash flow hedging reserve in 2015 are presented in Note 14.

In accordance with IFRS 13, derivatives were measured as of December 31, 2015 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.

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 €4,152.7 million. As of December 31, 2015, this includes an amount of €4,131.8 million not yet drawn and available cash of €1,146.4 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 accrued interest payable are included in "Other borrowings" and calculated up to the 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 €1,146.4 million and €1,137.1 million, respectively, as of December 31, 2015.

	2015				
(in € millions)	Carrying amount	Cash flow	Less than one year	One to five years	More than five years
Non-derivative financial instruments					
Bonds	3,674.5	(3,675.6)		(1,987.8)	(1,687.8)
Commercial paper	1,299.7	(1,299.8)	(1,299.8)		
Other borrowings	851.6	(1,267.2)	(541.2)	(587.7)	(138.3)
Trade payables	939.7	(939.7)	(939.7)		
Other non-derivative financial instruments associated with assets classified as held for sale					
Derivative financial instruments					
Interest rate hedges	**2.9**				
Interest rate swaps		(7.2)	(1.6)	(5.4)	(0.2)
Other interest rate instruments					
Foreign exchange hedges	**(12.4)**				
Currency forwards and currency swaps					
Outflows		(5,596.9)	(5,346.2)	(250.7)	
Inflows		5,597.3	5,341.8	255.5	
Other foreign exchange instruments					
Outflows		(169.6)	(67.4)	(102.2)	
Inflows		156.1	65.3	90.8	
Total	**6,756.0**	**(7,202.6)**	**(2,788.8)**	**(2,587.5)**	**(1,826.3)**

	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)**

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, 2015 are presented below:

	2015		Breakdown by accounting classification					
(in € millions)	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
Non-current assets								
Non-current financial assets	458.4	458.4		177.3	281.1			
Current assets								
Trade receivables	1,137.1	1,137.1				1,137.1		
Other current financial assets	81.2	81.2			9.2		69.3	2.7
Cash and cash equivalents	1,146.4	1,146.4	202.9			943.5		
Non-current liabilities								
Non-current borrowings	4,039.9	3,970.5				4,039.9		
Other non-current financial liabilities	14.8	14.8					2.5	12.3
Current liabilities								
Current borrowings	1,785.9	1,785.9				1,785.9		
Other current financial liabilities	238.9	238.9				191.2	45.4	2.3
Trade payables	939.7	939.7				939.7		

(in € millions)	2014 Carrying amount	2014 Market value	Breakdown by accounting classification: 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
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 liabilities	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		

As of December 31, 2015, 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, 2015 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.

- 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, 2015:

(in € millions)	Fair value hierarchy			2015
	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	20.7		437.7	458.4
Current assets				
Trade receivables			1,137.1	1,137.1
Other current financial assets		72.0	9.2	81.2
Cash and cash equivalents	56.8	146.1	943.5	1,146.4
Non-current liabilities				
Non-current borrowings			4,039.9	4,039.9
Other non-current financial liabilities		14.8		14.8
Current liabilities				
Current borrowings			1,785.9	1,785.9
Other current financial liabilities		47.7	191.2	238.9
Trade payables			939.7	939.7

(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

note 32 – net debt

Group net debt breaks down as follows:

(in € millions)	2015	2014
Gross borrowings	5,825.8	5,480.6
Fair value hedges (interest rate)		
Cash and cash equivalents	(1,146.4)	(1,089.9)
Net debt	**4,679.4**	**4,390.7**

note 33 – statement of cash flows

Cash and cash equivalents net of bank overdrafts amounted to €902.9 million as of December 31, 2015, reflecting total cash and cash equivalents presented in the statement of cash flows.

(in € millions)	2015	2014
Cash and cash equivalents as reported in the statement of financial position	**1,146.4**	**1,089.9**
Bank overdrafts	(243.5)	(284.5)
Cash and cash equivalents as reported in the statement of cash flows	**902.9**	**805.4**

33.1. Cash flow from operating activities

Cash flow from operating activities breaks down as follows:

(in € millions)	2015	2014
Net income from continuing operations	**680.2**	**1,028.1**
Net recurring charges to depreciation, amortisation and provisions on non-current operating assets	409.6	326.7
Income/expenses relating to share-based payment	0.6	(1.9)
Impairment losses on non-current operating assets	501.8	247.5
Gains/losses on asset disposals, net of tax	(148.3)	(191.6)
Income/expenses in respect of fair value movements	39.5	30.1
Deferred tax	(55.3)	(45.3)
Share in earnings (losses) of equity-accounted companies	2.2	0.8
Other non-cash income and expenses	(130.9)	(134.6)
Cash flow from operating activities	**1,299.4**	**1,259.8**

33.2. Purchases of property, plant and equipment and intangible assets

Purchases of property, plant and equipment and intangible assets totalled €672.1 million in 2015 and €551.4 million in 2014 (see section 1.5 of the Activity Report).

33.3. Acquisitions and disposals of subsidiaries

(in € millions)	2015	2014
Acquisitions of subsidiaries, net of cash acquired	(20.2)	(593.8)
Proceeds from disposals of subsidiaries and associates, net of cash transferred	(5.4)	3.6
Total	**(25.6)**	**(590.2)**

In 2015, acquisitions and disposals of subsidiaries were not material. In 2014, acquisitions of subsidiaries mainly concerned the Ulysse Nardin group.

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

Transactions with owners were not material in either 2015 or 2014.

33.5. Treasury share transactions

In 2015, the impact of acquisitions and disposals of treasury shares resulted from (see Note 25.1):

- the acquisition of 1,683,029 shares and the disposal of 1,683,029 shares held under the liquidity agreement, resulting in a net inflow of €0.4 million;
- the disposal of 118,870 shares following the exercise of stock purchase options under the 2007 stock purchase option plans for €15.2 million;
- the acquisition of 125,000 shares in connection with future subscriptions under the 2007 stock purchase option plans for €21.6 million;
- the acquisition of 8,021 shares in connection with the 2011 and 2012 free share plans for €1.3 million.

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 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.

33.6. Debt issues and redemptions

(in € millions)	2015	2014
Bond issues	1,070.4	862.7
Bond redemptions	(756.7)	(948.1)
Increase/decrease in other borrowings	87.3	546.7
Total	**401.0**	**461.3**

New borrowings during the period included the new bond financing put in place in 2015 for a total of €1,026 million.

This mainly comprises two fixed-rate bonds issued in euros: a €500 million issue of seven-year bonds in March 2015 with an annual coupon of 0.875% and a €50 million issue of 20-year bonds in April 2015 with an annual coupon of 1.60%. The Group also carried out two foreign currency issues during the year: a USD 150 million issue in March 2015 of five-year floating-rate notes and a USD 150 million issue in June 2015 of six-year fixed-rate notes with an annual coupon of 2.887%. In September and November 2015, the Group topped up by €150 million and €50 million respectively the €300 million issue carried out in 2014 of 2.75% bonds maturing in 2024, which therefore increased the total nominal amount of the bond issue to €500 million.

Kering redeemed the €750 million worth of bonds that matured in April 2015. These bonds comprised a first tranche issued in 2010 for €500 million, which was topped up in 2012 by a €250 million tranche when the overall coupon was raised to 3.75%.

Changes in other borrowings chiefly comprise 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.

Disposals	Vendor warranties
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.
December 2015	
Sale of Sergio Rossi	Vendor warranties concerning (i) tax-related or similar claims expiring when the period becomes time-barred in each jurisdiction concerned; (ii) certain fundamental representations (including with respect to organisation, capitalisation, securities and authority) which survive indefinitely; (iii) employment and employee benefit plans, and (iv) certain environmental obligations, guarantees relating to intellectual property rights and other customary business warranties; with (iii) and (iv) expiring 18 months after the date of the sale. These general warranties are capped at €15 million with the exception of (ii), which is capped at the sale price. Specific vendor warranties concerning (i) tax audits in progress for the years 2010 and 2012; (ii) the tax impact of the group's restructuring operations prior to its sale; and (iii) certain intellectual property claims and personnel disputes, which survive indefinitely. These warranties are not capped.

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.

	Payments due by period				
(in € millions)	Less than one year	One to five years	More than five years	2015	2014
Gross borrowings (Note 29)	1,785.9	2,270.1	1,769.8	5,825.8	5,480.6
Operating lease agreements	642.3	1,593.6	1,081.7	3,317.6	2,612.8
Binding purchase commitments	47.1	264.2		311.3	72.3
Total commitments given	**2,475.3**	**4,127.9**	**2,851.5**	**9,454.7**	**8,165.7**

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, 2015, total future minimum lease payments which the Group expects to receive under non-cancellable sub-lease agreements amounted to €8.0 million (€2.3 million as of December 31, 2014).

The 2015 rental charge in respect of minimum lease payments amounted to €669.1 million (€566.0 million in 2014), and the charge for contingent payments was €393.1 million (€364.6 million in 2014), based on actual revenue.

Sub-lease revenue totalled €2.7 million in 2015 (€0.5 million in 2014).

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)	2015	2014
Less than one year	10.3	14.9
One to five years	49.6	37.7
More than five years	23.4	43.9
	83.3	**96.5**
Finance costs included	(12.2)	(24.9)
Present value of future minimum lease payments	**71.1**	**71.6**

As of December 31, 2015, 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, 2015	Statement of financial position total (carrying amount)	Corresponding %	Amount of assets pledged as of Dec. 31, 2014
Intangible assets				11,285.5		
Property, plant and equipment	04/14/2004	12/06/2022	101.6	2,073.0	4.9%	162.4
Non-current financial assets				458.4		0.0
Total non-current assets pledged as collateral			**101.6**	**13,816.9**	**0.7%**	**162.4**

34.2.3. Other commitments

Other commitments break down as follows:

	Payments due by period				
(in € millions)	Less than one year	One to five years	More than five years	2015	2014
Confirmed lines of credit (see Note 29)	244.7	3,908.0		4,152.7	4,144.2
Letters of credit	20.4			20.4	22.4
Other guarantees received	18.7	10.1	0.7	29.5	17.7
Total commitments received	**283.8**	**3,918.1**	**0.7**	**4,202.6**	**4,184.3**
Guarantees given to banks responsible for cash pooling arrangements	2.0	1.9	23.4	27.3	24.9
Rent guarantees, property guarantees	10.6	2.0	1.2	13.8	14.7
Sponsoring and advertising commitments	161.6	366.7	68.4	596.7	622.7
Other commitments	34.6	13.1	7.4	55.1	51.8
Total commitments given	**208.8**	**383.7**	**100.4**	**692.9**	**714.1**

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 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, 2015, the Artémis group held 40.9% of Kering's share capital and 57.4% of its voting rights.

The main transactions carried out between Kering's consolidated companies and Artémis in 2015 are described below:

- payment of an interim dividend in respect of 2015 totalling €77.5 million in January 2016;
- balancing payment of the dividend for 2014 of €130.1 million, further to the payment of an interim dividend of €77.5 million in January 2015 (€193.6 million for 2013);
- recognition of fees totalling €3.0 million (€2.5 million in 2014) 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:

(in € millions)	2015	2014
Short-term benefits	24.5	18.9
Payroll taxes	5.2	3.6
High-income tax		1.8
Post-employment benefits	1.0	1.1
Other long-term benefits	2.0	2.9
Termination indemnities	16.6	2.5
Share-based payment	7.2	5.9
Total	**56.5**	**36.7**

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

None.

note 37 – list of consolidated subsidiaries as of december 31, 2015

Details of Group subsidiaries are provided below.

Consolidation method: Full consolidation: C

Equity method: E

Company	% interest			
	Dec. 31, 2015		Dec. 31, 2014	
KERING	**Parent company**			
LUXURY DIVISION				
France				
ALEXANDER MCQUEEN FRANCE SAS	C	100.00	C	100.00
ARCADES PONTHIEU	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 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	C	100.00	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	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
TRADEMA GmbH	C	100.00	C	50.00
ULYSSE NARDIN EUROPA GmbH	C	100.00	C	100.00
YVES SAINT LAURENT GERMANY GmbH	C	100.00	C	100.00
Austria				
ALEXANDER MCQUEEN GmbH	C	100.00	C	100.00
BOTTEGA VENETA AUSTRIA GmbH	C	100.00	C	100.00
BRIONI AUSTRIA GmbH	C	100.00	Creation	
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	Disposal		C	100.00
Spain				
BALENCIAGA SPAIN SL	C	100.00	C	100.00
BOTTEGA VENETA ESPAÑA SL	C	100.00	C	100.00
BRIONI RETAIL ESPAÑA SL	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
SERGIO ROSSI ESPAÑA SL	Disposal		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. Limited	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

Company	% interest			
	Dec. 31, 2015		Dec. 31, 2014	
PAINTGATE Limited	C	100.00	C	100.00
POMELLATO UK Ltd	C	81.00	C	81.00
QEELIN UK Limited	C	100.00	C	100.00
SERGIO ROSSI UK Limited	Disposal		C	100.00
STELLA MCCARTNEY Limited	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 Limited	C	100.00	C	100.00
Italy				
ALEXANDER MCQUEEN ITALIA SRL	C	100.00	C	100.00
ALTO VICENTINO PELLETTERIE SRL	Merger		C	100.00
ARDORA SRL	C	100.00	C	100.00
BALENCIAGA LOGISTICA SRL	C	100.00	C	100.00
BRIONI RETAIL ITALIA SRL	C	100.00	Creation	
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 ITALIA SRL	C	100.00	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 (1)	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
CHRISTOPHER KANE SRL (1)	C	80.00	Creation	
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 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

Company	% interest			
	Dec. 31, 2015		Dec. 31, 2014	
GPA SRL	C	100.00	C	100.00
GT SRL (1)	C	100.00	C	100.00
GUCCI IMMOBILLARE LECCIO SRL	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	C	51.00
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	100.00	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 STYLE SpA	C	100.00	C	100.00
SERGIO ROSSI MANUFACTURING SRL	Disposal		C	100.00
SERGIO ROSSI RETAIL SRL	Disposal		C	100.00
SERGIO ROSSI SpA	Disposal		C	100.00
SFORZA SRL	C	100.00	C	100.00
SOWIND ITALIA SRL	C	100.00	C	50.00
STELLA McCARTNEY ITALIA SRL	C	50.00	C	50.00
SL LUXURY RETAIL SRL	C	100.00	Creation	
THE MALL SRL	C	100.00	C	100.00
TIGER FLEX SRL (1)	C	100.00	C	100.00
ULYSSE NARDIN ITALIA SRL	C	100.00	C	100.00
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
CASTERA SARL	C	100.00	C	100.00
GUCCI GULF INVESTMENT SARL	C	100.00	Creation	
LUXURY FASHION LUXEMBOURG SA	C	50.00	C	50.00
QEELIN HOLDING LUXEMBOURG SA	C	100.00	C	100.00
SERGIO ROSSI INTERNATIONAL SARL	Disposal		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	C	100.00
SMHJ SAM	C	80.83	C	80.83
YVES SAINT LAURENT OF MONACO SAM	C	100.00	C	100.00

Company	% interest			
	Dec. 31, 2015		Dec. 31, 2014	
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
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
KERING 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 CZECH REPUBLIC 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	C	100.00
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	C	100.00
FABBRICA QUADRANTI SA	C	51.00	C	51.00
GT SILK SA	C	76.00	C	76.00
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	E	32.80
SIGATEC SA	E	50.00	E	50.00
SOWIND GROUP SA	C	100.00	C	50.00
SOWIND SA	C	100.00	C	50.00
ULYSSE NARDIN LLC	C	100.00	C	100.00
UNCA SA	E	50.00	E	50.00
Sweden				
GUCCI SWEDEN AB	C	100.00	C	100.00
Brazil				
BOTTEGA VENETA HOLDING Ltda	C	100.00	C	100.00
GUCCI BRAZIL IMPORTACAO E EXPORTACAO Ltda	C	100.00	C	100.00
SAINT LAURENT BRASIL IMPORTACAO E EXPORTACAO Ltda	C	100.00	Creation	
Canada				
G. BOUTIQUES Inc.	C	100.00	C	100.00
Chile				
LUXURY GOODS CHILE SpA	C	51.00	Creation	
United States				
ALEXANDER MCQUEEN US Inc.	C	100.00	Creation	
741 MADISON avenue Corp.	C	81.00	C	81.00
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.	Merger		C	100.00
BRIONI RETAIL BAL HARBOUR LLC	Merger		C	100.00
BRIONI RETAIL BEVERLY HILLS Inc.	Merger		C	100.00
BRIONI RETAIL HOLDING Inc.	Merger		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	Liquidation		C	100.00
B/W CLOTHIERS LLC	Liquidation		C	50.00
CHRISTOPHER KANE US Inc.[1]	C	80.00	Creation	
DODO RETAIL Inc.	Dissolved		C	81.00
E_LITE US Inc.[1]	C	51.00	C	51.00
G GATOR USA LLC	C	100.00	C	100.00
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	E	38.50
LUXURY HOLDINGS Inc.	C	100.00	C	100.00
POMELLATO USA Inc.	C	81.00	C	81.00
ROMAN LOOK Ltd	Merger		C	100.00
SERGIO ROSSI USA Inc.	Disposal		C	100.00
STELLA McCARTNEY AMERICA Inc.	C	50.00	C	50.00
TOMAS MAIER	E	51.00	E	51.00
TRADEMA OF AMERICA Inc.	C	100.00	C	50.00
ULYSSE NARDIN Inc.	C	100.00	C	100.00
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

Company		% interest Dec. 31, 2015		Dec. 31, 2014
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
SAINT LAURENT MEXICO, S DE RL DE CV	C	100.00	Creation	
SAINT LAURENT SERVICIOS S DE RL DE CV	C	100.00	Creation	
Panama				
LUXURY GOODS PANAMA S DE RL	C	51.00	C	51.00
Australia				
BOTTEGA VENETA AUSTRALIA PTY Ltd	C	100.00	C	100.00
GUCCI AUSTRALIA PTY Limited	C	100.00	C	100.00
New Zealand				
GUCCI NEW ZEALAND Ltd	C	100.00	C	100.00
China				
ALEXANDER MCQUEEN (HONG KONG) Limited	C	100.00	C	100.00
ALEXANDER MCQUEEN (MACAU) Limited	C	100.00	C	100.00
ALEXANDER MCQUEEN (SHANGHAI) TRADING Limited	C	100.00	C	100.00
ASTRO SWISS TIME Ltd	C	100.00	C	100.00
BALENCIAGA ASIA PACIFIC Limited	C	100.00	C	100.00
BALENCIAGA FASHION SHANGHAI CO. Ltd	C	100.00	C	100.00
BALENCIAGA MACAU Limited	C	100.00	C	100.00
BOTTEGA VENETA (CHINA) TRADING Ltd	C	100.00	C	100.00
BOTTEGA VENETA HONG KONG Limited	C	100.00	C	100.00
BOTTEGA VENETA MACAU Ltd	C	100.00	C	100.00
BRIONI MACAU Ltd	C	100.00	Creation	
BRIONI (SHANGHAI) TRADING Ltd	C	100.00	C	100.00
BRIONI (HONG KONG) TRADING Ltd	C	100.00	C	100.00
BOUCHERON HONG KONG Limited	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 Limited	C	100.00	C	100.00
GUCCI MACAU Limited	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

Company		% interest Dec. 31, 2015		Dec. 31, 2014
LUXURY TIMEPIECES (HONG KONG) Limited	C	100.00	C	100.00
MOVEN INTERNATIONAL Ltd	C	100.00	C	100.00
POMELLATO CHINA Ltd	C	81.00	C	81.00
POMELLATO SHANGHAI CO. Ltd	C	81.00	C	81.00
POMELLATO PACIFIC Ltd	C	81.00	C	81.00
QEELIN Limited	C	100.00	C	100.00
QEELIN TRADING (SHANGHAI) CO. Limited	C	100.00	C	100.00
QEELIN MACAU Limited	C	100.00	Creation	
SERGIO ROSSI HONG KONG Limited	Disposal		C	100.00
SERGIO ROSSI (SHANGHAI) TRADING Ltd	Disposal		C	100.00
SERGIO ROSSI MACAU Ltd	Disposal		C	100.00
STELLA MCCARTNEY (SHANGHAI) TRADING Ltd	C	50.00	C	50.00
SOWIND ASIA Ltd	C	100.00	C	50.00
YVES SAINT LAURENT MACAU Limited	C	100.00	C	100.00
YVES SAINT LAURENT (SHANGHAI) TRADING Limited	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 Limited	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	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 Limited	C	100.00	C	100.00
BOUCHERON JAPAN Limited	C	100.00	Creation	
BRIONI JAPAN & CO. Limited	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 Limited	C	100.00	C	100.00
POMELLATO JAPAN CO. Ltd	C	81.00	C	81.00
SERGIO ROSSI JAPAN Ltd	Disposal		Creation	

Company	% interest			
	Dec. 31, 2015		Dec. 31, 2014	
STELLA MCCARTNEY JAPAN Limited	C	50.00	C	50.00
SOWIND JAPAN KK	C	100.00	C	50.00
Vietnam				
GUCCI VIETNAM CO. Ltd	C	100.00	C	100.00
Bahrain				
FLORENCE 1921 Wll	C	49.00	C	49.00
United Arab Emirates				
ATELIER LUXURY GULF	C	49.00	Creation	
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	E	50.00
Kuwait				
LUXURY GOODS KUWAIT Wll	C	49.00	C	49.00
Qatar				
LUXURY FASHION DOHA LLC	C	24.00	Creation	
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	E	50.00
Singapore				
ALEXANDER MCQUEEN (SINGAPORE) PTE Limited	C	100.00	C	100.00
BOTTEGA VENETA SINGAPORE PRIVATE Limited	C	100.00	C	100.00
GUCCI SINGAPORE PTE Limited	C	100.00	C	100.00
SAINT LAURENT (SINGAPORE) PTE Limited	C	100.00	C	100.00
Taiwan				
BOUCHERON TAIWAN CO. Ltd [1]	C	100.00	C	100.00
GUCCI GROUP WATCHES TAIWAN Limited	C	100.00	C	100.00
ULYSSE NARDIN TAIPEI	C	100.00	C	100.00
Turkey				
POMELLATO MUCEVHERAT VE AKSESUAR 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	C	100.00
South Africa				
GG LUXURY RETAIL SOUTH AFRICA PTY Ltd	C	62.00	C	62.00
PUMA				
PUMA SE (GERMANY)	C	85.81	C	85.81
France				
DOBOTEX FRANCE SAS	C	100.00	C	100.00
PUMA FRANCE SAS	C	100.00	C	100.00
PUMA SPEEDCAT SAS	Merger		C	100.00
Germany				
DOBOTEX DEUTSCHLAND GmbH	C	100.00	C	100.00
BRANDON GERMANY GmbH	Liquidation		C	100.00
PUMA EUROPE GmbH	C	100.00	C	100.00
PUMA INTERNATIONAL TRADING GmbH	C	100.00	C	100.00
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 M BH	C	100.00	C	100.00
DOBOTEX AUSTRIA GmbH	C	100.00	C	100.00
Cyprus				
SPORT EQUIPMENT TI CYPRUS Ltd	C	100.00	C	100.00
Croatia				
PUMA SPORT HRVATSKA D OO	C	100.00	C	100.00
Denmark				
PUMA DENMARK A/S	C	100.00	C	100.00
Spain				
DOBOTEX SPAIN SL	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	Disposal		C	100.00
United Kingdom				
DOBOTEX UK Ltd	C	100.00	C	100.00
BRANDED SPORTS MERCHANDISING UK Ltd	C	100.00	C	100.00

Company	% interest			
	Dec. 31, 2015		Dec. 31, 2014	
PUMA PREMIER Ltd	C	100.00	C	100.00
PUMA UNITED KINGDOM Ltd	C	100.00	C	100.00
Greece				
PUMA HELLAS SA	C	100.00	C	100.00
Hungary				
PUMA HUNGARY KFT	Liquidation		C	100.00
Ireland				
TRETORN R&D Ltd	Disposal		C	100.00
Israel				
PUMA SPORT ISRAEL Ltd	C	100.00	C	100.00
Italy				
DOBOTEX ITALIA SRL	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	Merger		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	Disposal		C	100.00
Netherlands				
BRANDED SPORTS MERCHANDISING BV	C	100.00	Creation	
BRANDED PLUS LICENSING BV	C	100.00	Creation	
DOBO LOGIC BV	C	100.00	C	100.00
DOBOTEX LICENSING HOLDING BV	C	100.00	C	100.00
DOBOTEX BV	C	100.00	C	100.00
BRAND PLUS LICENSING BV	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 D OO	Liquidation		C	100.00

Company	% interest			
	Dec. 31, 2015		Dec. 31, 2014	
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	Disposal		C	100.00
PUMA NORDIC AB	C	100.00	C	100.00
NROTERT AB	C	100.00	C	100.00
NROTERT SWEDEN AB	C	100.00	C	100.00
Switzerland				
DOBOTEX SWITZERLAND AG	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	Merger		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	C	51.00
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	85.00
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
IMPORTATIONES BRAND PLUS LICENSIN SA DE CV	C	100.00	Creation	
IMPORTACIONES RDS SA DE CV	C	100.00	C	100.00
PUMA MEXICO SPORT SA DE CV	C	100.00	C	100.00

Company	% interest			
	Dec. 31, 2015		Dec. 31, 2014	
SERVICIOS PROFESIONALES RDS SA DE CV	C	100.00	C	100.00
Peru				
DISTRUIBUIDORA DEPORTIVA PUMA SAC	C	100.00	C	100.00
DISTRUIBUIDORA 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
Botswana				
WILDERNESS HOLDINGS Ltd	E	25.00	E	25.10
South Africa				
PUMA SPORTS DISTRIBUTORS PTY Limited	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 PTY Ltd	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	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	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	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 Limited	C	100.00	C	100.00
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	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	C	100.00
Japan				
PUMA JAPAN KK	C	100.00	C	100.00
Korea				
DOBOTEX KOREA Ltd	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 SEA TRADING PTE Ltd	C	100.00	C	100.00
PUMA SEA HOLDING PTE Ltd	C	100.00	C	100.00
Taiwan				
PUMA TAIWAN SPORTS Ltd	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 LLC	C	100.00	C	100.00
United States				
LS&S RETAIL LLC	C	100.00	C	100.00
VOLCOM RETAIL LLC	C	100.00	C	100.00
VOLCOM RETAIL OUTLET LLC	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
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

Company	% interest			
	Dec. 31, 2015		Dec. 31, 2014	
United Kingdom				
VOLCOM DISTRIBUTION (UK) Limited	C	100.00	C	100.00
VOLCOM RETAIL (UK) Limited	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
ELECTRIC VISUAL EVOLUTION AUSTRALIA PTY Ltd	C	100.00	C	100.00
Canada				
VOLCOM CANADA Inc.	C	100.00	Creation	
New Zealand				
VOLCOM NEW ZEALAND Limited	C	100.00	C	100.00
Japan				
VOLCOM JAPAN GODOGAISHIYA	C	100.00	C	100.00
China				
VOLCOM ASIA PACIFIC Limited	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
GG FRANCE HOLDING SAS	C	100.00	C	100.00
KERING EYEWEAR FRANCE SASU	C	80.00	Creation	
KERING FINANCE	C	100.00	C	100.00
SAPARDIS	C	100.00	C	100.00
SAPRODIS SERVICES SAS	C	100.00	C	100.00
Germany				
KERING EYEWEAR DACH GmbH	C	80.00	Creation	
SAPARDIS DEUTSCHLAND SE	C	100.00	C	100.00
Spain				
KERING EYEWEAR ESPANA SL	C	80.00	Creation	
NOGA LUXE SL	C	100.00	C	100.00
United Kingdom				
KERING EYEWEAR UK Ltd	C	80.00	Creation	
KERING INTERNATIONAL Limited	C	100.00	C	100.00
KERING UK SERVICES Limited	C	100.00	C	100.00
Italy				
KERING EYEWEAR SpA	C	80.00	Creation	
KERING ITALIA SpA	C	100.00	C	100.00
KERING SERVICE ITALIA SpA	C	100.00	C	100.00
Luxembourg				
BOUCHERON LUXEMBOURG SARL	C	100.00	C	100.00
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
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	C	100.00
Switzerland				
LUXURY GOODS SERVICES SA	C	100.00	C	100.00
THE MALL LUXURY OUTLET SA	C	100.00	C	100.00
China				
GUANGZHOU KGS CORPORATE MANAGEMENT & CONSULTANCY Limited	C	100.00	C	100.00
KERING ASIA PACIFIC Ltd	C	100.00	C	100.00
KERING (CHINA) ENTERPRISE MANAGEMENT Ltd	C	100.00	C	100.00
KERING EYEWEAR APAC Ltd	C	80.00	Creation	
KERING EYEWEAR SHANGHAI TRADING ENTERPRISES Ltd	C	80.00	Creation	
KERING EYEWEAR SINGAPORE PTE Ltd	C	80.00	Creation	
KERING HOLDING Limited	C	100.00	C	100.00
KERING SOUTH EAST ASIA PTE Ltd	C	100.00	C	100.00
KGS GLOBAL MANAGEMENT SERVICES Ltd	C	100.00	C	100.00
KGS SOURCING Limited	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	C	100.00
Korea				
KERING KOREA Limited	C	100.00	C	100.00
India				
KGS SOURCING INDIA PRIVATE Limited	C	100.00	C	100.00

Company	% interest			
	Dec. 31, 2015		Dec. 31, 2014	
Turkey				
KGS SOURCING TURKEY Limited	C	100.00	C	100.00
Japan				
KERING EYEWEAR JAPAN KK	C	80.00	Creation	
KERING JAPAN Limited	C	100.00	C	100.00
KERING TOKYO INVESTMENTS	C	100.00	C	100.00

Company	% interest			
	Dec. 31, 2015		Dec. 31, 2014	
United States				
KERING AMERICAS	C	100.00	C	100.00
KERING EYEWEAR USA Inc.	C	80.00	Creation	
Mexico				
BOTTEGA VENETA MEXICO, S DE RL DE CV	C	100.00	Creation	

(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.

3. statutory auditors' special report

on the consolidated financial statements for the year ended december 31, 2015

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 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 and construed in accordance with French law and professional auditing standards applicable in France.

To the Chairman,

In our capacity as Statutory Auditors of Kering S.A. and at your request, we have audited the accompanying consolidated financial statements of Kering S.A. for the year ended December 31, 2015.

The 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.

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 the assets and liabilities of the group as of December 31, 2015 and the results of its operations for the period then ended in accordance with the IFRSs as adopted in the European Union.

This report does not constitute the legal report on the consolidated financial statements that will subsequently be issued. In addition to the disclosures regarding the specific verification required by law, covering the Group's Management Report, this legal report will comprise a justification of our assessments, pursuant to article L. 823-9 paragraph 2 of the French Commercial Code. The latter will take into account any events arising after the date of this report.

This report is governed by French law. The French courts shall have exclusive jurisdiction over any claim, dispute or difference arising from our engagement letter, this report or any related issues.

Paris La Défense et Neuilly-sur-Seine, February 18, 2016

The Statutory Auditors

KPMG Audit
Division of KPMG SA

Hervé Chopin Isabelle Allen

Deloitte & Associés

Frédéric Moulin

4. extracts of the parent company financial statements

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.

4.1. balance sheet – assets as of december 31, 2015 and 2014

(in € millions)	2015	2014
Investments	8,766.1	8,766.0
Other long-term investments [1]	319.3	0.4
Property, plant and equipment and intangible assets	483.1	362.4
Non-current assets	**9,568.5**	**9,128.8**
Receivables [2] [3]	70.7	70.1
Marketable securities	61.9	59.7
Cash	1,733.7	1,861.5
Current assets	**1,866.3**	**1,991.3**
Total assets	**11,434.8**	**11,120.1**
(1) o/w due in less than one year:	*0.4*	*0.2*
(2) o/w due in more than one year:		
(3) o/w concerning associates:	*1,615.9*	*1,873.6*

4.2. balance sheet – shareholders' equity and liabilities as of december 31, 2015 and 2014

(in € millions)	2015	2014
Share capital	505.2	505.1
Additional paid-in capital	2,052.3	2,051.4
Reserves	1,586.3	1,587.1
Retained earnings	2,098.6	1,785.9
Net income for the year	527.4	817.6
Shareholders' equity	**6,769.8**	**6,747.1**
Provisions	**611.4**	**639.6**
Bonds [1]	3,675.6	3,400.0
Other borrowings [1] [3]	41.8	54.4
Other liabilities [2] [3]	336.2	279.0
Liabilities	**4,053.6**	**3,733.4**
Total shareholders' equity and liabilities	**11,434.8**	**11,120.1**
(1) o/w due in more than one year:	*3,675.6*	*2,650.0*
(2) o/w due in more than one year:	*32.7*	
(3) o/w concerning associates:	*19.4*	*29.2*

4.3. income statement for the years ended december 31, 2015 and 2014

(in € millions)	2015	2014
Net operating loss	**(35.5)**	**(36.3)**
Dividends	657.4	1,186.9
Other financial income and expenses	(97.6)	(130.6)
Net financial income	**559.8**	**1,056.3**
Recurring income before tax	**524.3**	**1,020.0**
Net non-recurring expense	(18.3)	(222.3)
Employee profit-sharing	(2.1)	(2.4)
Income tax	23.5	22.3
Net income for the year	**527.4**	**817.6**

4.4. statement of cash flows for the years ended december 31, 2015 and 2014

(in € millions)	2015	2014
Dividends received	657.4	1,186.9
Interest on borrowings	(91.4)	(114.6)
Income tax received	11.4	37.0
Other	(92.1)	(97.9)
Change in cash resulting from operating activities	**485.3**	**1,011.4**
(Acquisitions)/disposals of operating assets	(60.4)	(14.8)
Change in long-term investments	(318.1)	1.3
Change in cash resulting from investing activities	**(378.5)**	**(13.5)**
Net change in borrowings	271.5	(85.5)
Share capital increases	1.0	3.3
Dividends paid by Kering	(504.9)	(473.2)
Change in cash resulting from financing activities	**(232.4)**	**(555.4)**
Changes in Group structure		
Change in cash and cash equivalents	**(125.6)**	**442.5**
Cash and cash equivalents at beginning of year	**1,921.2**	**1,478.7**
Cash and cash equivalents at end of year	**1,795.6**	**1,921.2**

kering

Société anonyme (a French corporation) with a share capital of €505,117,288
Registered office: 10 avenue Hoche – 75381 Paris Cedex 08
552 075 020 RCS Paris

Tel.: +33 1 45 64 61 00 – Fax: +33 1 45 64 60 00
kering.com

This document was produced by an "Imprim'Vert" eco-responsible printer
on PEFC certified paper from sustainably managed forests.

Design and Production: Agence Marc Praquin

Empowering Imagination