KERING

2022

Financial Document

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**CHAPTER 1**

# 2022 key figures

# KERING IN 2022

**Revenue**

**€20,351 million**

**+15%**
as reported versus 2021

**+9%**
on a comparable basis[(1)] versus 2021

**Recurring operating income**

**€5,589 million**

**+11%**
versus 2021

**27.5%**
recurring operating margin

**Net income attributable to the Group**

**€3,614 million**

**Dividend per share**

**€14**[(2)]

**Free cash flow from operations**

**€3,208 million**

**47,227**
employees
as of December 31, 2022[(3)]

**57%**
women managers

**-50%**
environmental footprint
(EP&L intensity 2015-2022)

**10th year**
as a constituent of the *Dow Jones Sustainability World Index* (DJSI), reflecting the Group's ESG performance

(1) Comparable revenue growth is defined on page 36.
(2) Subject to the approval of the Annual General Meeting to be held on April 27, 2023.
(3) Average 42,637 FTE in 2022.

# Key consolidated figures

| *(in € millions)* | 2022 | 2021 | Change (reported) |
|---|---|---|---|
| **Revenue** | **20,351** | **17,645** | **+15%** |
| **EBITDA** | **7,255** | **6,470** | **+12%** |
| *EBITDA margin (% of revenue)* | *35.6%* | *36.7%* | *- 1.1 pt* |
| **Recurring operating income** | **5,589** | **5,017** | **+11%** |
| *Recurring operating margin (% of revenue)* | *27.5%* | *28.4%* | *- 0.9 pt* |
| **Net income attributable to the Group** | **3,614** | **3,176** | **+14%** |
| **o/w continuing operations excluding non-recurring items** | **3,747** | **3,361** | **+11%** |
| **Gross operating investments**(1) | **1,071** | **934** | **+15%** |
| **Free cash flow from operations**(2) | **3,208** | **3,948** | **- 19%** |
| **Net debt**(3) | **2,306** | **168** | **N/A** |

(1) Purchases of property, plant and equipment and intangible assets.
(2) Net cash received from operating activities less net acquisitions and disposals of property, plant and equipment and intangible assets.
(3) Net debt is defined on page 37.

# Per share data

| *(in €)* | 2022 | 2021 | Change (reported) |
|---|---|---|---|
| **Net income attributable to the Group** | **29.34** | **25.49** | **+15%** |
| **o/w continuing operations excluding non-recurring items** | **30.42** | **26.98** | **+13%** |
| **Dividend per share** | **14.00**(1) | **12.00** | **+17%** |

(1) Subject to the approval of the Annual General Meeting to be held on April 27, 2023.

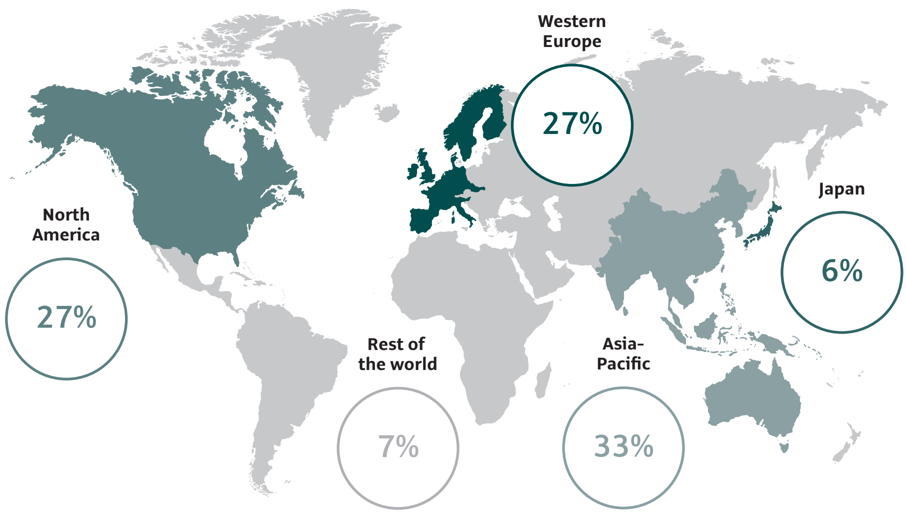
# Revenue

## Breakdown of revenue by segment

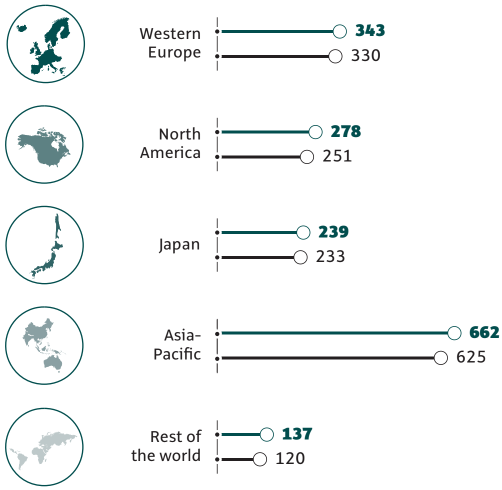
| *(in € millions)* | **2022** | **2021** | **Change (reported)** | **Comparable change[3]** |
|---|---|---|---|---|
| Gucci | 10,487 | 9,731 | +8% | +1% |
| Yves Saint Laurent | 3,300 | 2,521 | +31% | +23% |
| Bottega Veneta | 1,740 | 1,503 | +16% | +11% |
| Other Houses | 3,874 | 3,285 | +18% | +16% |
| Kering Eyewear and Corporate[1] | 1,139 | 733 | +55% | +25% |
| *Eliminations[2]* | *(189)* | *(128)* | *N/A* | *N/A* |
| **GROUP** | **20,351** | 17,645 | **+15%** | **+9%** |

(1) The "Corporate and other" segment was renamed "Kering Eyewear and Corporate" in 2022.
(2) Intra-group eliminations are now reported on a separate line.
(3) On a comparable scope and exchange rate basis. Comparable revenue growth is defined on page 36.

## Breakdown of revenue by region
*(% of consolidated revenue)*



## Number of directly operated stores by region




**1,659**
Total as of Dec. 31, 2022

**1,559**
Total as of Dec. 31, 2021

## Recurring operating income

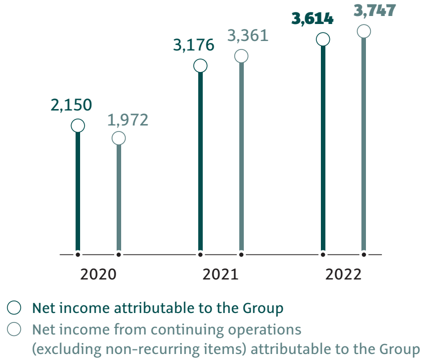
### Breakdown of recurring operating income by segment

| *(in € millions)* | 2022 | 2021 | Change |
|---|---|---|---|
| Gucci | 3,732 | 3,715 | - |
| Yves Saint Laurent | 1,019 | 715 | +43% |
| Bottega Veneta | 366 | 286 | +28% |
| Other Houses | 558 | 459 | +22% |
| Kering Eyewear and Corporate[(1)] | (88) | (164) | +46% |
| *Eliminations*[(2)] | 2 | 6 | N/A |
| **GROUP** | **5,589** | **5,017** | **+11%** |
| *Recurring operating margin (% of revenue)* | *27.5%* | *28.4%* | *-0.9 pt* |

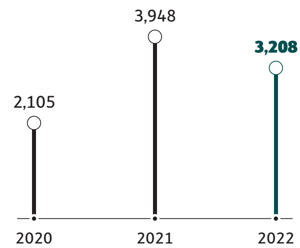
(1) The "Corporate and other" segment was renamed "Kering Eyewear and Corporate" in 2022.
(2) The "*Eliminations*" item relates to consolidation adjustments that are not allocated by segment, mainly in connection with intra-group transactions.

# Other financial indicators

### Net income attributable to the Group
*(in € millions)*

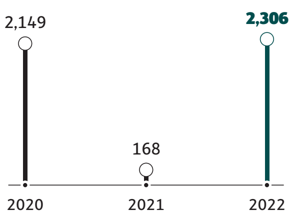



### Free cash flow from operations(1)
*(in € millions)*



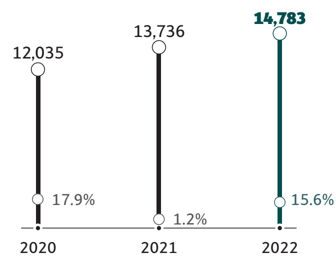

(1) Net cash flow from operating activities less net acquisitions of property, plant and equipment and intangible assets.

### Net debt(2)
*(in € millions)*



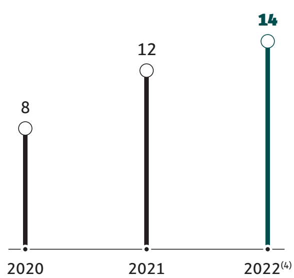

(2) Net debt is defined on page 37.

### Equity and debt-to-equity ratio(3)
*(in € millions and %)*




(3) Net debt is defined on page 37.

### Dividend per share
*(in €)*




(4) Subject to the approval of the Annual General Meeting to be held on April 27, 2023.

# CHAPTER 2
# Activity report

# 1 - INTRODUCTION

## The global Luxury market in 2022

After a major rebound in 2021 – with sales up 33% relative to 2020 and up 7% compared to 2019 at constant exchange rates according to Bain & Company-Altagamma – the Luxury industry was resilient in 2022 with estimated sales growth of around 15% (according to Bain & Company-Altagamma and Euromonitor and based on the average projections in financial analyst reports published in December 2022 and January 2023).

The main factors behind movements in the Luxury market in 2022 as a whole can be summarized as follows:

- The outbreak of armed conflict between Russia and Ukraine in February 2022 had a limited direct impact on major Luxury houses. However, combined with other geopolitical crises, it increased the pressure on supply chains and created concern about the economic outlook among both consumers and the financial markets;
- China's economic growth slowed to 3.0% according to Oxford Economics[1] as a result of the zero-COVID policy that China strictly enforced for most of the year, which affected consumer spending in particular;
- More generally, expectations regarding global economic growth were downgraded. The world economy could grow by an estimated 3.0% in 2022, whereas growth was previously expected at 4.2% in January 2022. The vast majority of economies could see growth within a range of around 1.5% to 3.5%. The only economies able to post really strong performance in 2022 could be those in the Gulf (7.3%) and Southeast Asia (5.5%);
- This general slowdown in global growth was accompanied by large movements in exchange rates between major currencies, arising partly from central bank monetary policies. 2022 brought a sharp rise in the US dollar (and linked currencies) against the euro, along with a decline in the Japanese yen; those movements helped to increase regional differences in the prices of Luxury brands' products, encouraging people to buy those products during vacations;
- Inflation is very high and could reach 7.8% in 2022 as a whole. In particular, rising prices are affecting consumers' unavoidable expenditure and reducing their purchasing power, especially since measures to support consumer spending in major economies mainly took place in 2020 and 2021;
- Rising interest rates, turbulence in financial markets – with a decline of 8.8% for the Dow Jones but a 33.1% drop for the Nasdaq – but also the collapse in the value of cryptocurrencies also adversely affected sentiment among consumers and their propensity to spend. However, consumers in Western economies spent some of the excess savings that they had built up since 2020, which partly cushioned the cyclical decline in consumer spending.

Quarterly figures show that after a very good start to the year, growth slowed in the second quarter because of the high base for comparison and the impact of store closures in China as a result of the deteriorating COVID-19 situation. Sales were firm in the third quarter, mainly due to a sharp tourist-driven rise in sales in Western Europe. In the fourth quarter, growth appears to have been much more moderate, but there is not currently any reliable consensus about the extent of the slowdown. China's handling of the pandemic continued to depress domestic demand, while overall consumer spending in the United States was affected by a less positive macroeconomic environment.

Performances also varied widely from one region to another:

- Sales rebounded strongly in Western Europe from a low base caused by the negative impact of COVID-19 restrictions in 2021, and despite the outbreak of the conflict between Russia and Ukraine. Domestic consumer spending was strong, mainly in the spring and summer, while sales to tourists (primarily from the US) rose sharply;
- Revenue growth in North America slowed from the second quarter onward, and particularly in the final months of 2022. This was partly because of US consumers shifting their spending to Europe, attracted by a favorable exchange rate, along with the impact of inflation on the real incomes of the most aspirational customers. However, trends over three years (i.e. relative to 2019) remained excellent;
- In Japan, as in Europe where the recovery was more gradual than in other major markets, industry sales rose sharply, moving back to or above 2019 levels; at the end of the year, sales in Japan benefited particularly from an influx of Korean consumers, attracted by the price differential caused by movements in the Japanese yen/Korean won exchange rate;
- In Asia-Pacific, the situation in China from March onward affected the region's overall performance. However, sales rebounded strongly in Southeast Asia due to firm economic growth in that region's countries;
- Finally, other regions of the world saw outstanding growth in business levels, particularly the Middle East, with only Eastern Europe seeing a decline due to Russia's status as the main market in that region.

Compared to 2021, all product categories posted fairly similar revenue growth rates. Compared to 2019, however, 2022 showed very strong sales growth in Leather Goods and Jewelry sales, a substantial upturn in Watches and more moderate growth in Ready-To-Wear.

(1) Oxford Economics is the source of all macroeconomic data unless otherwise mentioned.

It is also notable that the impact of structural changes in the Luxury industry in recent years, amplified by the COVID-19 crisis, seem to have become normalized in 2022:

- E-commerce sales once again posted robust growth in 2022, but their rate of increase started to converge with that seen in physical retail networks, which benefited from a rebound in tourism in Europe and a lower base for comparison; accordingly, the proportion of total sales coming from e-commerce is now stabilizing.
- Despite the upturn in tourism in Europe and to a certain extent in Asia (apart from China), demand for Luxury goods remained largely domestic, and tourists accounted for a smaller proportion of Luxury brand revenues than in 2019 (sales down by 21% in Europe in 2022 according to Planet). However, Travel Retail sales seem to be recovering and may have risen 40% in 2022 according to Bain & Company-Altagamma.
- In the short and medium term, demand from Generations Y and Z remains one of the principal growth drivers for the global Luxury market. This customer segment is continuing to account for a growing proportion of sales, but the rate of increase is slowing since its penetration was already high at the end of 2022 (an estimated 65% of revenue according to Bain & Company-Altagamma).

## In 2022, the main adverse impact of the COVID-19 pandemic was on Chinese demand

From the start of the year, the COVID-19 situation improved considerably in North America and Western Europe, leading to the gradual lifting of most restrictive public health measures, despite further waves of infection taking place during the year. As a result, the Group's operations in these two regions were not affected. In Europe, they even received a boost from a sharp upturn in tourist numbers after travel restrictions were lifted.

In Japan and most other countries in the Asia-Pacific region, the gradual easing of measures to control the pandemic throughout the first half of 2022 had a major positive impact on consumers' confidence and propensity to spend.

In China, however, the strict zero-COVID policy was maintained until early December, hampering business levels in the Luxury sector. From the end of the first quarter, China applied Draconian testing and lockdown measures when COVID-19 cases were identified. This dragged down both store footfall and online sales, and led to significant volatility in consumer spending. After China changed its strategy for dealing with the pandemic at the end of the year, rising COVID-19 case numbers also affected the economic recovery. As a result, over 2022 as a whole, China could probably be the only large market where the Luxury sector's sales fell relative to 2021, although they were much higher than in 2019.

Also, spending by Chinese consumers mainly took place in China in 2022, as it had in the previous two years. Chinese tourist numbers were particularly low, which continued to affect the performance of the travel retail segment and of certain stores in Europe and Asia relative to 2019. However, starting in the spring, sales to tourists of other nationalities, particularly American, helped offset the loss of opportunity arising from the absence of Chinese tourists.

Overall, the pandemic had a very limited or almost non-existent impact on Luxury houses' main markets, with the notable exception of China. However, the total impact remains hard to measure, since the deterioration in the various economies' growth outlook has multiple causes that are very indirectly connected to the COVID-19 crisis.

## The Group's direct exposure to the conflict between Russia and Ukraine is limited

In response to the escalation in the Russia-Ukraine crisis, which became an armed conflict on February 23, 2022, Kering announced on March 4, 2022 that it would close the stores operated by the Group’s Houses in Russia. Kering’s Houses do not operate any stores in Ukraine.

Given the severity of the situation, Kering and its Houses have lent their support to humanitarian efforts and to Ukrainian refugees by making several donations, mainly to the UN Refugee Agency UNHCR.

The Group continues to have limited direct exposure to the crisis. In 2021, Kering generated around 1% of its total annual revenue in Ukraine and Russia, and the net value of its assets in those countries was not material (around 0.1% of the Group total assets).

Operating losses are recognized under recurring operating expenses for the year. IFRS 16 lease right-of-use assets, property, plant and equipment and other assets were fully written down in the second half of 2022 for a total amount of €36 million, and the write-down was recognized as a non-recurring operating expense.

In addition, in view of international sanctions, the Group has reorganized its procurement of diamonds and has ceased sourcing diamonds either directly or indirectly from Russia. It should be noted, however, that its diamond purchases from Russia were not material.

The ongoing conflict has obviously had a negative impact on the global economic outlook. Depending on its duration and extent, the conflict could affect global economic growth and therefore the Luxury market over a longer period. Since that impact is indirect, it does not appear possible to quantify it precisely.

# 2 - SIGNIFICANT EVENTS OF 2022

## Sale of Girard-Perregaux and Ulysse Nardin to their management

On January 24, 2022, Kering announced the signature of an agreement to sell its entire stake (100%) in Sowind Group SA, which owns the Swiss watch manufacturers Girard-Perregaux and Ulysse Nardin, to its management. The transaction was completed on May 31, 2022 according to the agreed terms.

The Group supported the two Houses in their development, strengthened their market positions and ensured they have adequate resources to finance their growth. The Group is confident that their management will be able to continue their work successfully.

This transaction is in line with Kering's strategy, giving priority to Houses that have the potential to become sizable assets within the Group and to which it can provide decisive support over time.

## Kering Eyewear's acquisition of eyewear brand Maui Jim

On March 14, 2022, Kering Eyewear announced the signature of an agreement to acquire US eyewear brand Maui Jim, Inc. The transaction was completed on October 3, 2022 and Maui Jim has been fully consolidated in the Kering group's financial statements since October 1, 2022.

Founded in 1987, Maui Jim is the world's largest independently owned high-end eyewear brand with a leading position in North America. Recognized for its outstanding technicity, Maui Jim offers a broad spectrum of high-quality sun and optical frames sold in more than 100 countries and has developed the revolutionary lens technology known as PolarizedPlus2®.

Since its inception in 2014, Kering Eyewear has built an innovative business model that enabled the company to reach more than €700m external revenues in FY2021. The acquisition of Maui Jim represents a major milestone in the successful expansion strategy of Kering Eyewear. Only a few months after the acquisition of Lindberg, Kering Eyewear owns a second proprietary brand, reinforce its status on the high-end eyewear segment and broaden its offer to cover the full scope from functional to timeless and fashion Luxury products.

Their complementary distribution networks and product offerings contribute to amplify the growth potential through the expansion of Maui Jim's geographical footprint and the ability to gain new customers, more focused on innovation and functionalities. This acquisition takes Kering Eyewear to the next level, with revenues materially ahead of the billion-euro mark on a full-year basis and profit margins further improving.

## Gianfilippo Testa appointed CEO of Alexander McQueen

On March 21, 2022, Kering announced the appointment of Gianfilippo Testa as CEO of Alexander McQueen, effective May 2022. He reports to François-Henri Pinault.

He succeeds Emmanuel Gintzburger, who decided to leave the Group to pursue new professional challenges outside Kering.

Gianfilippo Testa is an Italian national with an outstanding track record in the Luxury industry in Europe and Asia. He started his career at TAG Heuer in 2002 and went on to hold a range of roles at LVMH, specifically at Fendi in Italy, Japan and Hong Kong. He joined Kering in 2016 as Gucci President Greater China and since 2019 has been President of EMEA and VP Global Retail at Gucci.

As CEO of Alexander McQueen, Gianfilippo Testa's mission will be to accelerate the expansion of the British Luxury House in order to tap its full potential.

## Changes in the membership of the Board of Directors

During 2022, Kering's Board of Directors, in coordination with the Appointments and Governance Committee, confirmed the following changes in its membership:

- resignation of Ms. Sophie L'Hélias and Ms. Jean Liu from their roles as independent directors;
- appointment of Ms. Véronique Weill, Ms. Yonca Dervisoglu and Mr. Serge Weinberg as independent Directors;
- appointment of Ms. Véronique Weill as Lead Independent Director;
- appointment of Mr. Jean-Pierre Denis as Climate Change Lead;
- renewal of Ms. Daniela Riccardi's term of office as independent Director;
- non-renewal of Ms. Yseulys Costes' term of office as independent Director;
- appointment of Mr. Vincent Schaal by the Social and Economic Committee as Director representing employees, replacing Ms. Claire Lacaze;
- reconfiguration of the Board of Directors' Committees.

As a result, Kering's Board of Directors consisted of 13 members as of December 31, 2022, including:

- six independent Directors (55% of Board members excluding Directors representing employees in accordance with the AFEP-MEDEF code);
- five women (45% of Board members excluding directors representing employees in accordance with the AFEP-MEDEF code);
- five different nationalities (British, French, Italian, Ivorian and Turkish).

## Dual-tranche bond issue for a total amount of €1.5 billion

On April 28, 2022, Kering issued €1.5 billion of bonds consisting of:

- a €750 million tranche with a 3-year maturity and a 1.25% coupon;
- and a €750 million tranche with an 8-year maturity and a 1.875% coupon.

This issue, which forms part of the Group's active liquidity management, enhances its funding flexibility by enabling it to refinance existing debt and, in part, finance the Maui Jim acquisition. The issue saw strong demand from bond investors, confirming the market's confidence in the Group's credit quality. Kering's long-term debt is rated A with a stable outlook by Standard & Poor's.

## Launch of an employee shareholder transaction

On May 4, 2022, Kering announced the launch of its first employee shareholder transaction. It took place in France, Italy, the United Kingdom, the United States, Mainland China, Hong Kong SAR, Japan and South Korea.

Entitled KeringForYou, the program gave eligible employees the opportunity to become Kering shareholders with preferential terms. By investing in their company, employees have a direct interest in its development and future performance.

The price for subscribing shares under the program was set at €394, corresponding to Kering's average opening share price on Euronext Paris during the 20 trading sessions from April 19 to May 16, 2022, less a 20% discount and rounded up to the nearest cent.

At the end of the subscription period, which took place from May 19 to June 9, 2022, 102,862 shares had been subscribed (including employer contributions). The shares were settled and delivered on July 7, 2022 through a share capital increase involving the issue of new ordinary shares.

## Completion of the Stock Repurchase Program

The stock repurchase program – announced on August 25, 2021 with the aim of repurchasing up to 2.0% of the Group's share capital over a 24-month period – was completed on December 15, 2022. Between August 25, 2021 and December 15, 2022, the Company repurchased 2.6 million shares. Of those, 1,050,000 shares have already been canceled.

In 2022, Kering carried out the second, third and fourth tranches of the program:

- The second tranche related to 650,000 shares (around 0.5% of the share capital) and was completed on April 6, 2022. 325,000 of the shares repurchased in that tranche were canceled on December 12, 2022.
- The third tranche related to 650,000 shares (around 0.5% of the share capital) and was completed on July 19, 2022. 400,000 of the shares repurchased in that tranche were canceled on December 12, 2022.
- The fourth tranche related to 650,000 shares (around 0.5% of the share capital) and was completed on December 15, 2022. The Board of Directors decided in its meeting of February 14, 2023 that the 650,000 shares repurchased in this tranche would be canceled by the end of 2023.

A detailed table showing the various tranches is provided in Note 1 to the consolidated financial statements.

## Alessandro Michele stepping down as Gucci's Creative Director

On November 23, 2022, Kering announced that Alessandro Michele would step down as Creative Director of Gucci. Alessandro Michele had been at the creative helm of the House since January 21, 2015, and has played a fundamental part in making the brand what it is today through his groundbreaking creativity, while staying true to the renowned codes of the House.

## Launch of the Climate Fund for Nature

On December 12, 2022, at the 15th Conference of Parties (COP) of the Convention on Biological Diversity taking place in Montreal, Kering and L'Occitane announced that they were teaming up to create the Climate Fund for Nature. This fund will mobilize resources from the Luxury Fashion and Beauty Sectors to protect and restore nature, with a focus on women empowerment. €140 million have already been committed by the two groups out of a eventual target of a €300 million target size. The fund is open to other partner companies to support the scaling up of its positive impacts on the ground. The fund is managed by Mirova, the affiliate of Natixis Investment Managers that is dedicated to sustainable investing.

# 3 - GROUP PERFORMANCE IN 2022

## 3.1 Revenue and income statement

### Condensed consolidated income statement

| *(in € millions)* | 2022 | 2021 | Change |
|---|---|---|---|
| Revenue | 20,351 | 17,645 | +15% |
| Recurring operating income | 5,589 | 5,017 | +11% |
| *% of revenue* | *27.5%* | *28.4%* | *-0.9 pt* |
| EBITDA | 7,255 | 6,470 | +12% |
| *% of revenue* | *35.6%* | *36.7%* | *-1.1 pt* |
| Other non-recurring operating income and expenses | (194) | (220) | +12% |
| Financial result | (260) | (273) | +5% |
| Income tax expense | (1,420) | (1,280) | -11% |
| Share in earnings (losses) of equity-accounted companies | 2 | 1 | +139% |
| Net income from continuing operations | 3,717 | 3,245 | +15% |
| *o/w attributable to the Group* | *3,613* | *3,165* | *+14%* |
| *o/w attributable to minority interests* | *104* | *80* | *+30%* |
| Net income (loss) from discontinued operations | 1 | 11 | -91% |
| Net income attributable to the Group | 3,614 | 3,176 | +14% |
| Net income from continuing operations (excluding non-recurring items) attributable to the Group | 3,747 | 3,361 | +11% |

### Earnings per share

| *(in €)* | 2022 | 2021 | Change |
|---|---|---|---|
| Basic earnings per share | 29.34 | 25.49 | 15% |
| Basic earnings per share from continuing operations excluding non-recurring items | 30.42 | 26.98 | 13% |

### Revenue

In 2022, the Group's revenue totaled €20,351 million. Compared to 2021, revenue rose 15% as reported and 9% on a comparable scope and exchange rate basis[(1)].

Currency movements had a very positive impact on 2022 performance, boosting sales growth by almost 5% or almost €1 billion in absolute terms. Due to the euro weakening against other major currencies, the positive exchange-rate effect arose mainly from sales denominated in US dollars (€557 million) and Chinese yuan (€281 million).

Changes in scope had a smaller, but still positive, effect on Group revenue. They included positive contributions from Lindberg (consolidated from October 1, 2021) and Maui Jim (consolidated from October 1, 2022), and the negative impact from the deconsolidation of watch brands Girard-Perregaux and Ulysse Nardin on January 1, 2022.

All Houses and Kering Eyewear achieved year-on-year sales growth in 2022.

The increase in business levels relative to 2019 – regarded as a normative benchmark, since it was the last year before the pandemic – was also very robust, with comparable revenue growth of 25%.

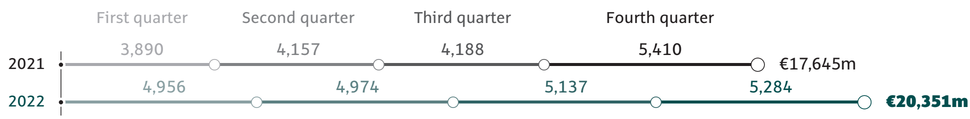
(1) Comparable revenue growth is defined on page 36.

## Group revenue by segment

| *(in € millions)* | **2022** | **%** | **2021** | **%** | **Reported change** | **Comparable change[3]** |
|---|---|---|---|---|---|---|
| Gucci | 10,487 | 52% | 9,731 | 55% | +8% | +1% |
| Yves Saint Laurent | 3,300 | 16% | 2,521 | 14% | +31% | +23% |
| Bottega Veneta | 1,740 | 9% | 1,503 | 9% | +16% | +11% |
| Other Houses | 3,874 | 19% | 3,285 | 19% | +18% | +16% |
| Kering Eyewear and Corporate[1] | 1,139 | 5% | 733 | 4% | +55% | +25% |
| *Eliminations[2]* | (189) | *-1%* | *(128)* | *-1%* | *N/A* | *N/A* |
| **Revenue** | **20,351** | **100%** | **17,645** | **100%** | **+15%** | **+9%** |

(1) The "Corporate and other" segment was renamed "Kering Eyewear and Corporate" in 2022.
(2) Intra-group eliminations are now reported on a separate line.
(3) On a comparable scope and exchange rate basis. Comparable revenue growth is defined on page 36.

## Group revenue by quarter




Compared to 2021, growth was naturally very strong in the first quarter (21% on a comparable basis) due to the favorable base for comparison, mainly in Europe.

Second-quarter performance (comparable revenue growth of 12%) was affected by the deceleration in Asia-Pacific caused by the Chinese market, as well as the high base for comparison in North America.

Sales in the third quarter (comparable revenue growth of 14%) benefited from a robust upturn in the number of tourists visiting Europe, whereas growth returned to a normalized level in North America and business levels in China remained lower year-on-year despite an improvement in trends.

In the fourth quarter, despite solid performances in Western Europe and Japan, a further deterioration in the COVID-19 situation in China combined with a slowdown demand in North America dragged down revenue, which fell 7% on a comparable basis.

Relative to 2019, revenue growth was fairly consistent in the first three quarters of the year, with increases of 30% in the first quarter, 27% in the second and 28% in the third.In the fourth quarter, revenue was up 17% compared to the same period of 2019.

### Quarterly revenue by segment

| *(in € millions)* | **First quarter** | **Second quarter** | **Third quarter** | **Fourth quarter** | **2022** |
|---|---|---|---|---|---|
| Gucci | 2,591 | 2,582 | 2,581 | 2,733 | 10,487 |
| Yves Saint Laurent | 739 | 742 | 916 | 903 | 3,300 |
| Bottega Veneta | 396 | 438 | 437 | 469 | 1,740 |
| Other Houses | 973 | 982 | 995 | 924 | 3,874 |
| Kering Eyewear and Corporate | 308 | 283 | 253 | 295 | 1,139 |
| *Eliminations* | *(51)* | *(53)* | *(45)* | *(40)* | *(189)* |
| **Revenue** | **4,956** | **4,974** | **5,137** | **5,284** | **20,351** |

| *(in € millions)* | **First quarter** | **Second quarter** | **Third quarter** | **Fourth quarter** | **2021** |
|---|---|---|---|---|---|
| Gucci | 2,168 | 2,312 | 2,182 | 3,070 | 9,731 |
| Yves Saint Laurent | 517 | 529 | 652 | 823 | 2,521 |
| Bottega Veneta | 328 | 379 | 363 | 432 | 1,503 |
| Other Houses | 719 | 766 | 849 | 951 | 3,285 |
| Kering Eyewear and Corporate | 192 | 204 | 173 | 164 | 733 |
| *Eliminations* | *(34)* | *(33)* | *(31)* | *(30)* | *(128)* |
| **Revenue** | **3,890** | **4,157** | **4,188** | **5,410** | **17,645** |

| *(comparable change[1])* | Q1 2022/2021 change | Q2 2022/2021 change | Q3 2022/2021 change | Q4 2022/2021 change | 2022/2021 change |
|---|---|---|---|---|---|
| Gucci | +13% | +4% | +9% | -14% | +1% |
| Yves Saint Laurent | +37% | +31% | +30% | +4% | +23% |
| Bottega Veneta | +16% | +10% | +14% | +6% | +11% |
| Other Houses | +35% | +24% | +13% | -4% | +16% |
| Kering Eyewear and Corporate | +35% | +17% | +21% | +28% | +25% |
| Eliminations | N/A | N/A | N/A | N/A | N/A |
| **Revenue** | **+21%** | **+12%** | **+14%** | **-7%** | **+9%** |

(1) On a comparable scope and exchange rate basis. Comparable revenue growth is defined on page 36.

## Group revenue by region

| *(in € millions)* | 2022 | % | 2021 | % | Reported change | Comparable change[1] |
|---|---|---|---|---|---|---|
| Asia-Pacific (excluding Japan) | 6,568 | 33% | 6,695 | 38% | -2% | -8% |
| Western Europe | 5,566 | 27% | 4,045 | 23% | +38% | +36% |
| North America | 5,547 | 27% | 4,685 | 26% | +18% | +5% |
| Japan | 1,244 | 6% | 1,059 | 6% | +17% | +25% |
| Rest of the world | 1,425 | 8% | 1,160 | 7% | +23% | +15% |
| **Revenue** | **20,351** | **100%** | **17,645** | **100%** | **+15%** | **+9%** |

(1) On a comparable scope and exchange rate basis.Comparable revenue growth is defined on page 36.
Revenue generated outside the eurozone represented 80% of the consolidated total in 2022.

The Group's sales grew mostly strongly in Western Europe, where they rose 36% on a comparable basis. This very good performance was driven by robust domestic demand for most of the year and an upturn in tourist numbers from the spring, despite the ongoing absence of Chinese tourists. More marginally, there was positive effect on revenue arising from the low base for comparison, since part of the region's store network was closed in the first half of 2021.

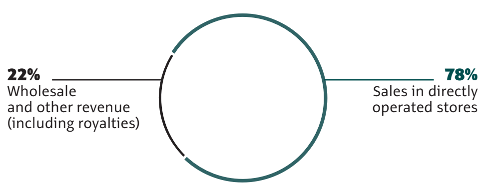
In Japan, revenue was up 25% on a comparable basis relative to 2021, taking it above its 2019 level. Sales to local customers rose sharply, but the Japanese market was also buoyed by its appeal for Asian tourists, due to the relatively weak yen.

Revenue in North America rose by 5% on a comparable basis in 2022 (and by 70% relative to 2019), and the base for comparison was high. Performance in the second half was affected by American customers shifting their purchases to Western Europe, and by weaker domestic demand against a backdrop of higher inflation.

In Asia-Pacific – the Group's largest region in terms of revenue, accounting for 33% of the total – revenue was down 8% on a comparable basis relative to 2021. The decline was solely due to China, where sales were adversely affected by the country's zero-COVID policy almost throughout the year, including in the fourth quarter. In all other markets in the Asia-Pacific region, the Group's sales increased. Growth rates in Southeast Asia were particularly high, while business levels rebounded in Australia. Revenue posted solid growth in South Korea, which is now one of the Group's largest markets.

In the Rest of the World, excluding Eastern Europe, the Group posted excellent performance compared to both 2021 and 2019.

## Group revenue by distribution channel




*% weight based on revenue before Eliminations*

Sales from directly operated stores and e-commerce sites came in at €16,007 million in 2022, up 10% on a comparable basis relative to 2021. The previous comments regarding performance by region in 2022 also apply to the growth trajectory of retail sales.

Store footfall rebounded overall compared to 2021, although trends varied widely between regions. Together with a slight fall in the conversion rate (i.e. the number of people buying products as a percentage of the total number of people visiting stores) resulted in a moderate increase in the number of items sold. As a result, revenue growth was driven to a large extent by an increase in the average selling price, resulting from the policy of taking the Houses' product ranges more upscale. The e-commerce business also continued to develop, but growth slowed to a more normal 11% on a comparable basis relative to 2021 because of the very high base for comparison (online revenue has tripled since 2019) and its existing penetration (15% of the retail channel in 2022).

Revenue from stores and e-commerce sites directly operated by the Group accounted for around 78% of the Group's total sales (before Eliminations) in 2022, similar to the figure seen in 2021. The increase in this proportion in recent years has resulted from the long-term strategy implemented by all Houses, which is aimed at controlling their distribution more effectively, including e-commerce, and making them more exclusive.

Wholesale revenue rose 4% year-on-year in 2022 on a comparable basis (before Eliminations). For the Houses, Wholesale revenue fell by 1% on a comparable basis. This reflects the reorganization of the wholesale distribution network that is currently underway, through which the Group is focusing more on using the highest-quality distributors.

Although these streamlining efforts are almost complete at Gucci – where the base for comparison has reverted to a more normal level – they are continuing in the Group's other Couture and Leather Goods Houses. However, Kering Eyewear, which has a wholesale-only distribution model, posted one of the Group's strongest growth rates (27%), driven both by the development of existing licenses and the integration of Lindberg and Maui Jim.

Royalty revenue from licenses and other revenue rose by 30% on a comparable basis in 2022. Royalties received in the eyewear category rose sharply, continuing the strong momentum seen in 2021. Royalties in the Fragances and Cosmetics category rebounded from a lower prior-year base.

## Recurring operating income

| *(in € millions)* | **2022** | **2021** | **Change** |
|---|---|---|---|
| Gucci | 3,732 | 3,715 | - |
| Yves Saint Laurent | 1,019 | 715 | +43% |
| Bottega Veneta | 366 | 286 | +28% |
| Other Houses | 558 | 459 | +22% |
| Kering Eyewear and Corporate | (88) | (164) | +46% |
| *Eliminations* | *2* | *6* | *N/A* |
| **Recurring operating income[(1)]** | **5,589** | **5,017** | **+11%** |

(1) Recurring operating income is defined on page 36.

The Group's recurring operating income amounted to €5,589 million in 2022, up €572 million or 11% compared to 2021. All brands contributed to the increase in operating income in absolute terms.

Recurring operating margin fell 0.9 points to 27.5% because of negative operational leverage in the second half of the year, i.e. operating expenses rose more quickly than sales and gross margin. This meant that recurring operating margin in the second half of 2022 was 1.8 points lower than in the first half.

Gross margin rose 16% to €15,198 million. As a proportion of revenue, gross margin was 74.7%, up 0.6 points relative to 2021. The positive impact of higher average selling prices and the growing proportion of sales from directly operated stores more than offset the negative impact of inflation, changes in the country mix and the combined effect of exchange-rate movements and currency hedging results.

Operating expenses rose by 19%. Excluding currency effects, this increase arose from investments made by the Group's brands and Kering Eyewear to support their development and expansion, notably by increasing budgets for store expenses, creation, the development and presentation of collections, communications and information systems in line with the industry's accelerating digital transformation. These efforts, which were necessary in view of the competitive environment and the upturn in business since the end of 2020, affected the brands' profitability to varying extents. The vast majority of the Group's Houses benefited from a favorable operating leverage effect due to revenue growth. However, Gucci saw its operating margin fall by 2.6 points. Continuing the trend seen in 2021, Gucci considerably increased its communications expenditure, taking it to a more normal level by comparison with the industry average, and the cost of operating its stores and design studio also rose. While this expenditure will create value in the long term, it adversely affected Gucci's profitability in 2022 within a context of slowing sales growth, particularly in the second half of the year.

## EBITDA

| *(in € millions)* | **2022** | **2021** | **Change** |
|---|---|---|---|
| **Recurring operating income** | **5,589** | **5,017** | **+11%** |
| Net recurring charges to depreciation, amortization and provisions on non-current operating assets | 1,666 | 1,453 | +15% |
| *o/w depreciation of lease right-of-use assets* | *935* | *827* | *+13%* |
| **EBITDA[(1)]** | **7,255** | **6,470** | **+12%** |

(1) EBITDA is defined on page 36.

| *(in € millions)* | 2022 | 2021 | Change |
|---|---|---|---|
| Gucci | 4,416 | 4,311 | +2% |
| Yves Saint Laurent | 1,251 | 915 | +37% |
| Bottega Veneta | 541 | 449 | +20% |
| Other Houses | 888 | 734 | +21% |
| Kering Eyewear and Corporate | 157 | 55 | +186% |
| *Eliminations* | *2* | *6* | *N/A* |
| **EBITDA** | **7,255** | **6,470** | **+12%** |

EBITDA for 2022 amounted to €7,255 million versus €6,470 million in 2021. EBITDA margin was historically high at 35.6%, although slightly lower than the 2021 figure of 36.7%.

## Other non-recurring operating income and expenses

| *(in € millions)* | 2022 | 2021 | Change |
|---|---|---|---|
| Impairment of goodwill, brands and other non-current assets | (41) | (69) | +41% |
| Other | (153) | (151) | -1% |
| **Other non-recurring operating income and expenses** | **(194)** | **(220)** | **+12%** |

(See Consolidated financial statements, Note 6 – Other non-recurring operating income and expenses.)

## Financial result

| *(in € millions)* | 2022 | 2021 | Change |
|---|---|---|---|
| Cost of net debt[1] | (47) | (38) | -24% |
| Other financial income and expenses | (89) | (129) | +31% |
| **Financial result excluding leases** | **(136)** | **(167)** | **+19%** |
| Interest expense on lease liabilities | (124) | (106) | -17% |
| **Financial result** | **(260)** | **(273)** | **+5%** |

(1) Net debt is defined on page 37.

In 2022, the cost of net debt was €47 million (€38 million in 2021). The change was mainly due to the increase in the average amount of debt outstanding and in the average coupon.

Other financial income and expense produced a net expense of €89 million in 2022 (€129 million in 2021). This positive development arose mainly from the change in value of the derivative embedded in the PUMA bond issue, which was redeemed in late September.

(See Consolidated financial statements, Note 7 – Financial result.)

## Income tax

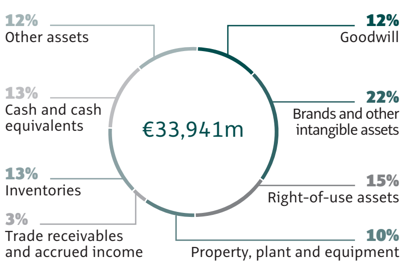
| *(in € millions)* | 2022 | 2021 |
|---|---|---|
| Income before tax | 5,135 | 4,524 |
| Income tax expense | (1,420) | (1,280) |
| **Effective tax rate** | **27.7%** | **28.3%** |
| Other non-recurring operating income and expenses | (194) | (220) |
| Recurring income before tax | 5,329 | 4,744 |
| Income tax on other non-recurring operating income and expenses | 60 | 23 |
| Tax expense on recurring income | (1,480) | (1,304) |
| **Effective tax rate on recurring income[1]** | **27.8%** | **27.5%** |

(1) The effective tax rate on recurring income is defined on page 37.

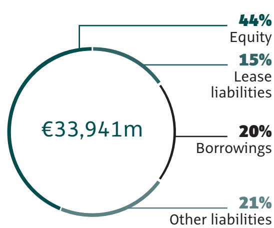
(See Consolidated financial statements, Note 8 – Income taxes.)

# 3.2 Balance sheet as of December 31, 2022

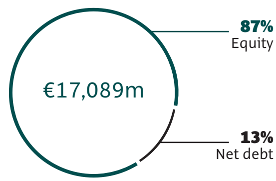
### Assets




### Equity and liabilities




### Capital employed




## Condensed balance sheet

| *(in € millions)* | **Dec. 31, 2022** | **Dec. 31, 2021** | **Change** |
|---|---|---|---|
| Goodwill | 4,053 | 2,891 | +40% |
| Brands and other intangible assets | 7,357 | 7,032 | +5% |
| Lease right-of-use assets | 4,929 | 4,302 | +15% |
| Property, plant and equipment | 3,388 | 2,967 | +14% |
| Investments in equity-accounted companies | 49 | 31 | +59% |
| Other non-current assets | 2,503 | 2,412 | +4% |
| **Non-current assets** | **22,279** | **19,635** | **+13%** |
| Inventories | 4,465 | 3,369 | +33% |
| Trade receivables and accrued income | 1,180 | 977 | +21% |
| Cash and cash equivalents | 4,336 | 5,249 | -17% |
| Other current assets | 1,681 | 1,819 | -8% |
| **Current assets** | **11,662** | **11,414** | **+2%** |
| **Assets held for sale** | **-** | **19** | **-100%** |
| TOTAL ASSETS | 33,941 | 31,068 | +9% |
| | | | |
| Equity attributable to the Group | 13,998 | 13,347 | +5% |
| Equity attributable to minority interests | 785 | 389 | +102% |
| **Total equity** | **14,783** | **13,736** | **+8%** |
| Non-current borrowings | 4,347 | 2,976 | +46% |
| Non-current lease liabilities | 4,420 | 3,826 | +16% |
| Other non-current liabilities | 1,885 | 1,756 | +7% |
| **Non-current liabilities** | **10,652** | **8,557** | **+24%** |
| Current borrowings | 2,295 | 2,442 | -6% |
| Current lease liabilities | 812 | 675 | +20% |
| Other current liabilities | 5,399 | 5,609 | -4% |
| **Current liabilities** | **8,506** | **8,726** | **-3%** |
| **Liabilities associated with assets held for sale** | **-** | **49** | **-100%** |
| TOTAL EQUITY AND LIABILITIES | 33,941 | 31,068 | +9% |

## Net debt

| *(in € millions)* | Dec. 31, 2022 | Dec. 31, 2021 | Change |
|---|---|---|---|
| Borrowings | 6,642 | 5,417 | +23% |
| Cash and cash equivalents | (4,336) | (5,249) | -17% |
| **Net debt** | **2,306** | **168** | **N/A** |

## Capital employed

| *(in € millions)* | Dec. 31, 2022 | Dec. 31, 2021 | Change |
|---|---|---|---|
| Total equity | 14,783 | 13,736 | +8% |
| Net debt | 2,306 | 168 | N/A |
| **Capital employed** | **17,089** | **13,904** | **+23%** |

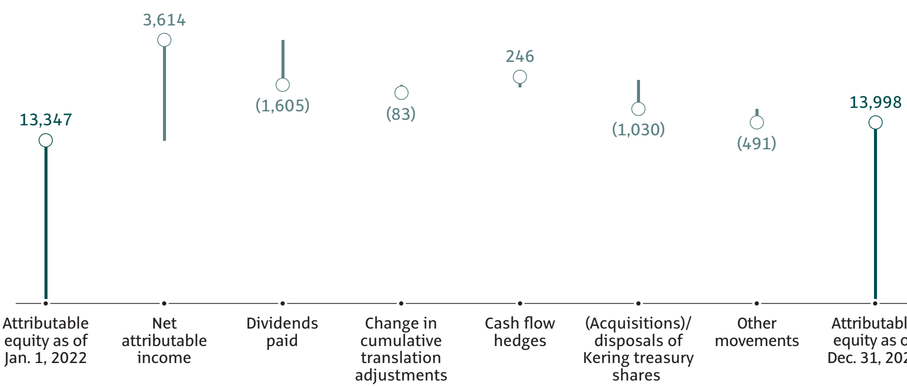
## Goodwill and brands

As of December 31, 2022, brands net of deferred tax liabilities amounted to €5,111 million, compared to €4,985 million as of December 31, 2021.

## Current operating assets and liabilities

| *(in € millions)* | Dec. 31, 2022 | Dec. 31, 2021 | Statement of cash flows | Foreign exchange differences | Other movements |
|---|---|---|---|---|---|
| Inventories | 4,465 | 3,369 | 1,015 | 12 | 69 |
| Trade receivables and accrued income | 1,180 | 977 | 196 | 3 | 4 |
| Trade payables and accrued expenses | (2,263) | (1,742) | (494) | (13) | (14) |
| Other current assets (liabilities), net | (589) | (850) | 407 | (23) | (123) |
| Net current tax receivables (payables) | (190) | (326) | 148 | (5) | (7) |
| **Current operating assets (liabilities), net** | **2,603** | **1,428** | **1,272** | **(26)** | **(71)** |

## Change in equity attributable to the Group




As of December 31, 2022, the share capital amounted to €496,283,112. It comprised 124,070,778 fully paid-up shares with a par value of €4 each, a reduction of €2,900,000 further to the cancellation of 725,000 shares under the stock repurchase program (share capital of €498,771,664, comprising 124,692,916 shares as of December 31, 2021). Excluding the 1,850,408 Kering treasury shares, there were 122,230,370 shares issued and outstanding as of December 31, 2022.

(See Consolidated financial statements, Note 17 – Equity.)

# 3.3 Cash flow, investments and net debt

## Free cash flow from operations

### Cash flow received from operating activities

| *(in € millions)* | 2022 | 2021 | Change |
|---|---|---|---|
| **Cash flow received from operating activities before tax, dividends and interest** | **6,926** | **6,387** | **+8%** |
| Change in working capital requirement | (902) | (38) | N/A |
| Income tax paid | (1,746) | (1,473) | -19% |
| **Net cash received from operating activities** | **4,278** | **4,876** | **-12%** |

### Operating investments

| *(in € millions)* | 2022 | 2021 | Change |
|---|---|---|---|
| **Net cash received from operating activities** | **4,278** | **4,876** | **-12%** |
| Acquisitions of property, plant and equipment and intangible assets | (1,071) | (934) | -15% |
| Disposals of property, plant and equipment and intangible assets | 1 | 6 | -83% |
| **Free cash flow from operations**[(1)] | **3,208** | **3,948** | **-19%** |

(1) Free cash flow from operations is defined on page 37.

### Gross operating investments by segment

| *(in € millions)* | 2022 | 2021 | Change |
|---|---|---|---|
| Gucci | 408 | 324 | +26% |
| Yves Saint Laurent | 112 | 72 | +55% |
| Bottega Veneta | 92 | 67 | +37% |
| Other Houses | 221 | 180 | +23% |
| Kering Eyewear and Corporate | 238 | 291 | -18% |
| **Acquisitions of property, plant and equipment and intangible assets** | **1,071** | **934** | **+15%** |

Operating investments amounted to €1,071 million in 2022, an increase of €137 million or 15% relative to 2021. They represented 5.3% of revenue in 2022, similar to the figure seen in 2021.

Seasonal variations in investments are also very similar from one year to the next, with around two thirds of investments taking place in the second half.

Investments related mainly to store openings and refurbishments, as well as logistics infrastructure and IT systems, most of which are managed by Corporate on behalf of the Group's brands.

In 2022, 70% of the Group's gross operating investments related to the retail network (57% in 2021). Half of the investments in stores concerned store opening programs and half concerned conversion and renovation projects.

Expenditure relating to major strategic programs coordinated by the Group (e.g. the deployment of SAP and a new logistics hub in Italy) were to a large extent concentrated in the previous three financial years. As a result, Kering Eyewear and Corporate's share of the Group's operating investments fell from 31% to 22%.

## Available cash flow from operations and available cash flow

| *(in € millions)* | 2022 | 2021 | Change |
|---|---|---|---|
| **Free cash flow from operations** | **3,208** | **3,948** | **-19%** |
| Repayment of lease liabilities | (824) | (776) | -6% |
| Interest paid on leases | (124) | (106) | -17% |
| **Available cash flow from operations**[(1)] | **2,260** | **3,066** | **-26%** |
| Interest and dividends received | 17 | 37 | -54% |
| Interest paid and equivalent (excluding leases) | (174) | (116) | -50% |
| **Available cash flow**[(1)] | **2,103** | **2,988** | **-30%** |

(1) Available cash from operations and available cash flow are defined on page 37.

## Dividends paid

The cash dividend paid by Kering SA to its own shareholders in 2022 amounted to €1,483 million, including the €434 million interim dividend paid on January 17, 2022 (€998 million in 2021 including a €313 million interim dividend).

Dividends paid in 2022 also included €45 million paid to minority interests in consolidated subsidiaries (€27 million in 2021).

## Changes in net debt

| *(in € millions)* | 2022 | 2021 | Change |
|---|---|---|---|
| **Net debt as of January 1** | **168** | **2,149** | **-92%** |
| Free cash flow from operations | **(3,208)** | (3,948) | -19% |
| Dividends paid | 1,528 | 1,025 | +49% |
| Net interest paid and dividends received | 157 | 78 | +102% |
| Acquisitions of Kering shares | 1,030 | 538 | +91% |
| Repayment of lease liabilities[1] | 948 | 882 | +7% |
| Disposal of PUMA shares (1.00% in 2022 / 5.91% in 2021) | (100) | (803) | -88% |
| Other acquisitions and disposals | 1,817 | 347 | N/A |
| Other movements | (34) | (100) | -66% |
| **Net debt as of December 31** | **2,306** | **168** | **N/A** |

(1) Comprising repayments of principal amounting to €824 million in 2022 (€776 million in 2021) and interest payments of €124 million in 2022 (€106 million in 2021) relating to capitalized fixed lease payments.

| *(in € millions)* | Dec. 31, 2022 | Dec. 31, 2021 | Change |
|---|---|---|---|
| Bonds | 4,226 | 3,370 | +25% |
| Other bank borrowings | 201 | 229 | -12% |
| Commercial paper | 1,010 | 703 | +44% |
| Other borrowings | 1,205 | 1,115 | +8% |
| *o/w put options granted to minority interests* | *681* | *326* | *+109%* |
| **Borrowings** | **6,642** | **5,417** | **+23%** |
| Cash and cash equivalents | (4,336) | (5,249) | -17% |
| **Net debt[1]** | **2,306** | **168** | **N/A** |

(1) Net debt is defined on page 37.

As a reminder, lease liabilities, for their part, represented a total of €5,232 million as of December 31, 2022 (€4,501 million as of December 31, 2021).

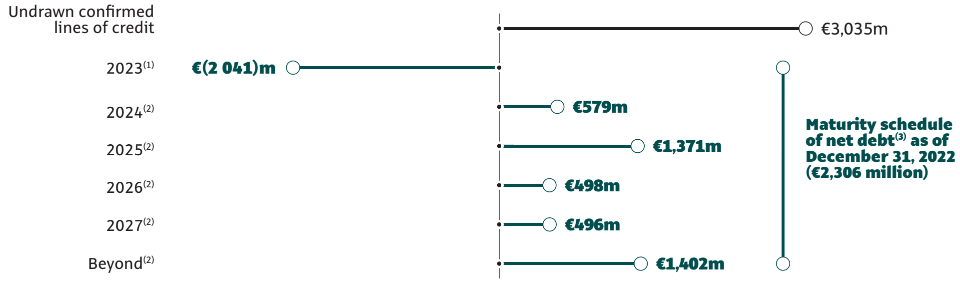
### Solvency

The Group has a very sound financial position and on April 22, 2022 Standard & Poor's raised its long-term credit rating to A with a stable outlook.

### Liquidity

At December 31, 2022, the Group had cash and cash equivalents totaling €4,336 million (€5,249 million as of December 31, 2021), as well as confirmed lines of credit totaling €3,035 million (€3,035 million as of December 31, 2021). The balance of confirmed undrawn lines of credit was €3,035 million at the end of 2022, versus €3,035 million one year earlier.

## Maturity schedule of net debt




(1) Borrowings less cash and cash equivalents.
(2) Borrowings.
(3) Net debt is defined on page 37.

The amount of borrowings with a maturity less than one year (€2,295 million as of December 31, 2022) was significantly less than the Group's cash and cash equivalents (€4,336 million as of December 31, 2022). Consequently, the Group is not exposed to any liquidity risk.

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

The Group's debt contracts do not include any rating trigger clauses.

(See Consolidated financial statements, Note 18 – Net debt.)

# 4 – OPERATING PERFORMANCE BY SEGMENT

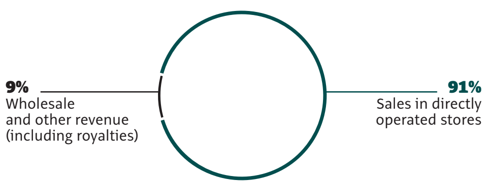
## 4.1 Gucci

| *(in € millions)* | **2022** | **2021** | **Change** |
|---|---|---|---|
| **Revenue** | **10,487** | **9,731** | **+8%** |
| **Recurring operating income** | **3,732** | **3,715** | **N/A** |
| ***% of revenue*** | ***35.6%*** | ***38.2%*** | ***-2.6 pt*** |
| EBITDA | 4,416 | 4,311 | +2% |
| *% of revenue* | *42.1%* | *44.3%* | *-2.2 pt* |
| Acquisitions of property, plant and equipment and intangible assets | 408 | 324 | +26% |
| Average FTE headcount | 20,711 | 18,933 | +9% |

### Revenue

Gucci posted record revenue of €10,487 million in 2022, up 8% year-on-year as reported and up 1% at comparable exchange rates.

#### Revenue by distribution channel




The reorganization of the brand's distribution over the last two years is now complete. Between 2019 and 2022, it led to a very substantial reduction in the proportion of revenue coming from the wholesale business. This meant that sales from directly operated stores made up 91% of Gucci's total sales in 2022.

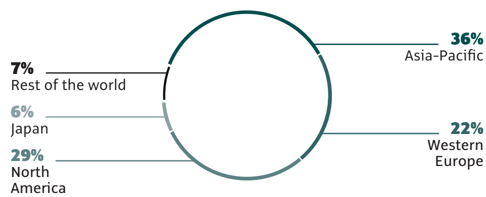
Sales from stores and e-commerce sites controlled by the House were up 1% on a comparable basis relative to 2021. Revenue growth was 8% in the first half and 9% in the third quarter, but was affected in the fourth quarter by the weak Chinese market and a deterioration in US demand from a high base. As a result, retail revenue fell by 15% in the fourth quarter.

In 2022 as a whole, the main driver of store-based sales growth was the increase in average selling prices resulting from changes in the product mix to develop a more upscale product range.

After several years of strong growth, e-commerce revenue was almost unchanged in 2022 on a comparable basis, because of this distribution channel's exposure to the American market (where it accounts for almost half of sales) and temporary difficulties in China, where lockdowns hampered normal logistics operations. However, e-commerce revenue was still three times the 2019 figure. E-commerce sales accounted for some 15% of total retail revenue in 2022.

Since the streamlining of Gucci's wholesale distribution operations was almost complete by the end of 2021, wholesale revenue was expected to be flat in 2022. This was indeed the case, with wholesale revenue being almost identical to the 2021 figure (at comparable exchange rates), but down 39% relative to 2019.

#### Revenue by region




In view of the proportion of Gucci's sales generated by directly operated stores, the following revenue analysis by region only concerns retail and online sales.

In Western Europe, the base for comparison was favorable in the first few months of the year and growth accelerated from the second quarter onward as tourist numbers recovered, accordingly retail revenue rose by 47% on a comparable basis in 2022 as a whole. The sales trend among local customers remained very solid overall, resulting from the House's investments aimed at increasing market share in the main European countries.

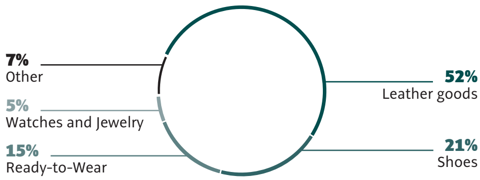
In Japan, consumer spending has strengthened since the end of 2021 and tourist numbers rebounded in late 2022, helping to drive a 19% increase in sales in 2022.

In North America, Gucci's revenue fell by 2%. That decline must be analyzed considering a very high base for comparison and developments in global tourist flows, which particularly affected business levels from the spring, and weaker demand among some customers in the United States. However, North American revenue remained historically high and was 63% higher than in 2019. In addition, analyzing sales to North American customers across all markets, we see that they increased relative to 2021 because of excellent sales to these customers in Western Europe.

Revenue fell 14% in Asia-Pacific on a comparable basis. This decline was directly attributable to the Chinese market, where tough measures to combat the COVID-19 pandemic had a major adverse impact on business levels from March onward. Outside China, sales in the region saw double-digit growth on a comparable basis, driven by rapid sales growth in Southeast Asia and a rebound in Australia.

In the world's other regions except Eastern Europe, revenue growth was very firm relative to 2021.

## Revenue by product category




In 2022, sales of all Gucci's main product categories in directly operated stores were almost unchanged or very slightly higher compared to 2021. The increase in average selling prices, resulting both from changes in the product mix and price hikes, offset lower volumes.

Efforts to enhance Gucci's offering and pricing structure went hand-in-hand with the streamlining of its distribution and ongoing changes in the brand's creative and aesthetic proposition. The aim is to elevate the brand and make it more exclusive. In this way, the House can leverage its unique heritage while remaining resolutely contemporary and modern. Gucci's creative team – beyond of the Creative Director – and merchandizing team are working ceaselessly to achieve this balance, with an ongoing focus on maximizing the growth potential of each product category by adapting the overall offering to engage with the widest possible range of clients, and optimizing the mix between carryovers and new products.

Leather Goods sales were buoyed by successful product launches and investments in improving the range of luggage and travel bags. However, the deterioration in the Chinese market had a negative impact on handbag sales.

The brand's other product categories saw fairly similar growth rates compared to 2021.

Royalty revenue rose sharply year-on-year. The eyewear category, managed by Kering Eyewear, continued to see rising sales, while royalties from the license granted to Coty for the Fragrances and Cosmetics category saw an improvement, from a fairly favorable base for comparison.

## Recurring operating income

Gucci's recurring operating income amounted to €3,732 million for 2022, up €17 million year-on-year.

Recurring operating margin was 35.6%, down 2.6 points.

Given Gucci's geographical exposure, the combination of currency effects and the result of currency hedging had a slight negative impact of around 0.4 points on recurring operating margin.

Above all, the brand continued to allocate more resources to clienteling activities, in-store events, communication campaigns and upgrades to digital platforms and information systems. It also incurred costs in relation to the reorganization of its design studio, which was decided during the year.

Compared to 2021, these investments were concentrated in the first half, and the increase in operating expenses was limited in the second.

Given the sales growth trajectory in 2022 and particularly Gucci's fourth-quarter performance, operational leverage was particularly unfavorable in the second half of the year (i.e. expenses rose more quickly than revenue). The decline in operating margin relative to 2021 was 3.8 points in the second half as opposed to 1.3 points in the first six months of the year.

Gucci's EBITDA for 2022 stood at €4,416 million, an increase of €105 million relative to 2021 and representing an EBITDA margin of 42.1%.

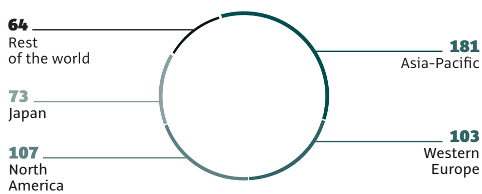
## Store network and operating investments

As of December 31, 2022, Gucci operated 528 stores directly. Gucci opened 27 new stores during the year (net of closures), mainly in Asia and North America.

It continued to prioritize organic growth by maximizing the productivity of the existing store network, while maintaining efforts to identify opportunities that will enable it to enhance its distribution in certain regions or sales channels.

Gucci's gross operating investments amounted to €408 million in 2022, 26% higher than in 2021, against a backdrop of rising prices for materials and building work. Gross operating investments equaled 3.9% of revenue (3.3% in 2021), which is a relatively normal level for a House of Gucci's size.

## Breakdown of directly operated stores by region



# 4.2 Yves Saint Laurent

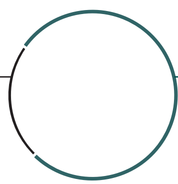
| *(in € millions)* | 2022 | 2021 | Change |
|---|---|---|---|
| **Revenue** | **3,300** | **2,521** | **+31%** |
| **Recurring operating income** | **1,019** | **715** | **+43%** |
| ***% of revenue*** | ***30.9%*** | ***28.3%*** | ***+2.6 pt*** |
| EBITDA | 1,251 | 915 | +37% |
| *% of revenue* | *37.9%* | *36.3%* | *+1.6 pt* |
| Acquisitions of property, plant and equipment and intangible assets | 112 | 72 | +55% |
| Average FTE headcount | 4,555 | 4,587 | -1% |

## Revenue

In 2022, Yves Saint Laurent's sales rose above the €3 billion barrier, coming in at €3,3 billion. This represents growth of 31% as reported and 23% on a comparable basis.

It was another year of rapid growth for the House, supporting its short-and medium-term revenue targets.

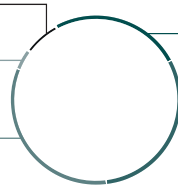
### Revenue by distribution channel




Revenue from stores and e-commerce sites directly operated by the House accounted for 77% of the total and rose 28% year-on-year on a comparable basis. Same-store growth accounted for most of this figure, with the vast majority of retail performance indicators showing an improvement, while online sales also posted very solid growth. Growth slowed to 7% in the retail business in the fourth quarter, but this was due to a high base for comparison: relative to 2019, retail revenue was up 75%.

Wholesale revenue rose by 6% at constant exchange rates relative to 2021. The wholesale channel remains strategically important for Yves Saint Laurent, as it perfectly complements its retail business. However, the House is continuing to pay particular attention to the quality and exclusivity of its distribution and is being careful to focus its wholesale business on a limited number of distributors. The increase in sales to these distributors more than offset the negative impact of reducing the number of wholesale accounts. This streamlining of distribution is likely to continue in 2023.

### Revenue by region




In view of the proportion of Yves Saint Laurent's sales generated by directly operated stores, the following revenue analysis by region only concerns retail and e-commerce sales.

In 2022, Yves Saint Laurent achieved year-on-year revenue growth across all major regions, although performance in Asia-Pacific was obviously held back by China's anti-COVID-19 measures. The House does not have any directly operated stores in Russia.

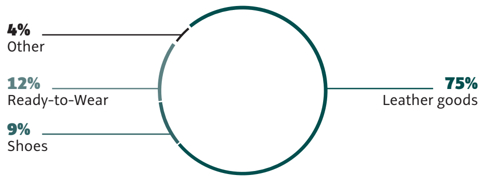
Year-on-year revenue growth was 84% in Western Europe and 21% in Japan on a comparable basis: the brand is popular with local customers, and sales were also driven by rising tourist numbers, particularly in Europe.

In North America, after an exceptional 2021 in which sales doubled compared to 2019, growth remained very strong at 15%. From the second quarter onward, however, growth in North America slowed, partly because of the high base for comparison and the upturn in the number of American tourists visiting Europe.

In Asia-Pacific, revenue was up 8% on a comparable basis. It was adversely affected by lower sales in China, although Yves Saint Laurent is proportionally less exposed to that market than many other players in the Luxury industry. On the plus side, its momentum was excellent in Southeast Asia.

Yves Saint Laurent's performance in the Rest of the World was very solid, with growth of 30%, and particularly in the Middle East, which has historically been an important market for the brand.

## Revenue by product category




All product categories registered sharp revenue rises compared to 2021 in the brand's directly operated stores and online channel.

Leather Goods remained the top category, with sales growth compared to 2021 closely aligned with the House's overall performance. This reflects the initiatives taken by Yves Saint Laurent over the last few years to constantly renew and refresh its Leather Goods offering, which has helped it to both attract new customers and retain existing ones in all its markets.

Sales of Ready-To-Wear collections for both women and men rose very sharply, continuing trends seen throughout 2021. This performance is the result of the brand's merchandizing strategy implemented over the past quarters with the aim of making its offerings and price architecture more relevant in this category.

Revenue in the shoes category also rose at a very firm pace.

Royalty revenue generated by Kering Eyewear surged, again showing the success of this licensing agreement. Royalties paid by L'Oréal in the Fragrances and Cosmetics category rebounded firmly after a more mixed 2021.

## Recurring operating income

In 2022, Yves Saint Laurent's recurring operating income totaled €1,019 million, an increase of 43%. Operating margin rose above the 30% threshold, coming in up 2.6 points year-on-year at 30.9%.

This further improvement is in line with the House's ambitions and intended growth trajectory. It also demonstrates that Yves Saint Laurent has achieved a critical size enabling it to capitalize on its operating leverage while also allocating all the resources necessary for its short-and medium-term development, ranging from creating, expanding and running its store network to leading communication campaigns around the brand.

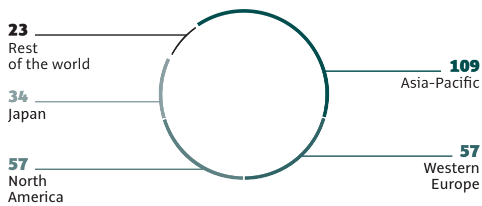
EBITDA rose by €336 million year-on-year to €1,251 million. As a result, EBITDA margin was 37.9% as opposed to 36.3% in 2021.

## Store network and operating investments

As of December 31, 2022, the House operated 280 stores directly. There were 12 net store openings during 2022, as the brand continued the store network expansion plan it has implemented over the past few years. Although 2022 clearly represented a return to normal in terms of growth in the store network, the House still has the potential to manage a network of 300-350 stores in the medium term. This target will drive the House's real-estate strategy in the next few years. Store openings in 2022 took place in all markets in which Yves Saint Laurent already had directly operated stores.

The House's operating investments totaled €112 million, up €40 million compared to 2021 and up €14 million relative to 2019. Investments in 2022 were heavily focused on the second half of the year, with some investments relating to large-scale projects due to be completed in 2023 or later. As a proportion of revenue, Yves Saint Laurent's operating investments were relatively normal at 3.4%.

## Breakdown of directly operated stores by region



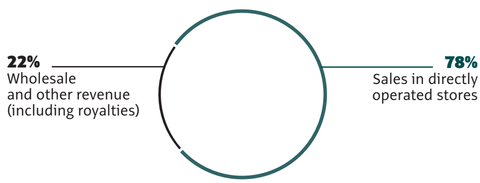
# 4.3 Bottega Veneta

| *(in € millions)* | 2022 | 2021 | Change |
|---|---|---|---|
| **Revenue** | **1,740** | **1,503** | **+16%** |
| **Recurring operating income** | **366** | **286** | **+28%** |
| ***% of revenue*** | ***21.0%*** | ***19.1%*** | ***+1.9 pt*** |
| EBITDA | 541 | 449 | +20% |
| *% of revenue* | *31.1%* | *29.9%* | *+1.2 pt* |
| Acquisitions of property, plant and equipment and intangible assets | 92 | 67 | +37% |
| Average FTE headcount | 3,748 | 3,777 | -1% |

## Revenue

In 2022, Bottega Veneta's revenue amounted to €1,740 million, an increase of 16% as reported or 11% on a comparable basis. The House's growth since 2018 reflects the success of its strategy, which it has implemented consistently and with determination, aiming to develop its offerings in all product categories, rejuvenate and broaden its customer base, raise brand awareness – especially in mature markets – and enhance customers' in-store experience.

## Revenue by distribution channel

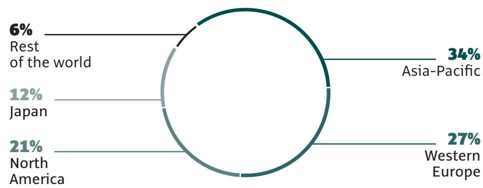



In keeping with the brand's exclusive, high-end positioning, the House is focusing on selling its products through directly operated stores and e-commerce sites, which accounted for 78% of its revenue in 2022, as opposed to 75% in 2021.

Bottega Veneta's sales in directly operated stores and e-commerce sites rose by 15% on a comparable basis. This growth was driven both by a healthy and controlled development of same-store sales and by good momentum in e-commerce. Comparative figures in 2021 may affect the analysis of performance in each quarter, but it is worth noting that growth in Bottega Veneta's retail sales was very steady in each quarter relative to 2019.

As expected, wholesale revenue was stable on a comparable basis. After two years in which Bottega Veneta's growing appeal enabled it to regain market share with its wholesalers, it has now started to reorganize this distribution channel – a process that will continue in 2023 – with the aim of working only with a limited number of very high-quality partners.

## Revenue by region




Given the proportion of Bottega Veneta's sales that are generated in directly operated stores, the following revenue analysis by region only concerns retail and online sales.

In Western Europe, revenue rose by 65% on a comparable basis, driven both by the brand's success with local customers and by the upturn in the number of tourists visiting the region.

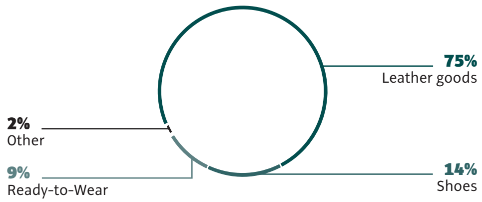
In Japan, sales grew 36% year-on-year at constant exchange rates. As in 2021, business levels in Japan showed that the House's new aesthetic direction and broader product range are making it increasingly popular with local customers.

In North America, Bottega Veneta's sales rose 5% on a comparable basis relative to 2021 despite the high base for comparison. In the United States, notably, the House has doubled in scale since 2019.

In Asia-Pacific, sales fell by 3%.Bottega Veneta achieved an excellent performance in South Korea, which is very similar market to Japan in terms of scale and the House's profile within it, and Southeast Asia, but this did not entirely offset the decline in sales in China.

Sales growth in the rest of the world remained robust.

### Revenue by product category




Leather Goods once again constituted the brand's core business, making up 75% of total sales, including wholesale. Both new and iconic lines, along with their seasonal variations, met with great success among the House's customer base. The House's strategy aims to maintain the exclusivity associated with this key category of Leather Goods, particularly by focusing on sales growth through higher prices and an improved product mix rather than volume growth alone.

Ready-To-Wear revenue posted very solid growth as new collections, both womenswear but also increasingly menswear, were very well received.

The sales trend in the shoes category, meanwhile, should be assessed in view of the very high base for comparison.

## Recurring operating income

Bottega Veneta's recurring operating income for 2022 totaled €366 million, up 28% compared to 2021.

Operating margin was again above 20% threshold, rising 1.9 points year-on-year to 21.0%. That increase was driven by positive operating leverage, even though the House maintained its investment efforts in order to make its revamp a lasting success. The increase in the cost base is therefore being well managed and priorities are being set regarding the allocation of resources to focus them on the most effective types of expenditure.

EBITDA amounted to €541 million in 2022, equal to 31.1% of revenue.

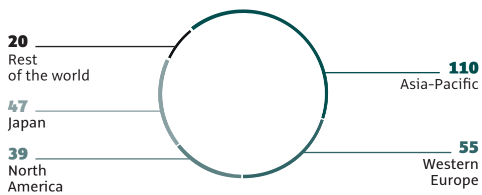
## Store network and operating investments

As of December 31, 2022, Bottega Veneta had 271 directly operated stores. There were 8 net store openings during the year.

The brand is focusing its investment efforts on relocating and refurbishing its existing stores, while pursuing its strategy of gradual and targeted openings as opportunities arise, notably with the establishment of new flagships.

Operating investments totaled €92 million, higher than in previous years. However, they remained broadly stable as a proportion of the House's sales (around 5%).

### Breakdown of directly operated stores by region



## 4.4 Other Houses

| *(in € millions)* | 2022 | 2021 | Change |
|---|---|---|---|
| **Revenue** | **3,874** | **3,285** | **+18%** |
| **Recurring operating income** | **558** | **459** | **+22%** |
| ***% of revenue*** | ***14.4%*** | ***14.1%*** | ***+0.3 pt*** |
| EBITDA | 888 | 734 | +21% |
| *% of revenue* | *22.9%* | *22.4%* | *+0.5 pt* |
| Acquisitions of property, plant and equipment and intangible assets | 221 | 180 | +23% |
| Average FTE headcount | 8,137 | 7,270 | +12% |

### Revenue

In 2022, revenue generated by the Other Houses grew 18% as reported and 16% on a comparable basis.

As well as currency effects, the difference between growth as reported and on a comparable basis was due to the disposal of watch brands Girard-Perregaux and Ulysse Nardin, which have no longer been consolidated since January 1, 2022.

All Houses in this segment achieved revenue growth.

Balenciaga's performance was outstanding for much of the year, although the fourth quarter was less positive due to slower growth in certain markets and controversy regarding one of its media campaigns, particularly in the United States.

After a very solid start to the year, Alexander McQueen worked to bolster its market share by rebalancing its product range , on purpose, and prioritizing its retail network.

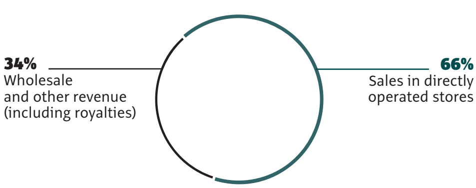
Brioni's revenue continued to recover, moving close to the 2019 figure and substantially higher at Brioni's directly operated stores.

Boucheron's sales rose very sharply, confirming the exceptional growth potential of this House.

Revenue growth at Pomellato and Dodo was extremely robust.

Qeelin was naturally affected by the weaker consumer environment in China, related to the "zero-COVID" policy adopted by the authorities. However, its sales still rose because of its resilient distribution network in China and solid growth in new markets.

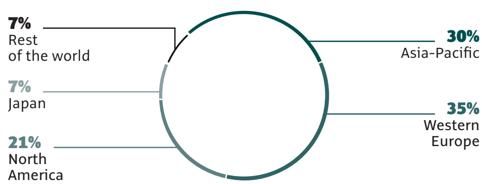
### Revenue by distribution channel




Revenue from stores and websites directly operated by the Other Houses rose by 27% year-on-year on a comparable basis. That growth was partly due to new store openings in line with the strategy of moving towards more exclusive distribution. Same-store sales growth was also very solid although it varied between markets. Continuously increasing online sales provided another source of growth. However, the proportion of total revenue coming from online sales varied between brands, showing close correlation with the maturity of each House's e-commerce operation and product range.

Wholesale revenue fell 6% on a comparable basis. In accordance with the Group's strategy, the Other Houses – primarily Balenciaga – are focusing their wholesale businesses on a limited number of top-quality partners.

### Revenue by region




The performances by region delivered by the Other Houses followed similar trends to those seen at Gucci, Yves Saint Laurent and Bottega Veneta.

Very firm trends in spending by local consumers and the recovery in tourism also supported all of the Other Houses' sales in Western Europe, where revenue rose by 25% on a comparable basis.

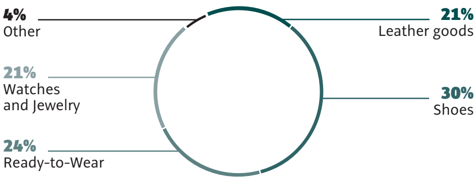
Revenue grew 37% on a comparable basis in Japan, boosted in particular by the excellent performance of Jewelry brands.

In North America, sales growth returned to a more normal level of 5% on a comparable basis. However, the Other Houses' sales in North America were more than double the level seen in 2019.

In Asia-Pacific, revenue growth remained solid at 10% on a comparable basis. Like the industry as a whole, the Other Houses were affected by the COVID policy adopted in China, but their sales held up well. In other markets, mainly Southeast Asia and Oceania, the Other Houses increased their revenue, showing their exceptional growth potential.

In the Rest of the World excluding Russia, the Other Houses were extremely robust.

### Revenue by product category




Of the major product categories, Leather Goods saw the strongest sales growth in 2022. In particular, the Leather Goods offerings of Balenciaga and Alexander McQueen, which have expanded in recent years, continued to attract new customers.

Revenue in the Ready-To-Wear category also saw very firm growth due to good momentum at Balenciaga, an upturn at Brioni and Alexander McQueen's high level of credibility in this category.

However, the shoes category suffered from a very high base for comparison and more moderate demand from aspirational customers in certain markets.

Jewelry Houses continued to implement their development plans successfully in 2022, and saw sales rise very substantially. High Jewelry collections from Boucheron but also Pomellato were particularly well received.

Royalties increased relative to 2021, due in particular to the very strong performance of licenses managed by Kering Eyewear.

## Recurring operating income

The Other Houses' recurring operating income was €558 million in 2022, 22% higher than in 2021.

Recurring operating margin came to 14.4%, up 0.3 points compared to 2021.

This slight increase was down to the Other Houses' excellent performance in the first half and the positive operational leverage that resulted. In the second half, however, profitability was lower because of expenditure on strengthening the Houses' organizations and supporting their development in all their main markets, while sales growth returned to a more normal level.

The deconsolidation of watch brands following their disposal also boosted the segment's operating margin.

EBITDA is at €888 million, an increase of increased €154 million year-on-year. This drove EBITDA margin 0.5 points higher to 22.9%.

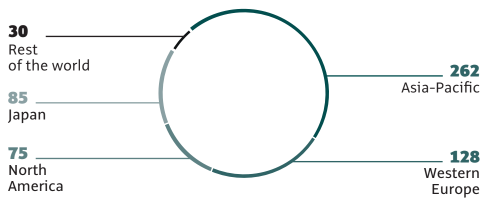
## Store network and operating investments

The Other Houses had 580 directly operated stores as of December 31, 2022, a net increase of 53 compared to 2021.

Balenciaga and the other Jewelry brands were mainly behind this expansion of the network. Asia-Pacific had most store openings (net of closures), followed by North America and Western Europe, which saw almost equal numbers of openings.

These developments naturally led to an increase in the Other Houses' operating investments, which totaled €221 million, €41 million more than in 2021. As a proportion of annual revenue, investments remained high at 5.7% in 2022 as opposed to 5.5% in 2021. Although the Houses obviously worked on strengthening their retail operations, they also invested in their production capabilities and the full array of infrastructure need to develop their businesses.

### Breakdown of directly operated stores by region



## 4.5 Kering Eyewear and Corporate

| *(in € millions)* | 2022 | 2021 | Change |
|---|---|---|---|
| **Revenue** | **1,139** | **733** | **+55%** |
| *of which Kering Eyewear* | *1,115* | *706* | *+58%* |
| *of which Corporate and other* | *24* | *27* | *-9%* |
| **Recurring operating income** | **(88)** | **(164)** | **+46%** |
| *of which Kering Eyewear* | *203* | *82* | *+146%* |
| *of which Corporate and other* | *(291)* | *(246)* | *-18%* |
| Acquisitions of property, plant and equipment and intangible assets | 238 | 291 | -18% |
| Average FTE headcount | 5,486 | 4,269 | +29% |

The "Kering Eyewear and Corporate" segment comprises:

- Kering Eyewear, whose sales and operating income are presented before the elimination of intra-group sales and other consolidation adjustments (reported on the separate line item "Eliminations");
- Kering's headquarters teams, all corporate departments reporting to them – including in the regions – and Shared Services, which provide a range of services to the brands, along with the Kering Sustainability Department.KGS – the Kering entity that handled sourcing activities for non-Group brands including companies making up the former Redcats group – was sold in November 2022. The operating income it generated in 2022, during the period of almost 11 months when it remained part of the Group, is included in the "Corporate and other" sub-segment.

In 2022, the segment generated total revenue of €1,139 million, including €1,115 million from Kering Eyewear.

Kering Eyewear's sales were up 58% as reported. They included a positive impact from a change in scope, resulting from the consolidation of Lindberg from October 1, 2021 and Maui Jim from October 1, 2022.

At constant scope and exchange rates, revenue rose by 27%, with the number of licenses managed by Kering Eyewear remaining stable relative to 2021. Performance in the first and second halves of the year must be analyzed in view of seasonal variations in Kering Eyewear's business, with more sales taking place in the first six months.

Growth at constant scope was extremely solid in all its main markets, except China.

In terms of the distribution channels of brands managed under license by Kering Eyewear, local chains and the "three Os" (opticians, optometrists and ophthalmologists) constitute the main sales channel (representing over 50% of total sales in both 2022 and 2021). Revenue from those distributors once again saw very robust growth, showing the effectiveness of Kering Eyewear's sales organization. Business levels in the other distribution channels rose sharply and even rebounded in Travel Retail, where sales doubled year-on-year.

The segment made an operating loss of €88 million, comprising operating income of €203 million at Kering Eyewear less Corporate operating expenses of €291 million.

Kering Eyewear's recurring operating margin was 18.2%, around 6.5 points more than in 2021. That increase resulted from positive operating leverage but also the accretive nature of the Lindberg and Maui Jim acquisitions.

Corporate operating expenses rose by €45 million compared to 2021. Excluding an adverse currency effect, the increase in costs related mainly to the Group's IT, digital and innovation initiatives, as well as the effects of inflation, which particularly affected payroll expenses. In addition, expenses had remained at a particularly low level in 2021 after a massive decrease in 2020 when the COVID-19 pandemic was at its height. Relative to 2019, therefore, the increase in corporate operating expenses was limited to 4% as reported.

The segment's operating investments amounted to €238 million in 2022, down €52 million relative to 2021. Investment peaked in 2020 and remained very high in 2021, in connection with efforts to modernize all IT systems and the logistics organization that Corporate manages on behalf of the Group's brands.

# 5 - PARENT COMPANY NET INCOME

In 2022, the parent company generated net income of €1,552 million, compared to €2,769 million in 2021. The 2022 figure includes €1,624 million of dividends received from subsidiaries (versus €2,025 million in 2021).

# 6 - TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties in 2022 are described in the notes to the consolidated financial statements (Note 29 – Transactions with related parties).

# 7 - SUBSEQUENT EVENTS

## Stock repurchase program

The fourth tranche of the Stock Repurchase Program was completed on December 15, 2022. Between October 24 and December 15, 2022, 650,000 shares (representing around 0.5% of the share capital) were repurchased at an average price of €511.71 per share.

The Board of Directors decided in its meeting of February 14, 2023 that the 650,000 shares repurchased in this tranche would be canceled by the end of 2023.

## Appointment of Gucci's new creative director

On January 28, 2023, Kering and Gucci announced the arrival of Sabato De Sarno as Creative Director of Gucci. Sabato De Sarno will present his first collection during Milan Women's Fashion Week in September 2023.

As part of his new role, Sabato De Sarno will lead the House's creative studio and will report to Marco Bizzarri, President and Chief Executive Officer of Gucci. He will be responsible for defining and expressing the House's creative vision through Womenswear, Menswear, Leather Goods, Accessories and Lifestyle collections.

Sabato De Sarno grew up in Naples, Italy. He started his career at Prada in 2005, before moving to Dolce & Gabbana and then Valentino in 2009. At Valentino, he took on increasing responsibilities until he was appointed Fashion Director, overseeing menswear and womenswear collections.

## Raffaella Cornaggia appointed Chief Executive Officer of Kering Beauté

On February 3, 2023, Kering announced the appointment of Raffaella Cornaggia as CEO of Kering Beauté. Based in Paris and reporting to Jean-François Palus, Group Managing Director of Kering, she is a member of the Group's Executive Committee.

In her new role, and supported by a team of seasoned professionals, she will help develop expertise in the Beauty category for Bottega Veneta, Balenciaga, Alexander McQueen, Pomellato and Qeelin.

The creation of Kering Beauté will enable the Group to support these brands in the development of this category, which is a natural extension of their universes.

Kering is confident it can create value for the Group and its Houses, drawing on each of their unique identities in a way that is fully consistent with their strategy and market positioning.

# 8 – OUTLOOK

To achieve its long-term vision, Kering invests in the development of its Houses, so that they continuously strengthen their desirability and the exclusivity of their distribution, strike a perfect balance between creative innovation and timelessness, and achieve the highest standards in terms of quality, sustainability, and experience for their customers.

In an environment of ongoing economic and geopolitical uncertainty in the near term, Kering will continue to execute on its strategy and vision, in pursuit of two key ambitions: to maintain a trajectory of profitable growth resulting in high levels of cash flow generation and return on capital employed, and to confirm its status as one of the most influential groups in the Luxury industry.

# 9 – DEFINITIONS OF NON-IFRS FINANCIAL INDICATORS

## "Reported" and "comparable" growth

The Group's "reported" growth corresponds to the change in reported revenue between two periods.

The Group measures "comparable" growth (also referred to as "organic" growth) in its business by comparing revenue between two periods at constant scope and exchange rates.

Changes in scope are dealt with as follows for the periods concerned:

- the portion of revenue relating to acquired entities is excluded from the current period;
- the portion relating to entities divested or in the process of being divested is excluded from the previous period.

Currency effects are calculated by applying the average exchange rates for the current period to amounts in the previous period.

## Recurring operating income

The Group's operating income includes all revenues and expenses directly related to its activities, whether these revenues and expenses are recurring or arise from non-recurring decisions or transactions.

Other non-recurring operating income and expenses consist of items that, by their nature, amount or frequency, could distort the assessment of the Group's operating performance as reflected in its recurring operating income. They include changes in scope, the impairment of goodwill and brands and, where material, of property, plant and equipment and intangible assets, capital gains and losses on disposals of non-current assets, restructuring costs and disputes.

"Recurring operating income" is therefore an alternative performance indicator for the Group, defined as the difference between operating income and other non-recurring operating income and expenses. This indicator is intended to facilitate the understanding of the operating performance of the Group and its Houses and can therefore be used as a way to estimate recurring performance. It 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.

## EBITDA

The Group uses EBITDA as an alternative performance indicator to monitor its operating performance. This financial indicator corresponds to recurring operating income plus net charges to depreciation, amortization and provisions on non-current operating assets recognized in recurring operating income.

## Free cash flow from operations, available cash flow from operations and available cash flow

The Group 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 acquisitions and disposals of property, plant and equipment and intangible assets).

The Group has also defined a new indicator, "Available cash flow from operations", in order to take into account capitalized fixed lease payments (repayments of principal and interest) pursuant to IFRS 16, and thereby reflect all of its operating cash flows.

"Available cash flow" therefore corresponds to available cash flow from operations plus interest and dividends received, less interest paid and equivalent (excluding leases).

## Net debt

Net debt is one of the Group's main financial indicators, and is defined as borrowings less cash and cash equivalents. Lease liabilities are not included in the calculation of this indicator. Borrowings include put options granted to minority interests.

The cost of net debt corresponds to all financial income and expenses associated with these items, including the impact of derivative instruments used to hedge the fair value of borrowings.

## Effective tax rate on recurring income

The effective tax rate on recurring income corresponds to the effective tax rate excluding tax effects relating to other non-recurring operating income and expenses.

# CHAPTER 3

# Financial statements as of December 31, 2022

# 1 - CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022

Financial statements audited, certification in progress.

## 1.1 Consolidated income statement

| *(in € millions)* | Notes | 2022 | 2021 |
|---|---|---|---|
| CONTINUING OPERATIONS | | | |
| **Revenue** | 3 | **20,351** | **17,645** |
| Cost of sales | | (5,153) | (4,577) |
| **Gross margin** | | **15,198** | **13,068** |
| Other personnel expenses | 4 | (2,830) | (2,444) |
| Other recurring operating income and expenses | | (6,779) | (5,607) |
| **Recurring operating income** | | **5,589** | **5,017** |
| Other non-recurring operating income and expenses | 6 | (194) | (220) |
| **Operating income** | | **5,395** | **4,797** |
| Financial result | 7 | (260) | (273) |
| **Income before tax** | | **5,135** | **4,524** |
| Income tax expense | 8 | (1,420) | (1,280) |
| Share in earnings (losses) of equity-accounted companies | | 2 | 1 |
| **Net income from continuing operations** | | **3,717** | **3,245** |
| *o/w attributable to the Group* | | *3,613* | *3,165* |
| *o/w attributable to minority interests* | | *104* | *80* |
| DISCONTINUED OPERATIONS | | | |
| **Net income from discontinued operations** | | **1** | **11** |
| *o/w attributable to the Group* | | *1* | *11* |
| *o/w attributable to minority interests* | | - | - |
| GROUP TOTAL | | | |
| **Net income of consolidated companies** | | **3,718** | **3,256** |
| *o/w attributable to the Group* | | *3,614* | *3,176* |
| *o/w attributable to minority interests* | | *104* | *80* |

| *(in € millions)* | Notes | 2022 | 2021 |
|---|---|---|---|
| **Net income attributable to the Group** | | **3,614** | **3,176** |
| Basic earnings per share *(in €)* | 9.1 | 29.34 | 25.49 |
| Diluted earnings per share *(in €)* | 9.1 | 29.31 | 25.49 |
| **Net income from continuing operations attributable to the Group** | | **3,613** | **3,165** |
| Basic earnings per share *(in €)* | 9.1 | 29.33 | 25.40 |
| Diluted earnings per share *(in €)* | 9.1 | 29.30 | 25.40 |
| **Net income from continuing operations (excluding non-recurring items) attributable to the Group** | | **3,747** | **3,361** |
| Basic earnings per share *(in €)* | 9.2 | 30.42 | 26.98 |
| Diluted earnings per share *(in €)* | 9.2 | 30.39 | 26.98 |

## 1.2 Consolidated statement of comprehensive income

| *(in € millions)* | Notes | 2022 | 2021 |
|---|---|---|---|
| **Net income** | | **3,718** | **3,256** |
| **Change in currency translation adjustments relating to consolidated subsidiaries:** | | **(69)** | ***220*** |
| *- change in currency translation adjustments* | | *(69)* | *220* |
| *- amounts transferred to the income statement* | | *-* | *-* |
| **Change in foreign currency cash flow hedges:** | 19.6 | **246** | **(280)** |
| *- change in fair value* | | *(68)* | *(261)* |
| *- amounts transferred to the income statement* | | *327* | *(34)* |
| *- tax effects* | | *(13)* | *15* |
| **Change in other comprehensive income (loss) of equity-accounted companies:** | | **-** | **-** |
| *- change in fair value* | | *-* | *-* |
| *- amounts transferred to the income statement* | | *-* | *-* |
| **Gains and losses recognized in equity, to be transferred to the income statement** | | **177** | **(60)** |
| **Change in provisions for pensions and other post-employment benefits:** | 21 | **24** | **16** |
| *- change in actuarial gains and losses* | | *30* | *18* |
| *- tax effects* | | *(6)* | *(2)* |
| **Change in financial assets measured at fair value:** | 14.2 | **(225)** | **83** |
| *- change in fair value* | | *(272)* | *91* |
| *- tax effects* | | *47* | *(8)* |
| **Gains and losses recognized in equity, not to be transferred to the income statement** | | **(201)** | **99** |
| **Total gains and losses recognized in equity** | | **(24)** | **39** |
| COMPREHENSIVE INCOME | | 3,694 | 3,295 |
| *o/w attributable to the Group* | | *3,576* | *3,201* |
| *o/w attributable to minority interests* | | *118* | *94* |

# 1.3 Consolidated balance sheet

## Assets

| *(in € millions)* | Notes | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|---|
| Goodwill | 10 | 4,053 | 2,891 |
| Brands and other intangible assets | 11 | 7,357 | 7,032 |
| Lease right-of-use assets | 12.1 | 4,929 | 4,302 |
| Property, plant and equipment | 13 | 3,388 | 2,967 |
| Investments in equity-accounted companies | | 49 | 31 |
| Non-current financial assets | 14 | 855 | 1,054 |
| Deferred tax assets | 8.3 | 1,640 | 1,352 |
| Other non-current assets | | 8 | 6 |
| **Non-current assets** | | **22,279** | **19,635** |
| Inventories | 15 | 4,465 | 3,369 |
| Trade receivables and accrued income | 16 | 1,180 | 977 |
| Current tax receivables | | 378 | 822 |
| Current financial assets | 14 | 167 | 22 |
| Other current assets | | 1,136 | 975 |
| Cash and cash equivalents | 18.1 | 4,336 | 5,249 |
| **Current assets** | | **11,662** | **11,414** |
| **Assets held for sale** | | **-** | **19** |
| TOTAL ASSETS | | 33,941 | 31,068 |

## Equity and liabilities

| *(in € millions)* | Notes | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|---|
| Equity attributable to the Group | | 13,998 | 13,347 |
| Equity attributable to minority interests | | 785 | 389 |
| **Equity** | 17 | **14,783** | **13,736** |
| Non-current borrowings | 18 | 4,347 | 2,976 |
| Non-current lease liabilities | 12.2 | 4,420 | 3,826 |
| Non-current financial liabilities | 20 | - | - |
| Non-current provisions for pensions and other post-employment benefits | 21 | 66 | 89 |
| Non-current provisions | 22 | 19 | 16 |
| Deferred tax liabilities | 8.3 | 1,572 | 1,452 |
| Other non-current liabilities | | 228 | 198 |
| **Non-current liabilities** | | **10,652** | **8,557** |
| Current borrowings | 18 | 2,295 | 2,442 |
| Current lease liabilities | 12.2 | 812 | 675 |
| Current financial liabilities | 20 | 663 | 743 |
| Trade payables and accrued expenses | | 2,263 | 1,742 |
| Current provisions for pensions and other post-employment benefits | 21 | 12 | 12 |
| Current provisions | 22 | 168 | 138 |
| Current tax liabilities | 8 | 567 | 1,148 |
| Other current liabilities | | 1,726 | 1,826 |
| **Current liabilities** | | **8,506** | **8,726** |
| **Liabilities associated with assets held for sale** | | **-** | **49** |
| TOTAL EQUITY AND LIABILITIES | | 33,941 | 31,068 |

## 1.4 Consolidated statement of changes in equity

| **Before appropriation of net income** *(in € millions)* | **Notes** | **Number of shares outstanding** | **Share capital** | **Capital reserves** | **Kering treasury shares** | **Cumulative translation adjustments** | **Remeasurement of financial instruments** | **Other reserves and net income** | **Group** | **Minority interests** | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **As of January 1, 2021** | | **124,922,916** | **500** | **1,863** | **(54)** | **(288)** | **362** | **9,438** | **11,821** | **214** | **12,035** |
| Net income | | | | | | | | 3,176 | 3,176 | 80 | 3,256 |
| Total gains and losses recognized in equity | | | | | | 206 | (197) | 16 | 25 | 14 | 39 |
| **Comprehensive income** | | | | | | **206** | **(197)** | **3,192** | **3,201** | **94** | **3,295** |
| Change in equity of Kering SA | | | | | | | | | | | |
| Change in equity of subsidiaries | | | | | | | | | - | 95 | 95 |
| Expense related to share-based payments | 5 | | | | | | | 21 | 21 | - | 21 |
| Cancellation of Kering treasury shares | 17.1 | 0 | (1) | (208) | 209 | | | | - | - | - |
| (Acquisitions) disposals of Kering treasury shares[1] | 17.1 | (854,211) | | | (535) | | | (4) | (538) | - | (538) |
| Distribution of dividends | 17.2 | | | | | | | (1,122) | (1,122) | (23) | (1,146) |
| Other changes[2] | | | | | | | | (35) | (35) | 10 | (25) |
| **As of December 31, 2021** | | **124,068,705** | **499** | **1,655** | **(380)** | **(82)** | **165** | **11,490** | **13,347** | **389** | **13,736** |
| Impact of applying new IFRSs from January 1, 2022 | | | | | | | | (21) | (21) | - | (21) |
| **As of January 1, 2022** | | **124,068,705** | **499** | **1,655** | **(380)** | **(82)** | **165** | **11,469** | **13,326** | **389** | **13,715** |
| Net income | | | | | | | | 3,614 | 3,614 | 104 | 3,718 |
| Total gains and losses recognized in equity | | | | | | (83) | 21 | 24 | (38) | 14 | (24) |
| **Comprehensive income** | | | | | | **(83)** | **21** | **3,638** | **3,576** | **118** | **3,694** |
| Change in equity of Kering SA | | 102,862 | | 38 | | | | | 38 | | 38 |
| Change in equity of subsidiaries | | | | | | | | | - | 346 | 346 |
| Expense related to share-based payments | 5 | | | | | | | 45 | 45 | - | 45 |
| Cancellation of Kering treasury shares | 17.1 | | (3) | (379) | 382 | | | | - | - | - |
| (Acquisitions) disposals of Kering treasury shares[1] | 17.1 | (1,951,197) | | | (1,030) | | | | (1,030) | | (1,030) |
| Distribution of dividends | 17.2 | | | | | | | (1,605) | (1,605) | (45) | (1,650) |
| Other changes[2] | | | | | | | | (352) | (352) | (23) | (375) |
| **As of December 31, 2022** | | **122,220,370** | **496** | **1,314** | **(1,028)** | **(165)** | **186** | **13,195** | **13,998** | **785** | **14,783** |

(1) The acquisition cost of Kering treasury shares is reflected in the "Kering treasury shares" column. Capital gains or losses on the sale of Kering treasury shares, along with the related expenses and taxes, are recognized in the "Other reserves and net income" column.

(2) "Other changes" include changes in scope and transactions with minority interests.

## 1.5 Consolidated statement of cash flows

| *(in € millions)* | Notes | 2022 | 2021 |
|---|---|---|---|
| **Net income from continuing operations** | | **3,717** | **3,245** |
| Net recurring charges to depreciation, amortization and provisions on non-current operating assets | 2.1 | 1,666 | 1,453 |
| Other non-cash (income) expenses | 24 | (334) | 18 |
| **Cash flow received from operating activities** | 24 | **5,049** | **4,716** |
| Interest paid (received) | | 287 | 215 |
| Dividends received | | (7) | (2) |
| Current tax expense | 8.1 | 1,597 | 1,458 |
| **Cash flow received from operating activities before tax, dividends and interest** | | **6,926** | **6,387** |
| Change in working capital requirement | 25 | (902) | (38) |
| Income tax paid | | (1,746) | (1,473) |
| **Net cash received from operating activities** | | **4,278** | **4,876** |
| Acquisitions of property, plant and equipment and intangible assets | 26 | (1,071) | (934) |
| Disposals of property, plant and equipment and intangible assets | | 1 | 6 |
| Acquisitions of subsidiaries and associates, net of cash acquired | | (1,565) | (466) |
| Reclassification of cash and cash equivalents held by Girard Perregaux and Ulysse Nardin as Assets held for sale | | (32) | (22) |
| Acquisitions of other financial assets | | (235) | (122) |
| Disposals of other financial assets | | 115 | 1,049 |
| Interest and dividends received | | 17 | 37 |
| **Net cash received from (used in) investing activities** | | **(2,770)** | **(452)** |
| Increase (decrease) in share capital and other transactions | | 38 | - |
| Dividends paid to shareholders of Kering SA | 17.2 | (1,483) | (998) |
| Dividends paid to minority interests in consolidated subsidiaries | | (45) | (27) |
| Transactions with minority interests | | 317 | 2 |
| (Acquisitions) disposals of Kering treasury shares | 17.1 | (1,030) | (538) |
| Issuance of bonds and bank debt | 18.4 | 1,742 | 63 |
| Redemption of bonds and bank debt | 18.4 | (904) | (583) |
| Issuance (redemption) of other borrowings | | 343 | 152 |
| Repayment of lease liabilities | 12.4 | (824) | (776) |
| Interest paid and equivalent | | (298) | (222) |
| **Net cash received from (used in) financing activities** | 27 | **(2,144)** | **(2,927)** |
| **Net cash received from (used in) discontinued operations** | | **(8)** | **(2)** |
| Impact of exchange rates on cash and cash equivalents | | 222 | 21 |
| **Net increase (decrease) in cash and cash equivalents** | | **(422)** | **1,516** |
| **Cash and cash equivalents at opening** | 23 | **4,516** | **3,000** |
| **Cash and cash equivalents at closing** | 23 | **4,094** | **4,516** |

## 1.6 Notes to the 2022 consolidated financial statements

# INTRODUCTION

Kering SA, the Group's parent company, is a société anonyme (French corporation) with a Board of Directors, incorporated under French law, whose registered office is located at 40, rue de Sèvres, 75007 Paris, France. Kering is a global Luxury group, managing the development of a series of renowned Houses in Fashion, Leather Goods and Jewelry.

On February 14, 2023, the Board of Directors approved the consolidated financial statements as of December 31, 2022 and authorized their publication. These consolidated financial statements will only be considered as final after their adoption by the April 27, 2023 Annual General Meeting.

The consolidated financial statements as of December 31, 2022 reflect the accounting position of Kering SA, its subsidiaries and its associates (the "Group").

Pursuant to European Regulation No. 1606/2002 of July 19, 2002, these consolidated financial statements were prepared in accordance with applicable international financial reporting standards (IFRSs) as endorsed by the European Union and mandatorily applicable as of the reporting date.

The accounting policies and methods applied by the Group pursuant to IFRSs are set out in Note 33 – Accounting policies and methods.

Unless otherwise stated, amounts are stated in millions of euros. In general, amounts stated in the consolidated financial statements and notes to the consolidated financial statements are rounded to the nearest unit. As a result, the sum of the rounded amounts may show non-material differences relative to the stated total.

# NOTE 1 – SIGNIFICANT EVENTS OF 2022

## Kering Eyewear's acquisition of eyewear brand Maui Jim

Kering Eyewear completed the acquisition of Maui Jim in 2022, after the deal was announced on March 14, 2022.

Maui Jim is consolidated in the Kering group's financial statements since October 1, 2022.

Since its inception in 2014, Kering Eyewear has built an innovative business model resulting in more than €700 million of external revenues in 2021. The Maui Jim acquisition takes Kering Eyewear to the next level, with revenue of over €1 billion in 2022 and profit margins further improving.

## Sale of Girard-Perregaux and Ulysse Nardin to their management

On May 31, 2022, Kering completed the sale of Swiss watchmakers Girard-Perregaux and Ulysse Nardin by selling 100% of its stake in Sowind Group SA to its management. The transaction was completed in accordance with the terms announced on January 24, 2022.

Disposal proceeds of €29 million were recognized in the Group's consolidated financial statements for the year ended December 31, 2022 under Non-recurring operating income.

## Completion of the Stock Repurchase Program

Pursuant to the Stock Repurchase Program announced on August 25, 2021, covering up to 2.0% of its share capital over a 24-month period, Kering implemented the second, third and fourth tranches in 2022.

The table below shows the status of the program's various tranches at December 31, 2022:

| | Tranche 1 | Tranche 2 | Tranche 3 | Tranche 4 |
|---|---|---|---|---|
| **Repurchase period** | August 25 to November 3, 2021 | February 23 to April 6, 2022 | May 18 to July 19, 2022 | October 24 to December 15, 2022 |
| **Number of shares repurchased** | 650,000, representing around 0.5% of the share capital | 650,000, representing around 0.5% of the share capital | 650,000, representing around 0.5% of the share capital | 650,000, representing around 0.5% of the share capital |
| **Average price of shares repurchased** | €643.70 per share | €578.71 per share | €485.53 per share | €511.71 per share |
| **Allocation of repurchased shares** | 325,000 shares were canceled on December 10, 2021, pursuant to a decision by the Board of Directors at its meeting on December 9, 2021 | 325,000 shares were canceled on December 12, 2022, pursuant to a decision by the Board of Directors at its meeting on April 28, 2022 | 400,000 shares were canceled on December 12, 2022, pursuant to a decision by the Board of Directors at its meeting on July 27, 2022 | The shares acquired under this fourth tranche will be canceled in 2023 |

### Dual-tranche bond issue for a total amount of €1.5 billion

On April 28, 2022, Kering issued €1.5 billion of bonds consisting of:

- a €750 million tranche with a 3-year maturity and a 1.25% coupon;
- and a €750 million tranche with an 8-year maturity and a 1.875% coupon.

This issue, which forms part of the Group's active liquidity management, enhances its funding flexibility by enabling it to refinance existing debt and, in part, finance the Maui Jim acquisition.

### Launch of an employee shareholder transaction

On May 4, 2022, Kering announced the launch of its first employee shareholder transaction. Details of the transaction are provided in Note 5.3.

At the end of the subscription period, which took place from May 19 to June 9, 2022, 102,862 shares had been subscribed (including the employer contribution). The shares were settled and delivered on July 7, 2022 through a €411,448 increase in Kering SA's capital involving the issue of 102,862 new ordinary shares.

# NOTE 2 – OPERATING SEGMENTS

## 2.1 Information by operating segment

| *(in € millions)* | Gucci | Yves Saint Laurent | Bottega Veneta | Other Houses | Kering Eyewear and Corporate | Eliminations[1] | Notes |
|---|---|---|---|---|---|---|---|
| 2022 | | | | | | | |
| **Revenue** | **10,487** | **3,300** | **1,740** | **3,874** | **1,139** | **(189)** | **20,351** |
| **Recurring operating income** | **3,732** | **1,019** | **366** | **558** | **(88)** | **2** | **5,589** |
| Net recurring charges to depreciation, amortization and provisions on non-current operating assets | 684 | 232 | 175 | 330 | 245 | N/A | 1,666 |
| EBITDA | 4,416 | 1,251 | 541 | 888 | 157 | 2 | 7,255 |
| Acquisitions of property, plant and equipment and intangible assets | 408 | 112 | 92 | 221 | 238 | N/A | 1,071 |
| 2021 | | | | | | | |
| **Revenue** | **9,731** | **2,521** | **1,503** | **3,285** | **733** | **(128)** | **17,645** |
| **Recurring operating income (loss)** | **3,715** | **715** | **286** | **459** | **(164)** | **6** | **5,017** |
| Net recurring charges to depreciation, amortization and provisions on non-current operating assets | 596 | 200 | 163 | 275 | 219 | N/A | 1,453 |
| EBITDA | 4,311 | 915 | 449 | 734 | 55 | 6 | 6,470 |
| Acquisitions of property, plant and equipment and intangible assets | 324 | 72 | 67 | 180 | 291 | N/A | 934 |

(1) Intra-group eliminations are now disclosed in a separate column.

## 2.2 Revenue by region

| *(in € millions)* | 2022 | 2021 |
|---|---|---|
| Asia-Pacific (excluding Japan) | 6,568 | 6,695 |
| Western Europe | 5,566 | 4,045 |
| North America | 5,547 | 4,685 |
| Japan | 1,244 | 1,059 |
| Rest of the world | 1,425 | 1,160 |
| TOTAL | **20,351** | 17,645 |

# NOTES ON THE CONSOLIDATED INCOME STATEMENT

## NOTE 3 – REVENUE

| *(in € millions)* | 2022 | 2021 |
|---|---|---|
| Sales from directly operated stores including e-commerce | 16,007 | 13,782 |
| Wholesale sales, royalties and other revenue[1] | 4,344 | 3,863 |
| TOTAL | 20,351 | 17,645 |

(1) After elimination of intra-group sales.

## NOTE 4 – PERSONNEL EXPENSES AND HEADCOUNT

### 4.1 Personnel expenses by type

| *(in € millions)* | 2022 | 2021 |
|---|---|---|
| Wages, salaries and payroll taxes | (2,497) | (2,083) |
| Expenses related to pensions and other post-employment benefits under defined benefit plans | (11) | (12) |
| Expense related to share-based payments | (29) | (55) |
| Other | (294) | (295) |
| TOTAL[1] | (2,830) | (2,444) |

(1) Excludes personnel expenses included in the cost of sales.

### 4.2 Average headcount on a full-time equivalent basis by region

| | 2022 | 2021 |
|---|---|---|
| Asia-Pacific (excluding Japan) | 12,306 | 10,800 |
| Western Europe | 19,487 | 18,506 |
| North America | 4,825 | 3,862 |
| Japan | 2,681 | 2,686 |
| Rest of the world | 3,337 | 2,982 |
| TOTAL | 42,637 | 38,836 |

### 4.3 Headcount on the payroll at year-end by region

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Asia-Pacific (excluding Japan) | 12,888 | 12,315 |
| Western Europe | 21,914 | 19,981 |
| North America | 5,840 | 4,462 |
| Japan | 2,934 | 2,816 |
| Rest of the world | 3,651 | 3,237 |
| TOTAL | 47,227 | 42,811 |

# NOTE 5 – SHARE-BASED PAYMENT

## 5.1 Cash-settled plans

Until 2019, the Group granted certain employees Kering Monetary Units (KMUs), namely long-term incentive plans based on shares that are systematically settled in cash and subject to continuing service conditions for all beneficiaries, along with performance conditions for executive corporate officers. The Group recognizes its obligation as services are rendered by the beneficiaries, over the period from the grant date to the vesting date.

At December 31, 2022, only the plan granted in 2019 remained in force and exercisable, after the 2018 plan reached the end of its exercise period in October 2022. The exercise date is the date at which all of the specified vesting conditions have been satisfied, and as of which the beneficiaries are entitled to ask for payment of their rights. Vested rights may be exercised over a period of two years, during which beneficiaries can opt to cash out some or all of their KMUs in April or October, at their discretion, based on the most recently determined value.

The unit value of the KMUs awarded is determined and changes based on movements in the Kering share price by itself and in comparison with the average performance of a basket of seven stocks from the Luxury industry.

### Information on grants

| Year granted | 2018 | 2019 |
|---|---|---|
| Grant date | 01/01/2018 | 01/01/2019 |
| Vesting period | 3 years | 3 years |
| Exercise period | 2 years | 2 years |
| Last exercise window | October 2022 | October 2023 |
| Number of beneficiaries on the grant date | 331 | 345 |
| Number of shares initially granted | 64,281 | 38,205 |
| Unit fair value at grant date *(in €)* | 581 | 753 |

### Number of shares outstanding

| Year granted | 2018 | 2019 |
|---|---|---|
| **Balance as of December 31, 2021** | **8,837** | **33,624** |
| Number granted | - | - |
| Number forfeited | (116) | (4,665) |
| Number exercised | (8,721) | (25,201) |
| **Balance as of December 31, 2022** | **-** | **3,758** |
| *o/w exercisable as of December 31, 2022* | *-* | *3,758* |
| Weighted average price per instrument exercised *(in €)* | 1,231.6 | 1,346.6 |

## 5.2 Plans settled in Kering shares

### Free share and performance share plans

Since 2020, with respect to its long-term incentive plans, Kering has introduced free share and performance share plans for senior executives and certain Group employees. The characteristics of these plans are as follows:

### Information on grants

| Year granted | 2020 | 2021 | 2022 |
|---|---|---|---|
| Grant date | 10/01/2020 | 10/01/2021 | 10/04/2022 |
| Vesting period | 3 years | 3 years | 3 years |
| Number of beneficiaries on the grant date | 351 | 372 | 497 |
| Number of shares initially granted | 46,596 | 42,752 | 74,274 |
| Unit fair value at grant date *(in €)* | 542.6-608.7 | 622.5-628.3 | 457.2-461.5 |

### Number of shares outstanding

| Year granted | 2020 | 2021 | 2022 |
|---|---|---|---|
| **Balance as of December 31, 2021** | **43,724** | **42,296** | **-** |
| Number granted | - | - | 74,274 |
| Number forfeited | (5,093) | (4,046) | (5,938) |
| Number delivered | - | - | - |
| **Balance as of December 31, 2022** | **38,631** | **38,250** | **68,336** |

Under performance share plans, the final number of shares delivered to beneficiaries who continue to be employed by the Group at the end of the vesting period cannot be less than 50% or more than 50% of the initial grant made to these beneficiaries. The performance adjustment ratio used to calculate the final number of shares to be delivered is determined in line with Kering's share performance over the three-year vesting period versus the performance of the industry as a whole, as measured based on an index of eight European luxury stocks. As well as the performance conditions applicable to all beneficiaries, specific performance conditions apply to the corporate officers, as outlined at the Annual General Meetings of June 16, 2020, April 22, 2021 and April 28, 2022.

### Other free share and performance share plans

Kering may also include share-based payments in plans specifically introduced for key executives from the Houses, reflecting the creation of value at their respective brands.

A plan of this type was set up in 2020 and provides for settlement in Kering shares after a vesting period of five years. The fair value of this benefit at the grant date was calculated by an independent expert using the Black & Scholes and Monte Carlo methods and amounts to €55 million.

## 5.3 Capital increase reserved for employees

On May 4, 2022, Kering announced the launch of its first employee share ownership plan. It took place in France, Italy, the United Kingdom, the United States, Mainland China, Hong Kong SAR, Japan and South Korea. The price for subscribing shares under the program was set at €394, corresponding to Kering's average opening share price on Euronext Paris during the 20 trading sessions from April 19 to May 16, 2022, less a 20% discount and rounded up to the nearest cent.

At the end of the subscription period, which took place from May 19 to June 9, 2022, 102,862 shares had been subscribed (including the employer contribution).

The shares were settled and delivered on July 7, 2022 through a €411,448 increase in Kering SA's capital involving the issue of 102,862 new ordinary shares.

# NOTE 6 – OTHER NON-RECURRING OPERATING INCOME AND EXPENSES

| *(in € millions)* | 2022 | 2021 |
|---|---|---|
| Gains relating to changes in scope | 29 | 5 |
| Capital gains on disposals of non-current assets | - | - |
| Other | 4 | - |
| **Other non-recurring operating income** | **33** | **5** |
| Losses relating to changes in scope | (21) | (140) |
| Capital losses on disposals of non-current assets | - | - |
| Impairment of goodwill and other non-current assets | (41) | (69) |
| Restructuring costs | (36) | (9) |
| Acquisition costs | (29) | (1) |
| Other | (101) | (5) |
| **Other non-recurring operating expenses** | **(227)** | **(225)** |
| OTHER NON-RECURRING OPERATING INCOME AND EXPENSES | (194) | (220) |

Gains from changes to the scope of consolidation arose from Ulysse Nardin and Girard Perregeaux currency translation adjustments being recognized as income on the day those entities were sold.

The 2021 loss relating to the same change in scope arose from fair value adjustments on assets and liabilities held for sale.

Impairment of other non-current assets amounted to €41 million including €36 million relating to lease right-of-use assets and property, plant and equipment in Russia.

Other non-current operating expenses mainly concerned the cost of reorganizing Gucci's design studio and the impact of the change in estimates relating to inventories described in Note 15.

# NOTE 7 – FINANCIAL RESULT

| *(in € millions)* | 2022 | 2021 |
|---|---|---|
| **Cost of net debt**[1] | **(47)** | **(38)** |
| Income from cash and cash equivalents | 10 | 8 |
| Finance costs at amortized cost | (57) | (46) |
| **Other financial income and expenses** | **(89)** | **(129)** |
| Net gains (losses) on financial assets | (3) | 2 |
| Net foreign exchange gains (losses) | (28) | 1 |
| Ineffective portion of cash flow and fair value hedges | (154) | (83) |
| Net gains (losses) on derivative instruments not qualifying for hedge accounting | 111 | (32) |
| Other finance costs | (15) | (16) |
| **Financial result excluding leases** | **(136)** | **(167)** |
| Interest expense on lease liabilities | (124) | (106) |
| TOTAL | (260) | (273) |

(1) The definition of net debt is set out in Note 33.1.4.

In 2022, the cost of net debt was €47 million (€38 million in 2021). The change arose mainly from the increase in the average amount of debt outstanding and in the average interest rate.

Other financial income and expense produced a net expense of €89 million in 2022 (net expense of €129 million in 2021). This positive development arose mainly from the change in value of the derivative embedded in the PUMA bond issue, which was redeemed in late September.

# NOTE 8 – INCOME TAXES

## 8.1 Income tax expense

| *(in € millions)* | 2022 | 2021 |
|---|---|---|
| Current tax expense | (1,597) | (1,459) |
| Deferred tax income (expense) | 177 | 178 |
| TOTAL | (1,420) | (1,280) |

## 8.2 Reconciliation of the effective tax rate

| *(in € millions)* | 2022 | 2021 |
|---|---|---|
| Income before tax | 5,135 | 4,524 |
| Income tax expense | (1,420) | (1,280) |
| **Effective tax rate** | **27.7%** | **28.3%** |
| Other non-recurring operating income and expenses | (194) | (220) |
| Recurring income before tax | 5,329 | 4,744 |
| Income tax on other non-recurring operating income and expenses | 60 | 23 |
| Tax expense on recurring income | (1,480) | (1,304) |
| **Effective tax rate on recurring income** | **27.8%** | **27.5%** |

| *(as a % of pre-tax income)* | 2022 | 2021 |
|---|---|---|
| **Tax rate applicable in France** | **25.8%** | **28.4%** |
| Differences in the tax rates applicable to foreign subsidiaries | -0.9% | - 4.0% |
| Permanent differences | -0.4% | 0.6% |
| Unrecognized tax losses carried forward | 1.4% | 0.2% |
| Change in tax rate | -0.1% | 0.3% |
| Other differences | 1.9% | 2.0% |
| **Effective tax rate on recurring income** | **27.8%** | **27.5%** |
| Differences relating to other non-recurring operating income and expenses (permanent differences and differences in tax rates) | -0.1% | 0.8% |
| **Effective tax rate** | **27.7%** | **28.3%** |

The income tax rate applicable in France in 2022 was the standard rate of 25%, plus a social surtax of 3.3%, bringing the overall rate to 25.8%.

"Differences in the tax rates applicable to foreign subsidiaries" correspond to the difference between the statutory tax rate applicable in France and the different statutory tax rates applicable in other countries in which the Group does business.

"Permanent differences" result from expenses not deductible and/or income not taxable pursuant to the tax laws of the countries in which the Group does business.

"Other differences" mainly relate to other taxes, such as the IRAP regional production tax in Italy, the CVAE tax on value added in France, tax credits, and possibly tax reassessments.

## 8.3 Deferred tax assets and liabilities

| *(in € millions)* | Dec. 31, 2021 | Income statement | Gains and losses recognized in equity | Other changes(1) | Dec. 31, 2022 |
|---|---|---|---|---|---|
| Deferred tax assets | 1,352 | 231 | 47 | 9 | 1,640 |
| Deferred tax liabilities | (1,452) | (54) | (19) | (47) | (1,572) |
| **Net deferred tax assets (liabilities)** | **(100)** | **177** | **28** | **(37)** | **68** |
| Value of brands | (1,421) | (69) | - | (54) | (1,544) |
| Inventories: elimination of internal margins and impairment | 973 | 215 | - | 1 | 1,189 |
| Other adjustments | 331 | 30 | 28 | 15 | 403 |
| Tax loss carryforwards | 17 | 2 | - | 1 | 20 |

(1) "Other changes" include foreign exchange differences and changes in scope.

## 8.4 Unrecognized deferred tax assets

| *(in € millions)* | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Deferred tax assets on tax loss carryforwards | 368 | 294 |
| Deferred tax assets on other temporary differences | 41 | 33 |
| **Unrecognized deferred tax assets** | **410** | **327** |

| *(in € millions)* | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Unrecognized tax loss carryforwards expiring in *(tax base)* | 1,156 | 729 |
| *less than five years* | *25* | *51* |
| *more than five years* | *1,132* | *679* |
| Indefinite unrecognized tax loss carryforwards *(tax base)* | 623 | 615 |
| **Total unrecognized tax loss carryforwards** *(tax base)* | **1,779** | **1,344** |

# NOTE 9 – EARNINGS PER SHARE

## 9.1 Earnings per share

### 2022

| | Consolidated Group | Continuing operations | Discontinued operations |
|---|---|---|---|
| **Net income attributable to the Group** *(in € millions)* | **3,613.8** | **3,612.7** | **1.0** |
| Weighted average number of ordinary shares outstanding | 124,705,057 | 124,705,057 | 124,705,057 |
| Weighted average number of Kering treasury shares | (1,545,941) | (1,545,941) | (1,545,941) |
| **Weighted average number of ordinary shares** | **123,159,116** | **123,159,116** | **123,159,116** |
| **Basic earnings per share** *(in €)* | **29.34** | **29.33** | **0.01** |
| | | | |
| Weighted average number of ordinary shares | 123,159,116 | 123,159,116 | 123,159,116 |
| Potentially dilutive ordinary shares | 135,529 | 135,529 | 135,529 |
| **Weighted average number of diluted ordinary shares** | **123,294,645** | **123,294,645** | **123,294,645** |
| **Diluted earnings per share** *(in €)* | **29.31** | **29.30** | **0.01** |

### 2021

| | Consolidated Group | Continuing operations | Discontinued operations |
|---|---|---|---|
| **Net income attributable to the Group** *(in € millions)* | **3,175.7** | **3,164.6** | **11.1** |
| Weighted average number of ordinary shares outstanding | 124,999,217 | 124,999,217 | 124,999,217 |
| Weighted average number of Kering treasury shares | (414,708) | (414,708) | (414,708) |
| **Weighted average number of ordinary shares** | **124,584,509** | **124,584,509** | **124,584,509** |
| **Basic earnings per share** *(in €)* | **25.49** | **25.40** | **0.09** |
| | | | |
| Weighted average number of ordinary shares | 124,584,509 | 124,584,509 | 124,584,509 |
| Potentially dilutive ordinary shares | 38,920 | 38,920 | 38,920 |
| **Weighted average number of diluted ordinary shares** | **124,623,429** | **124,623,429** | **124,623,429** |
| **Diluted earnings per share** *(in €)* | **25.49** | **25.40** | **0.09** |

## 9.2 Earnings per share from continuing operations excluding non-recurring items

Non-recurring items presented below consist of other non-recurring operating income and expenses (see Note 6), reported net of tax and minority interests.

| *(in € millions)* | 2022 | 2021 |
|---|---|---|
| **Net income from continuing operations attributable to the Group** | **3,612.7** | **3,164.6** |
| Other non-recurring operating income and expenses | (194.0) | (219.8) |
| Income tax on other non-recurring operating income and expenses | 60.0 | 23.1 |
| **Net income from continuing operations (excluding non-recurring items) attributable to the Group** | **3,746.7** | **3,361.3** |
| | **2022** | **2021** |
| Weighted average number of ordinary shares outstanding | 124,705,057 | 124,999,217 |
| Weighted average number of Kering treasury shares | (1,545,941) | (414,708) |
| **Weighted average number of ordinary shares** | **123,159,116** | **124,584,509** |
| **Basic earnings per share from continuing operations excluding non-recurring items** *(in €)* | **30.42** | **26.98** |
| | | |
| Weighted average number of ordinary shares | 123,159,116 | 124,584,509 |
| Potentially dilutive ordinary shares | 135,529 | 38,920 |
| **Weighted average number of diluted ordinary shares** | **123,294,645** | **124,623,429** |
| **Diluted earnings per share from continuing operations excluding non-recurring items** *(in €)* | **30.39** | **26.98** |

# NOTES ON THE CONSOLIDATED BALANCE SHEET

## NOTE 10 – GOODWILL AND IMPAIRMENT TESTS

### 10.1 Changes during the period

#### 2022

| *(in € millions)* | As of January 1 | Acquisitions | Impairment losses | Changes in scope | Foreign exchange differences | Other movements | As of December 31 |
|---|---|---|---|---|---|---|---|
| **Gross** | **3,094** | **1,474** | **-** | **-** | **(114)** | **(194)** | **4,261** |
| Impairment losses | (203) | - | - | - | (4) | - | (207) |
| NET | 2,891 | 1,474 | - | - | (118) | (194) | 4,053 |

The "Acquisitions" item in 2022 corresponds mainly to €1,455 million of provisional goodwill at Maui Jim. The €194 million amount in "other movements" corresponds mainly to the allocation of goodwill relating to Lindberg.

#### 2021

| *(in € millions)* | As of January 1 | Acquisitions | Impairment losses | Changes in scope | Assets held for sale | Foreign exchange differences | Other movements | As of December 31 |
|---|---|---|---|---|---|---|---|---|
| **Gross** | **2,927** | **424** | **-** | **-** | **(288)** | **32** | **(1)** | **3,094** |
| Impairment losses | (474) | - | - | - | 288 | (17) | 1 | (203) |
| NET | 2,453 | 424 | - | - | - | 15 | - | 2,891 |

### 10.2 Impairment tests

As part of the goodwill measurement process, an impairment test was carried out as of December 31, 2022. The main assumptions used for each cash-generating unit (CGU) are as follows:

| **Dec. 31, 2022** *(in € millions)* | Goodwill | | | |
|---|---|---|---|---|
| | Net carrying amount | Discount rate (before tax) | Perpetual growth rate | Business plan time frame |
| Gucci CGU | 1,652 | 15.2% | 3.0% | 5 years |
| Other CGUs | 2,401 | 11.8% - 15.2% | 3.0% | 5 or 10 years |
| TOTAL | 4,053 | | | |

#### 2021

| **Dec. 31, 2021** *(in € millions)* | Goodwill | | | |
|---|---|---|---|---|
| | Net carrying amount | Discount rate (before tax) | Perpetual growth rate | Business plan time frame |
| Gucci CGU | 1,639 | 12.1% | 3.0% | 5 years |
| Other CGUs | 1,252 | 9.9% - 12.7% | 3.0% | 5 or 10 years |
| TOTAL | 2,891 | | | |

In 2022, no impairment losses were recognized in the income statement as a result of impairment tests.

Recoverable amounts determined as part of impairment tests underwent sensitivity testing based on a 10-basis-point increase in the post-tax discount rate, a 10-basis-point decrease in the perpetual growth rate and a 10-basis-point decrease in cash flows.

These tests did not show a recoverable amount less than the carrying amount of cash-generating units.

# NOTE 11 – BRANDS AND OTHER INTANGIBLE ASSETS

| *(in € millions)* | Gross | Amortization and impairment | Dec. 31, 2022 Net | Dec. 31, 2021 Net |
|---|---|---|---|---|
| Brands | 6,758 | (103) | 6,655 | 6,406 |
| Other intangible assets | 1,667 | (965) | 702 | 626 |
| TOTAL | 8,425 | (1,068) | 7,357 | 7,032 |

In 2022, changes in brands and other intangible assets were as follows:

## 2022

| *(in € millions)* | Carrying amount as of January 1 | Acquisitions | Amortization | Impairment losses | Changes in scope | Foreign exchange differences | Other movements | Carrying amount as of December 31 |
|---|---|---|---|---|---|---|---|---|
| Brands | 6,406 | - | - | - | - | 2 | 247 | 6,655 |
| Other intangible assets | 597[1] | 279 | (177) | - | 4 | 1 | (2) | 702 |
| TOTAL | 7,003 | 279 | (177) | - | 4 | 3 | 245 | 7,357 |

(1) The impact of the IFRIC decision relating to the recognition of configuration and customization costs in a SaaS (Software as a Service) arrangement was €29 million.
(2) The amount under "Other movements" relates to the Lindberg brand.

## 2021

| *(in € millions)* | Carrying amount as of January 1 | Acqui-sitions | Amorti-zation | Impairment losses | Changes in scope | Assets held for sale | Foreign exchange differences | Other movements | Carrying amount as of December 31 |
|---|---|---|---|---|---|---|---|---|---|
| Brands | 6,402 | 1 | - | - | - | - | 3 | - | 6,406 |
| Other intangible assets | 584 | 259 | (160) | (70) | 8 | (6) | 4 | 7 | 626 |
| TOTAL | 6,986 | 260 | (160) | (70) | 8 | (6) | 7 | 7 | 7,032 |

# NOTE 12 – LEASES

## 12.1 Lease right-of-use assets

| *(in € millions)* | Gross | Depreciation and impairment | Dec. 31, 2022 Net | Dec. 31, 2021 Net |
|---|---|---|---|---|
| Stores | 6,058 | (2,376) | 3,682 | 3,299 |
| Offices and other | 1,581 | (455) | 1,126 | 896 |
| **Capitalized fixed lease payments** | **7,639** | **(2,831)** | **4,808** | **4,196** |
| Lease rights | 207 | (85) | 121 | 106 |
| TOTAL | 7,846 | (2,916) | 4,929 | 4,302 |

## Change in lease right-of-use assets

### 2022

| *(in € millions)* | Carrying amount as of January 1 | New leases | Lease modifications | Early terminations | Depreciation | Impairment losses | Foreign exchange differences | Other | Carrying amount as of December 31 |
|---|---|---|---|---|---|---|---|---|---|
| Stores | 3,299 | 1,045 | 110 | (35) | (771) | (18) | 44 | 7 | 3,682 |
| Offices and other | 896 | 376 | 41 | (37) | (154) | - | 6 | (3) | 1,126 |
| **Total** | **4,196** | **1,421** | **151** | **(72)** | **(925)** | **(18)** | **50** | **4** | **4,808** |
| Lease rights | 106 | 14 | - | - | (10) | - | (1) | 13 | 121 |
| TOTAL | 4,302 | 1,435 | 151 | (72) | (935) | (18) | 49 | 17 | 4,929 |

### 2021

| *(in € millions)* | Carrying amount as of January 1 | New leases | Lease modifications | Early terminations | Depreciation | Impairment losses | Assets held for sale | Foreign exchange differences | Other | Carrying amount as of December 31 |
|---|---|---|---|---|---|---|---|---|---|---|
| Stores | 2,949 | 789 | 282 | (167) | (683) | 9 | (2) | 129 | (6) | 3,299 |
| Offices and other | 892 | 111 | 24 | (4) | (134) | - | (1) | 16 | (8) | 896 |
| **Total** | **3,841** | **899** | **306** | **(172)** | **(817)** | **9** | **(2)** | **145** | **(14)** | **4,196** |
| Lease rights | 116 | 13 | - | - | (10) | - | - | - | (13) | 106 |
| TOTAL | 3,957 | 912 | 306 | (172) | (827) | 9 | (2) | 145 | (27) | 4,302 |

## 12.2 Lease liabilities

| *(in € millions)* | Y+2 | Y+3 | Y+4 | Y+5 and beyond | Total as of Dec. 31, 2022 | Total as of Dec. 31, 2021 |
|---|---|---|---|---|---|---|
| Maturity schedule of non-current lease liabilities | 762 | 653 | 568 | 2,437 | 4,420 | 3,826 |

As of December 31, 2022, current lease liabilities amounted to €812 million (€675 million in 2021).

## Change in lease liabilities

### 2022

| *(in € millions)* | Carrying amount as of January 1 | New leases | Repay-ments | Interest expense | Lease modifi-cations | Early termi-nations | Foreign exchange difference | Other movements | Carrying amount as of December 31 |
|---|---|---|---|---|---|---|---|---|---|
| Stores | 3,540 | 1,033 | (780) | 98 | 112 | (34) | 48 | 10 | 4,027 |
| Offices and other | 961 | 375 | (168) | 26 | 42 | (37) | 8 | (3) | 1,204 |
| TOTAL | 4,501 | 1,408 | (948) | 124 | 154 | (71) | 56 | 7 | 5,232 |

### 2021

| *(in € millions)* | Carrying amount as of January 1 | New leases | Repay-ments | Interest expense | Lease modifi-cations | Early termi-nations | Liabilities associated with assets held for sale | Foreign exchange difference | Other | Carrying amount as of December 31 |
|---|---|---|---|---|---|---|---|---|---|---|
| Stores | 3,143 | 787 | (736) | 83 | 285 | (168) | (2) | 145 | 3 | 3,540 |
| Offices and other | 941 | 110 | (146) | 23 | 22 | (4) | (1) | 18 | (3) | 961 |
| TOTAL | 4,084 | 896 | (882) | 106 | 308 | (173) | (3) | 163 | 1 | 4,501 |

## 12.3 Impact of leases in the income statement

| *(in € millions)* | 2022 | 2021 |
|---|---|---|
| Rental expense – Variable lease payments | (989) | (834) |
| Rental expense – Short-term leases | (97) | (76) |
| Rental expense – Leases with a low-value underlying asset | (4) | (8) |
| Sub-lease revenue | 10 | 9 |
| Depreciation of lease right-of-use assets | (935) | (827) |
| **Impact on recurring operating income** | **(2,015)** | **(1,736)** |
| Interest expense on lease liabilities | (124) | (106) |
| **Impact on financial result** | **(124)** | **(106)** |
| Impairment of lease right-of-use assets | 18 | 9 |
| **Impact on other non-recurring operating income and expenses** | **18** | **9** |
| TOTAL | (2,121) | (1,833) |

## 12.4 Impact of leases in the statement of cash flows

| *(in € millions)* | 2022 | 2021 |
|---|---|---|
| **Impact of leases in the income statement** | **(2,121)** | **(1,833)** |
| Depreciation of lease right-of-use assets | 935 | 827 |
| Impairment of lease right-of-use assets | (18) | (9) |
| Interest paid on leases | 124 | 106 |
| Change in working capital requirement – leases | (23) | (35) |
| **Impact on net cash received from (used in) operating activities** | **(1,103)** | **(945)** |
| Lease set-up costs | (19) | (15) |
| **Impact on net cash received from (used in) investing activities** | **(19)** | **(15)** |
| Repayment of lease liabilities | (824) | (776) |
| Interest paid on leases | (124) | (106) |
| **Impact on cash received from (used in) financing activities** | **(948)** | **(882)** |
| TOTAL | (2,070) | (1,841) |

# NOTE 13 – PROPERTY, PLANT AND EQUIPMENT

| *(in € millions)* | Gross | Depreciation and impairment | Dec. 31, 2022 Net | Dec. 31, 2021 Net |
|---|---|---|---|---|
| Land and buildings | 923 | (240) | 683 | 672 |
| Plant and equipment | 4,955 | (2,743) | 2,211 | 1,946 |
| Other property, plant and equipment | 599 | (105) | 494 | 349 |
| TOTAL | 6,477 | (3,089) | 3,388 | 2,967 |

## 2022

| *(in € millions)* | Carrying amount as of January 1 | Acqui-sitions | Disposals | Depre-ciation | Impair-ment losses | Changes in scope | Foreign exchange differences | Other movements | Carrying amount as of December 31 |
|---|---|---|---|---|---|---|---|---|---|
| Land and buildings | 672 | 14 | - | (21) | 2 | 13 | (7) | 10 | 683 |
| Plant and equipment | 1,946 | 605 | (4) | (515) | (18) | 24 | 14 | 159 | 2,211 |
| Other PP&E | 349 | 333 | - | (20) | - | 6 | 4 | (178) | 494 |
| TOTAL | 2,967 | 952 | (4) | (556) | (16) | 42 | 12 | (9) | 3,388 |

## 2021

| *(in € millions)* | Carrying amount as of January 1 | Acqui-sitions | Disposals | Depre-ciation | Impair-ment losses | Changes in scope | Assets held for sale | Foreign exchange differences | Other movements | Carrying amount as of December 31 |
|---|---|---|---|---|---|---|---|---|---|---|
| Land and buildings | 686 | 4 | (3) | (21) | (1) | 7 | (19) | 2 | 18 | 672 |
| Plant and equipment | 1,621 | 398 | (9) | (423) | (9) | 9 | (9) | 66 | 302 | 1,946 |
| Other PP&E | 364 | 313 | (5) | (16) | (1) | 2 | (1) | 11 | (317) | 349 |
| TOTAL | 2,670 | 715 | (17) | (461) | (12) | 18 | (29) | 79 | 3 | 2,967 |

# NOTE 14 – FINANCIAL ASSETS

## 14.1 Breakdown of financial assets

| *(in € millions)* | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Non-consolidated investments[(1)] | 416 | 708 |
| Loans and receivables | 1 | 1 |
| Deposits and guarantees | 226 | 211 |
| Other financial investments | 213 | 134 |
| **Non-current financial assets** | **855** | **1,054** |
| Derivative instruments | 163 | 16 |
| Loans and receivables | 3 | 6 |
| **Current financial assets** | **167** | **22** |

(1) *Including a 3% interest in PUMA in 2022 (4% in 2021).*

### 14.2 Financial assets at fair value

| *(in € millions)* | **Dec. 31, 2022** | **Dec. 31, 2021** |
|---|---|---|
| Non-consolidated investments | 416 | 708 |
| *o/w changes in fair value recognized through equity* | *408* | *706* |
| *o/w changes in fair value recognized through the income statement* | *9* | *2* |
| Derivative instruments | 163 | 16 |
| Other financial investments | 213 | 134 |
| *o/w changes in fair value recognized through equity* | *205* | *125* |
| *o/w changes in fair value recognized through the income statement* | *7* | *9* |
| **Financial assets at fair value** | **791** | **858** |

The fair value of non-consolidated investments quoted on an active market is their market price as of the reporting date (level 1 of the fair value hierarchy). This category chiefly includes PUMA shares. The fair value of non-consolidated investments not quoted on an active market is determined using internal valuation techniques drawing on non-observable inputs (level 3 of the fair value hierarchy).The securities in this category are not material.

The fair value of derivative instruments is determined using valuation techniques drawing on observable market inputs (such as forward rates and interest rate curves) and on commonly used models (level 2 of the fair value hierarchy) (see Note 19).

The fair value of other financial investments carried at fair value is determined using internal valuation techniques drawing on non-observable inputs (level 3 of the fair value hierarchy).

# NOTE 15 – INVENTORIES

| *(in € millions)* | **Dec. 31, 2022** | **Dec. 31, 2021** |
|---|---|---|
| Commercial inventories | 4,707 | 4,287 |
| Industrial inventories | 1,102 | 940 |
| **Gross value** | **5,809** | **5,227** |
| Allowances | (1,343) | (1,858) |
| **Carrying amount** | **4,465** | **3,369** |

In 2022 stopped using the retail method for measuring inventories. Inventories are now measured using the weighted average cost method. The impact of this change in accounting estimates is recognized on a forward-looking basis and recognized under "Other non-recurring operating expenses" (see Note 6) in an amount of €52 million in 2022.

### Movements in allowances

| *(in € millions)* | **As of January 1** | **Additions** | **Reversals** | **Changes in scope** | **Assets held for sale** | **Foreign exchange differences** | **Other movements** | **As of December 31** |
|---|---|---|---|---|---|---|---|---|
| 2022 | (1,858) | (311) | 84 | (9) | - | (6) | 756 | (1,343) |
| 2021 | (1,718) | (285) | 89 | (6) | 102 | (51) | 12 | (1,858) |

“Other movements” include a reclassification between gross value and allowances, following the aforementioned adoption of a new technique for measuring inventories.

# NOTE 16 – TRADE RECEIVABLES AND ACCRUED INCOME

| *(in € millions)* | **Dec. 31, 2022** | **Dec. 31, 2021** |
|---|---|---|
| Trade receivables and accrued income | 1,207 | 1,008 |
| Allowances | (27) | (31) |
| **Carrying amount** | **1,180** | **977** |

## Movements in allowances

| *(in € millions)* | **As of January 1** | **Net (additions) reversals** | **Changes in scope** | **Assets held for sale** | **Foreign exchange differences** | **Other movements** | **As of December 31** |
|---|---|---|---|---|---|---|---|
| 2022 | (31) | 5 | (1) | - | (1) | - | (27) |
| 2021 | (40) | 7 | (1) | 5 | (2) | - | (31) |

| **Breakdown of trade receivables and accrued income by age**<br>*(in € millions)* | **2022** | **2021** |
|---|---|---|
| Receivables not yet due | 1,027 | 893 |
| Past due receivables: | 180 | 115 |
| *Less than one month* | *99* | *79* |
| *One to six months* | *69* | *25* |
| *More than six months* | *12* | *11* |
| Allowances | (27) | (31) |

## Credit risk

In light of the Group's business model, with wholesale sales and royalties received from wholesalers making a smaller contribution to total sales, the Group does not have significant exposure to credit risk. Furthermore, with respect to wholesalers, the Group has no dependency or concentration risk. The Group substantially limits the credit risk linked to these parties by taking out credit insurance.

# NOTE 17 – EQUITY

As of December 31, 2022, the share capital amounted to €496,283,112, comprising 124,070,778 fully paid-up shares with a par value of €4 each (share capital of €498,771,664 and 124,692,916 shares as of December 31, 2021).

Changes in the share capital in 2022 were as follows:

- in July 2022, as part of an employee share ownership transaction, the Group increased Kering SA's capital by €411,448 by issuing 102,862 ordinary shares;
- as part of the stock repurchase program, the Group canceled 725,000 shares, reducing the share capital by €2,900,000.

Excluding the 1,850,408 Kering treasury shares, there were 122,220,370 shares issued and outstanding as of December 31, 2022.

## 17.1 Kering treasury shares

| | **Dec. 31, 2022** | | **Dec. 31, 2021** | |
|---|---|---|---|---|
| *(in € millions)* | **Number** | **Amount** | **Number** | **Amount** |
| Liquidity agreement | - | - | - | - |
| Stock repurchase program (for cancellation) | 650,000 | 333 | - | - |
| Share-based payment | 1,200,408 | 690 | 624,211 | 380 |
| **Kering treasury shares** | **1,850,408** | **1,023** | **624,211** | **380** |

### Change in Kering treasury shares

| *(in € millions)* | Number | Amount | Impact on cash |
|---|---|---|---|
| **As of January 1, 2022** | **624,211** | **380** | |
| Purchases under the liquidity agreement | 191,105 | 101 | 101 |
| Disposals under the liquidity agreement | (191,105) | (101) | (101) |
| Purchases under share-based payment plans | 576,197 | 310 | (312) |
| Purchases with a view to canceling the shares | 1,375,000 | 715 | (718) |
| Cancellations under the stock repurchase program | (725,000) | (382) | N/A |
| Shares vested | - | - | N/A |
| Net capital gain (loss) on disposal | - | - | N/A |
| **As of December 31, 2022** | **1,850,408** | **1,023** | **(1,030)** |

### Liquidity agreement

Since May 26, 2004, Kering has maintained agreements with a financial broker in order to improve the liquidity of the Group's shares and ensure share price stability. The latest agreement was signed on February 13, 2019, in accordance with AMF ruling no. 2018-01 of July 2, 2018, applicable since January 1, 2019. An amendment to that agreement came into force on July 1, 2021, providing for the resources in the liquidity account to be reduced by €25 million. As a result, there has been €25 million in the liquidity account since July 1, 2021.

### Stock repurchase program and allocation to free share plans

The stock repurchase program, authorized in the Annual General Meetings of July 6, 2021 and April 28, 2022, and announced on August 25, 2021 with the aim of repurchasing up to 2.0% of the Group's share capital over a 24-month period, was completed on December 15, 2022.

In 2022, the Company repurchased 1,950,000 shares (in tranches 2-4 of the stock repurchase program), of which 725,000 have already been canceled. Of the shares repurchased in the first tranche of the program, 325,000 were canceled in 2021.

The table summarizing the program's various tranches at December 31, 2022 is presented in Note 1 - Significant events of 2022.

## 17.2 Dividends paid by Kering SA

| *(in € millions)* | Dividend for 2022 | Dividend for 2021 |
|---|---|---|
| INTERIM DIVIDEND | | |
| Amount per share | €4.50 | €3.50 |
| Payment date | Jan. 18, 2023 | Jan. 17, 2022 |
| Gross amount paid | 551 | 434 |
| BALANCE PAID THE FOLLOWING YEAR FURTHER TO THE AGM | | |
| Amount per share | €9.50(1) | €8.50 |
| Payment date | May 4, 2023 | May 5, 2022 |
| Gross amount paid | 1,179(1)(2) | 1,049 |
| TOTAL DIVIDEND | | |
| Amount per share | €14.00 | €12.00 |
| Total gross amount | 1,712(2) | 1,483 |

(1) Based on a recommendation of Kering's Board of Directors of February 14, 2023, pending approval of the Annual General Meeting of April 27, 2023.
(2) Without adjusting for the effect of Kering shares held in treasury.

Amounts paid are presented after adjusting for the effect of Kering shares held in treasury.

# NOTE 18 – NET DEBT

| *(in € millions)* | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Borrowings | 6,642 | 5,417 |
| Cash and cash equivalents | (4,336) | (5,249) |
| TOTAL | 2,306 | 168 |

## 18.1 Cash and cash equivalents

| *(in € millions)* | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Cash | 4,006 | 3,325 |
| Cash equivalents[1] | 330 | 1,924 |
| TOTAL | 4,336 | 5,249 |

(1) Including term deposits and mutual fund units.

## 18.2 Breakdown of borrowings by category and maturity

| *(in € millions)* | Dec. 31, 2022 | Current | *Y+2* | *Y+3* | *Y+4* | *Y+5* | *Beyond* | Total non-current |
|---|---|---|---|---|---|---|---|---|
| Bonds | 4,226 | 600 | *502* | *748* | *498* | *486* | *1,391* | 3,626 |
| Other bank borrowings | 201 | 141 | *31* | *28* | - | - | - | 59 |
| Bank overdrafts | 242 | 242 | - | - | - | - | - | - |
| Commercial paper | 1,010 | 1,010 | - | - | - | - | - | - |
| Other borrowings[1] | 963 | 302 | *46* | *595* | - | *10* | *11* | 661 |
| *o/w Put options granted to minority interests* | *681* | *20* | *46* | *595* | - | *10* | *11* | *661* |
| TOTAL | 6,642 | 2,295 | *579* | *1,371* | *498* | *496* | *1,402* | 4,347 |
| % | 100% | 35% | *9%* | *21%* | *8%* | *7%* | *21%* | 65% |

| *(in € millions)* | Dec. 31, 2021 | Current | *Y+2* | *Y+3* | *Y+4* | *Y+5* | *Beyond* | Total non-current |
|---|---|---|---|---|---|---|---|---|
| Bonds | 3,370 | 825 | *599* | *504* | - | *498* | *944* | 2,545 |
| Other bank borrowings | 229 | 99 | *89* | *32* | *1* | *1* | *7* | 130 |
| Bank overdrafts | 733 | 733 | - | - | - | - | - | - |
| Commercial paper | 703 | 703 | - | - | - | - | - | - |
| Other borrowings[1] | 382 | 82 | - | *43* | *257* | - | - | 300 |
| *o/w Put options granted to minority interests* | *326* | *26* | - | *43* | *257* | - | - | *300* |
| TOTAL | 5,417 | 2,442 | *688* | *579* | *258* | *499* | *951* | 2,976 |
| % | 100% | 45% | *13%* | *11%* | *5%* | *9%* | *18%* | 55% |

(1) Other borroçawings include accrued interest.

## 18.3 Breakdown of borrowings by repayment currency, after hedging

| *(in € millions)* | Dec. 31, 2022 | % | Dec. 31, 2021 | % |
|---|---|---|---|---|
| EUR | 5,990 | 90% | 4,897 | 91% |
| JPY | 409 | 6% | 399 | 7% |
| USD | 194 | 3% | 11 | - |
| Other currencies | 49 | 1% | 109 | 2% |
| TOTAL | 6,642 | 100% | 5,417 | 100% |

Borrowings denominated in foreign currencies finance the Group's operations outside the eurozone.

## 18.4 Bonds

On April 28, 2022, the Group issued €1.5 billion of bonds in two tranches:

- a €750 million tranche with a 3-year maturity and a 1.25% coupon; and
- a €750 million tranche with an 8-year maturity and a 1.875% coupon.

$200 million of fixed-rate bonds with a 5-year maturity were also issued in May 2022.

The Group redeemed €275 million of fixed-rate bonds that matured on March 28, 2022, after an issue that took place in 2015 and was partly redeemed in 2018. Finally, bonds exchangeable for PUMA shares were redeemed on September 30, 2022 in an amount of €550 million.

The Group has a Euro Medium Term Notes (EMTN) program capped at €6 billion as of December 31, 2022, of which €4,237 million had been drawn as of that date.

The bonds issued between 2014 and 2017 within the scope of the EMTN program are all subject to a change-of-control clause entitling bondholders to request early redemption at par if Kering's rating is downgraded to non-investment grade following a change of control.

| Par value *(in millions, local currency)* | Currency | Issue interest rate | Issue date | Maturity | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|---|---|---|---|
| 500 | EUR | Fixed 2.75% | 04/08/2014 | 04/08/2024 | 503 | 504 |
| | | | 05/30/2014 | 04/08/2024 | | |
| | | | 06/26/2014 | 04/08/2024 | | |
| | | | 09/22/2015 | 04/08/2024 | | |
| | | | 11/05/2015 | 04/08/2024 | | |
| 275 | EUR | Fixed 0.875% | 03/27/2015 | 03/28/2022 | - | 275 |
| 50 | EUR | Fixed 1.6% | 04/16/2015 | 04/16/2035 | 50 | 50 |
| 500 | EUR | Fixed 1.25% | 05/10/2016 | 05/10/2026 | 498 | 498 |
| 300 | EUR | Fixed 1.5% | 04/05/2017 | 04/05/2027 | 299 | 298 |
| 550 | EUR | Zero coupon | 09/30/2019 | 09/30/2022 | - | 550 |
| 600 | EUR | Fixed 0.25% | 05/13/2020 | 05/13/2023 | 600 | 599 |
| 600 | EUR | Fixed 0.75% | 05/13/2020 | 05/13/2028 | 597 | 596 |
| 750 | EUR | Fixed 1.25% | 05/05/2022 | 05/05/2025 | 748 | - |
| 750 | EUR | Fixed 1.875% | 05/05/2022 | 05/05/2030 | 744 | - |
| 200 | USD | Fixed 3.639% | 05/27/2022 | 05/27/2027 | 187 | - |
| TOTAL | | | | | 4,226 | 3,370 |

## 18.5 Other bank borrowings

The Group has bank borrowings denominated in yen, mainly floating-rate and totaling €171 million at December 31, 2022. These borrowings fall due within five years.

## 18.6 Undrawn confirmed lines of credit

As of December 31, 2022, the Group had undrawn confirmed lines of credit totaling €3,035 million (December 31, 2021: €3,035 million). These consisted of a syndicated facility for €2,385 million (of which €170 million falls due in December 2024 and €2,215 million in December 2025), and €650 million in bilateral lines of credit that had a maturity of more than one year at December 31, 2022.

# NOTE 19 – DERIVATIVE INSTRUMENTS AND MANAGEMENT OF MARKET RISKS

## 19.1 Exposure and sensitivity to interest rate risk

| *(in € millions)* | Dec. 31, 2022 | Impact of hedging | After hedging | Impact on income of a 1% change in interest rates |
|---|---|---|---|---|
| Fixed-rate | 5,236 | - | 5,236 | - |
| Floating-rate | 1,406 | - | 1,406 | 14.1 |
| **Borrowings** | **6,642** | | | |

| *(in € millions)* | Dec. 31, 2022 | Impact on income of a 1% change in interest rates |
|---|---|---|
| **Floating-rate investments** | **4,370** | **43.7** |

## 19.2 Exposure and sensitivity to foreign exchange risk

The majority of the Group's sales are carried out in currencies other than its functional currency, primarily in US dollars and in Asian currencies such as the Japanese yen and the Chinese yuan. Purchases and other expenses related to production are primarily denominated in euros. The Group uses derivative hedging instruments to minimize and anticipate the impact of currency fluctuations on its results. These hedges are set up using currency instruments and/or options eligible for hedge accounting.

The outstanding notional amounts of the derivative instruments used by the Group to manage its foreign exchange risk are shown below:

| *(in € millions)* | Dec. 31, 2022 Notional amount[(1)] Less than one year | Dec. 31, 2022 Notional amount[(1)] More than one year | Market value[(2)] Cash flow hedges | Market value[(2)] Fair value hedges | Market value[(2)] Unallocated | Market value[(2)] Total |
|---|---|---|---|---|---|---|
| **Options purchased** | **8** | **-** | **-** | **-** | **-** | **-** |
| USD put | 8 | - | - | - | - | - |
| USD call | - | - | - | - | - | - |
| JPY put | - | - | - | - | - | - |
| CNY put | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| **Tunnels** | **325** | **-** | **13** | **-** | **-** | **13** |
| USD seller | 47 | - | 3 | - | - | 3 |
| JPY seller | 94 | - | 1 | - | - | 1 |
| CNY seller | 95 | - | 5 | - | - | 5 |
| GBP seller | 89 | - | 4 | - | - | 4 |
| **Forwards** | **5,243** | **-** | **62** | **-** | **-** | **62** |
| USD | 2,377 | - | 18 | 2 | - | 20 |
| CNY | 1,270 | - | 36 | (1) | - | 35 |
| KRW | 460 | - | (2) | (2) | - | (4) |
| JPY | 281 | - | 8 | - | - | 8 |
| HKD | 187 | - | (2) | - | - | (2) |
| GBP | 168 | - | 5 | 1 | - | 6 |
| TWD | 113 | - | 5 | - | - | 5 |
| Other | 387 | - | (6) | - | - | (6) |
| **Cross-currency swaps[(3)]** | **586** | **-** | **4** | **(2)** | **(15)** | **(13)** |
| CNY | 629 | - | 3 | (2) | - | 1 |
| CHF | (156) | - | - | - | - | - |
| GBP | (144) | - | - | - | (5) | (5) |
| JPY | 97 | - | - | - | (2) | (2) |
| Other | 160 | - | 1 | - | (8) | (7) |
| TOTAL | 6,162 | - | 79 | (2) | (15) | 62 |

(1) Sale /(purchase).
(2) Gain /(loss).
(3) Excluding cross-currency swaps hedging debt (€188 million).

The Group's net exposure to foreign exchange risk can be analyzed as follows:

| **Dec. 31, 2022** *(in € millions)* | *Monetary assets* | *Monetary liabilities* | Net exposure in the balance sheet | Forecast exposure | Net exposure before hedging | Hedging instruments | Net exposure after hedging as of Dec. 31, 2022 | Net exposure after hedging as of Dec. 31, 2021 |
|---|---|---|---|---|---|---|---|---|
| USD | *716* | *296* | 420 | 2,219 | 2,639 | (2,605) | 34 | 397 |
| CNY | *756* | *14* | 742 | 1,457 | 2,199 | (1,995) | 204 | 632 |
| JPY | *227* | *409* | (182) | 352 | 170 | (481) | (311) | (351) |
| GBP | *134* | *188* | (54) | 230 | 176 | (112) | 64 | 78 |
| CHF | *63* | *196* | (133) | - | (133) | 151 | 18 | 35 |
| HKD | *85* | *109* | (24) | 171 | 147 | (99) | 48 | 86 |
| KRW | *179* | *9* | 170 | 403 | 573 | (460) | 113 | 117 |
| Other | *1,185* | *233* | 952 | 442 | 1,394 | (749) | 645 | 809 |
| TOTAL | *3,345* | *1,454* | 1,891 | 5,274 | 7,165 | (6,350) | 815 | 1,803 |

Monetary assets comprise loans and receivables, bank balances, and investments and cash equivalents maturing within three months of the acquisition date.

Monetary liabilities comprise borrowings, operating payables and other current payables.

Most of these monetary items are denominated in the functional currencies in which the subsidiaries operate. They do not generate currency effects. Monetary items that are not denominated in the functional currencies in which the subsidiaries operate undergo currency hedging in accordance with applicable procedures.

### Analysis of sensitivity to foreign exchange risk

Based on market data as of December 31, 2022, the direct impact on equity and income (excluding the tax effect) of a 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:

| **Dec. 31, 2022** | **Impact on equity** | | **Impact on income** | |
|---|---|---|---|---|
| *(in € millions)* | **10% increase** | **10% decrease** | **10% increase** | **10% decrease** |
| USD | 197 | (240) | - | - |
| JPY | 30 | (36) | - | - |
| CNY | 131 | (159) | - | - |

| **Dec. 31, 2021** | **Impact on equity** | | **Impact on income** | |
|---|---|---|---|---|
| *(in € millions)* | **10% increase** | **10% decrease** | **10% increase** | **10% decrease** |
| USD | 144 | (175) | - | - |
| JPY | 36 | (43) | - | - |
| CNY | 169 | (205) | - | - |

All other market variables were assumed to remain unchanged for the purpose of the sensitivity analysis.

The impact on equity recognized via the remeasurement of financial instruments is generated by foreign exchange instruments eligible for cash flow hedge accounting.

The impact on financial result in the income statement is generated by foreign exchange instruments not eligible for hedge accounting and from the change in the ineffective portion of cash flow hedges.

## 19.3 Exposure to equity risk

The Group has exposure to equity risk through its stake in PUMA (3% as of December 31, 2022), the value of which depends on fluctuations in the PUMA share price (see Note 14.2).

Based on market data as of December 31, 2022, a 10% change in PUMA's share price would have a €25 million impact on the value of the PUMA stake in the Group's balance sheet.

Other shares held in connection with non-consolidated investments represent a low exposure risk for the Group and are not hedged.

## 19.4 Exposure to precious metals price risk

The Group may be exposed to fluctuations in the price of certain precious metals within the scope of its Houses' activities, particularly in the Jewelry segment. Hedges may therefore be put in place by arranging derivative financial instruments to fix the production cost or by negotiating prices with refiners or manufacturers of semi-finished products.

As of December 31, 2022, these hedging transactions with a residual maturity of less than one year are treated as forward purchases in a notional amount of €38 million. They have a non-material market value (notional amount of €31 million as of December 31, 2021).

A sudden 1% increase or decrease in precious metals prices would have a direct impact of €0.4 million (excluding the tax effect) on equity via the remeasurement of financial instruments.

## 19.5 Exposure to counterparty risk

The Group trades derivatives over-the-counter in compliance with its internal control procedures. The trades are carried out with top-tier companies that have signed FBF or ISDA-type agreements. The impact of counterparty risk on the fair value of derivative instruments pursuant to IFRS 13 is deemed to be zero.

## 19.6 Measurement of derivative instruments

| *(in € millions)* | Dec. 31, 2022 | Interest rate risk | Foreign exchange risk | Other market risks | Dec. 31, 2021 |
|---|---|---|---|---|---|
| **Non-current financial assets** | **1** | **-** | **1** | **-** | **-** |
| Derivative instruments – at fair value through income statement | - | - | - | - | - |
| Derivative instruments – cash flow hedges | 1 | - | 1 | - | - |
| Derivative instruments – fair value hedges | - | - | - | - | - |
| **Current financial assets** | **163** | **-** | **163** | **-** | **16** |
| Derivative instruments – at fair value through income statement | 3 | - | 3 | - | 3 |
| Derivative instruments – cash flow hedges | 156 | - | 156 | - | 7 |
| Derivative instruments – fair value hedges | 3 | - | 3 | - | 6 |
| **Non-current financial liabilities** | **-** | **-** | **-** | **-** | **-** |
| Derivative instruments - at fair value through income statement (1) | - | - | - | - | - |
| Derivative instruments – cash flow hedges | - | - | - | - | - |
| Derivative instruments – fair value hedges | - | - | - | - | - |
| **Current financial liabilities** | **(101)** | **-** | **(101)** | **-** | **(304)** |
| Derivative instruments - at fair value through income statement (1) | (17) | - | (17) | - | (121) |
| Derivative instruments – cash flow hedges | (77) | - | (77) | - | (180) |
| Derivative instruments – fair value hedges | (7) | - | (7) | - | (4) |
| TOTAL | 62 | - | 62 | - | (289) |

(1) Including the fair value of the derivative (option) embedded within the bond exchangeable for PUMA shares amounting to €106 million as of December 31, 2021.

## 19.7 Liquidity risk

Liquidity risk management for the Group and each of its subsidiaries is closely monitored and periodically assessed within the scope of the Group's financial reporting procedures.

In order to guarantee its liquidity, as of December 31, 2022 the Group held confirmed undrawn lines of credit totaling €3,035 million and available cash of €4,336 million (see Note 18.1).

| *(in € millions)* | Dec. 31, 2022 Carrying amount | Dec. 31, 2022 Cash flow | Less than one year | One to five years | More than five years |
|---|---|---|---|---|---|
| **Non-derivative financial instruments** | **8,905** | **(9,164)** | **(4,582)** | **(3,118)** | **(1,464)** |
| Bonds | 4,226 | (4,238) | (600) | (2,238) | (1,400) |
| Commercial paper | 1,010 | (1,011) | (1,011) | - | - |
| Other borrowings | 1,406 | (1,652) | (708) | (880) | (64) |
| Trade payables and accrued expenses | 2,263 | (2,263) | (2,263) | - | - |
| **Derivative financial instruments** | **(62)** | **51** | **44** | **7** | **-** |
| **Interest rate risk** | - | - | - | - | - |
| *Interest rate swaps* | - | - | - | - | - |
| *Other interest rate derivatives* | - | - | - | - | - |
| **Foreign exchange risk** | **(62)** | **51** | **44** | **7** | **-** |
| *Currency forwards and currency swaps* | - | *30* | *30* | - | - |
| *Outflows* | - | *(6,740)* | *(6,740)* | - | - |
| *Inflows* | - | *6,770* | *6,770* | - | - |
| *Other foreign currency derivatives* | - | *21* | *14* | *7* | - |
| *Outflows* | - | *(485)* | *(281)* | *(204)* | - |
| *Inflows* | - | *506* | *295* | *211* | - |
| **Other market risks** | - | - | **-** | - | - |
| *Precious metals hedges* | **-** | **-** | - | - | - |
| *Embedded derivative relating to bonds exchangeable into PUMA shares* | - | | - | - | - |
| TOTAL | 8,843 | (9,113) | (4,538) | (3,111) | (1,464) |

| *(in € millions)* | Dec. 31, 2021 Carrying amount | Dec. 31, 2021 Cash flow | Less than one year | One to five years | More than five years |
|---|---|---|---|---|---|
| **Non-derivative financial instruments** | **7,159** | **(7,288)** | **(4,193)** | **(2,117)** | **(978)** |
| Bonds | 3,370 | (3,375) | (825) | (1,600) | (950) |
| Commercial paper | 703 | (702) | (702) | - | - |
| Other borrowings | 1,344 | (1,469) | (924) | (517) | (28) |
| Trade payables and accrued expenses | 1,742 | (1,742) | (1,742) | - | - |
| **Derivative financial instruments** | **288** | **(222)** | **(213)** | **(8)** | **-** |
| **Interest rate risk** | **0** | **(0)** | **(0)** | **-** | **-** |
| *Interest rate swaps* | - | *(0)* | *(0)* | - | - |
| *Other interest rate derivatives* | - | - | - | - | - |
| **Foreign exchange risk** | **183** | **(223)** | **(215)** | **(8)** | **-** |
| *Currency forwards and currency swaps* | - | *(224)* | *(216)* | *(8)* | - |
| *Outflows* | - | *(7,569)* | *(7,366)* | *(203)* | - |
| *Inflows* | - | *7,345* | *7,150* | *195* | - |
| *Other foreign currency derivatives* | - | *1* | *1* | - | - |
| *Outflows* | - | *(252)* | *(252)* | - | - |
| *Inflows* | - | *253* | *253* | - | - |
| **Other market risks** | **105** | **2** | **2** | **-** | **-** |
| *Precious metals hedges* | (1) | 2 | 2 | | |
| *Embedded derivative relating to bonds exchangeable into PUMA shares* | *106* | *N/A* | - | - | - |
| TOTAL | 7,447 | (7,510) | (4,407) | (2,125) | (978) |

# NOTE 20 – FINANCIAL LIABILITIES

## 20.1 Breakdown of financial liabilities

| *(in € millions)* | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Derivative instruments | - | - |
| **Non-current financial liabilities** | **-** | **-** |
| Derivative instruments | 101 | 304 |
| Kering SA interim dividend | 558 | 436 |
| Other | 4 | 2 |
| **Current financial liabilities** | **663** | **743** |

## 20.2 Financial liabilities measured at fair value

| *(in € millions)* | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Derivative instruments | 101 | 304 |
| **Financial liabilities measured at fair value** | **101** | **304** |

The fair value of derivative financial instruments is determined using valuation techniques drawing on observable market inputs (such as forward rates and interest rate curves) and on commonly used models (level 2 of the fair value hierarchy).

# NOTE 21 – PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

## 21.1 Description of the main pension plans and other post-employment 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 mandatory supplementary pension plans in Switzerland, statutory dismissal compensation in Italy, and retirement termination payments and long-service bonuses in France.

### Mandatory supplementary pension plans (LPP) – Switzerland

In Switzerland, pension plans are defined contribution plans that guarantee a minimum yield and provide for a fixed salary conversion rate on retirement. However, the pension plans operated by the Group's entities in Switzerland offer benefits over and above those stipulated in the LPP/BVG pension law. Consequently, a provision is booked in respect of defined benefit plans for the amounts that exceed LPP/BVG pension law requirements.

These pension plans are generally operated as separate legal entities in the form of a foundation, which may be a collective institution or affiliated to a specific plan. The Board of Trustees of these foundations, comprising an equal number of employer and employee representatives, is responsible for administering the plan and bears the investment and longevity risks. Collective foundations insure some of their risk with an insurance company.

### Statutory dismissal compensation (TFR) – Italy

The TFR (Trattamento di Fine Rapporto) plans in Italy were created by Law no. 297, adopted on May 29, 1982, and are applicable to all workers in the private sector on termination of employment for whatever reason (resignation, termination at the employer's initiative, death, incapacity or retirement). Since 2007, companies with at least 50 employees have had to transfer their TFR funding to an external fund manager. This concerns the large majority of plans operated by Kering group companies.

### Retirement termination payments and long-service bonuses – France

In France, retirement termination benefits are fixed and paid by companies to their employees on retirement. The amount paid depends on the number of years of service on retirement, and is defined in the relevant collective bargaining agreement. The payments do not confer any vested entitlement to employees until they reach retirement age. Retirement termination benefits 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, which are defined contribution plans.

Long-service bonuses are not compulsory in France (there is no legal obligation to pay these awards to employees), but hold symbolic value. Nevertheless, some of Kering's French entities choose to pay long-service bonuses after 20, 30, 35 and 40 years of service.

## 21.2 Provisions for pensions and other long-term benefits

The provisions on the balance sheet include defined-benefit post-employment plans and other long-term benefits:

| *(in € millions)* | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| **Non-current provisions** | **66** | **89** |
| **Current provisions** | **12** | **12** |
| CURRENT PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS | 78 | 101 |

| | 2022 | | | | | 2021 |
|---|---|---|---|---|---|---|
| | | | | Change during the period | | |
| *(in € millions)* | Present value of benefit obligation | Fair value of plan assets | Provisions for pensions and other post-employment benefits | Gains and losses recognized in equity | Income statement | Provisions for pensions and other post-employment benefits |
| **As of January 1** | **152** | **51** | **101** | | | **120** |
| Current service cost | 11 | - | 11 | - | 11 | 14 |
| Past service cost | - | - | - | - | - | (2) |
| Plan amendments | - | - | - | - | - | - |
| Interest cost on the benefit obligation | 1 | - | 1 | - | 1 | 1 |
| Interest income on plan assets | - | - | - | - | - | - |
| Contributions paid by employees | 3 | 3 | - | - | - | - |
| Contribution paid by employer | - | 3 | (3) | - | - | (4) |
| Benefits paid | (12) | (5) | (6) | - | - | (6) |
| Actuarial gains and losses: | (29) | 1 | (30) | (30) | - | (18) |
| *Changes in demographic assumptions* | *1* | - | *1* | - | - | *(8)* |
| *Changes in financial assumptions* | *(35)* | - | *(35)* | - | - | *(6)* |
| *Experience adjustments* | *5* | - | *5* | - | - | *(5)* |
| *Return on plan assets (excluding interest)* | - | *1* | *(1)* | - | - | - |
| Insurance contracts | - | - | - | - | - | - |
| Administrative expenses | - | - | - | - | - | - |
| Changes in scope | 2 | - | 2 | - | - | 1 |
| Assets held for sale | - | - | - | - | - | (6) |
| Foreign exchange differences | 4 | 2 | 2 | - | - | 2 |
| **As of December 31** | **132** | **54** | **78** | **(30)** | **13** | **101** |
| Obligation funded by plan assets | 88 | - | - | - | - | |
| Obligation not funded by plan assets | 45 | - | - | - | - | |

Since December 31, 2021, discount rates have increased sharply, significantly reducing liabilities. This increase in rates is the main reason for the €35 million of gains related to changes in financial assumptions.

## 21.3 Actuarial assumptions used to estimate the present value of the benefit obligation

| | France | | Switzerland | | Italy | |
|---|---|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** |
| Average maturity of plans *(in years)* | 10.6 | 11.7 | 9.6 | 14.0 | 9.4 | 10.1 |
| Discount rate | 4.00% | 1.20% | 2.25% | 0.40% | 4.00% | 1.20% |
| Expected rate of increase in salaries | 2.99% | 2.96% | 1.30% | 1.15% | 3.00% | 3.00% |
| Inflation rate | 2.00% | 1.75% | 1.10% | 0.70% | 2.00% | 1.75% |

Sensitivity tests on actuarial assumptions 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 0.05% of consolidated equity as of December 31, 2022.

## 21.4 Breakdown of the present value of the benefit obligation by country

| *(in € millions)* | **Dec. 31, 2022** | **Dec. 31, 2021** |
|---|---|---|
| Switzerland | 67 | 78 |
| Italy | 34 | 43 |
| France | 21 | 22 |
| Other | 11 | 8 |
| **Present value of benefit obligation** | **132** | **152** |

## 21.5 Fair value of plan assets by type of financial instrument

| *(in € millions)* | **Dec. 31, 2022** | **%** | **Dec. 31, 2021** | **%** |
|---|---|---|---|---|
| Debt instruments | 11 | 21% | 12 | 24% |
| Equity instruments | 20 | 37% | 20 | 39% |
| Real estate | 13 | 25% | 10 | 19% |
| Insurance contracts | - | 0% | - | 0% |
| Derivative instruments | 4 | 8% | 4 | 8% |
| Cash and cash equivalents | 2 | 4% | 2 | 4% |
| Other assets | 3 | 5% | 3 | 6% |
| **Fair value of plan assets** | **54** | **100%** | **51** | **100%** |

In 2023, the Group intends to contribute €3 million to funded plans.

# NOTE 22 – PROVISIONS AND CONTINGENT LIABILITIES

| *(in € millions)* | Dec. 31, 2021 | Charge | Reversal (utilized provisions) | Reversal (surplus provision) | Changes in scope | Foreign exchange differences | Other movements | Dec. 31, 2022 |
|---|---|---|---|---|---|---|---|---|
| Non-current provisions | 16 | 3 | (3) | (2) | - | - | 5 | 19 |
| Current provisions | 138 | 93 | (41) | (27) | - | 1 | 4 | 168 |
| TOTAL | 154 | 96 | (44) | (29) | - | 1 | 9 | 187 |

| *(in € millions)* | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Provision for restructuring costs | 53 | 29 |
| Vendor warranties | 23 | 24 |
| Disputes and other contingencies | 111 | 101 |
| TOTAL | 187 | 154 |

## Litigation and disputes

Group companies are involved in a number of lawsuits or disputes arising in the normal course of business. According to their management and legal counsel, no disputes currently in progress are likely to have a material impact on normal or foreseeable operations or on the planned development of the Group.

The Group believes there are no known disputes likely to have a potential material impact on its net assets, earnings or financial position that are not adequately covered by provisions recorded as of the end of the reporting period. No individual claim against the parent company or against any of its subsidiaries is material to the parent company or the Group.

The Group is not aware of any arbitration proceedings that have had in the recent past, or are likely to have in the future, a material impact on the financial position, activity or earnings of the Company or Group.

## Vendor warranties

Provisions recorded in respect of vendor warranties were unchanged in 2022.

## Contingent liabilities

To the best of the Group's knowledge, there are no significant contingent liabilities.

# NOTES ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

## NOTE 23 – CASH AND CASH EQUIVALENTS AS REPORTED IN THE STATEMENT OF CASH FLOWS

| *(in € millions)* | **Dec. 31, 2022** | **Dec. 31, 2021** |
|---|---|---|
| **Cash and cash equivalents as reported in the balance sheet** | **4,336** | **5,249** |
| Bank overdrafts | (242) | (733) |
| **Cash and cash equivalents as reported in the statement of cash flows** | **4,094** | **4,516** |

## NOTE 24 – CASH FLOW RECEIVED FROM OPERATING ACTIVITIES

| *(in € millions)* | **2022** | **2021** |
|---|---|---|
| **Net income from continuing operations** | **3,717** | **3,245** |
| Net recurring charges to depreciation, amortization and provisions on non-current operating assets | 1,666 | 1,453 |
| Other non-cash income and expenses | (334) | 18 |
| Non-cash recurring operating income and expenses: | 135 | (50) |
| *Fair value of operating foreign exchange rate hedges* | *284* | *(35)* |
| *Other* | *(149)* | *(15)* |
| Other non-cash income and expenses: | (469) | 67 |
| *Impairment of goodwill, brands and other non-current assets* | *41* | *69* |
| *Fair value of foreign exchange rate hedges in financial result* | *(386)* | *84* |
| *Deferred tax expense (income)* | *(177)* | *(178)* |
| *Share in earnings (losses) of equity-accounted companies* | *(2)* | *(1)* |
| *Other* | *55* | *93* |
| **Cash flow received from operating activities** | **5,049** | **4,716** |

## NOTE 25 – CHANGE IN WORKING CAPITAL REQUIREMENT

| *(in € millions)* | **2022** | **2021** |
|---|---|---|
| Change in inventories | (1,015) | (429) |
| Change in trade receivables and accrued income | (196) | (13) |
| Change in trade payables and accrued expenses | 494 | 173 |
| Change in other operating receivables and payables | (185) | 231 |
| **Change in working capital requirement** | **(902)** | **(38)** |

# NOTE 26 – ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

| *(in € millions)* | 2022 | 2021 |
|---|---|---|
| Acquisitions of property, plant and equipment | (952) | (715) |
| Acquisitions of intangible assets | (275) | (254) |
| Change in amounts due in respect of non-current assets | 176 | 49 |
| Lease set-up costs | (19) | (15) |
| **Acquisitions of property, plant and equipment and intangible assets** | **(1,071)** | **(934)** |

# NOTE 27 – FINANCING ACTIVITIES AND CHANGE IN BORROWINGS

| | Borrowings | | | | | |
|---|---|---|---|---|---|---|
| *(in € millions)* | Current | Non-current | Lease liabilities | Other assets and liabilities | Equity | Total |
| **As of January 1, 2022** | **2,442** | **2,976** | **-** | **-** | **-** | **-** |
| Kering SA capital increase | - | - | - | - | 38 | 38 |
| Dividends paid to shareholders of Kering SA | - | - | - | - | (1,483) | (1,483) |
| Dividends paid to minority interests in consolidated subsidiaries | - | - | - | - | (45) | (45) |
| Transactions with minority interests | (29) | (1) | - | - | 347 | 317 |
| (Acquisitions) disposals of Kering treasury shares | - | - | - | - | (1,030) | (1,030) |
| Issuance of bonds and bank debt | - | 1,742 | - | - | - | 1,742 |
| Redemption of bonds and bank debt | (904) | - | - | - | - | (904) |
| Issuance (redemption) of other borrowings | 343 | - | - | - | - | 343 |
| Repayment of lease liabilities | - | - | (824) | - | - | (824) |
| Interest paid and equivalent | (67) | - | (124) | (107) | - | (298) |
| **Net cash received from (used in) financing activities** | **(658)** | **1,741** | **(948)** | **(107)** | **(2,172)** | **(2,144)** |
| Changes in scope | - | - | - | - | - | - |
| Foreign exchange differences | (21) | (6) | - | - | - | - |
| Changes in put options granted to minority interests | 23 | 362 | - | - | - | - |
| Other movements | 509 | (725) | - | - | - | - |
| **As of December 31, 2022** | **2,295** | **4,347** | **-** | **-** | **-** | **-** |

| *(in € millions)* | Borrowings Current | Borrowings Non-current | Lease liabilities | Other assets and liabilities | Equity | Total |
|---|---|---|---|---|---|---|
| **As of January 1, 2021** | **1,776** | **3,815** | **-** | **-** | **-** | **-** |
| Dividends paid to shareholders of Kering SA | - | - | - | - | (998) | (998) |
| Dividends paid to minority interests in consolidated subsidiaries | - | - | - | - | (27) | (27) |
| Transactions with minority interests | (109) | - | - | 21 | 90 | 2 |
| (Acquisitions) disposals of Kering treasury shares | - | - | - | - | (538) | (538) |
| Issuance of bonds and bank debt | 10 | 52 | - | - | - | 63 |
| Redemption of bonds and bank debt | (583) | - | - | - | - | (583) |
| Issuance (redemption) of other borrowings | 136 | 17 | - | - | - | 152 |
| Repayment of lease liabilities | - | - | (776) | - | - | (776) |
| Interest paid and equivalent | (52) | - | (106) | (64) | - | (222) |
| **Net cash received from (used in) financing activities** | **(598)** | **68** | **(882)** | **(43)** | **(1,473)** | **(2,927)** |
| Changes in scope | - | (5) | - | - | - | - |
| Foreign exchange differences | (9) | (4) | - | - | - | - |
| Changes in put options granted to minority interests | - | 13 | - | - | - | - |
| Other movements | 1,272 | (913) | - | - | - | - |
| **As of December 31, 2021** | **2,442** | **2,976** | **-** | **-** | **-** | **-** |

# OTHER DISCLOSURES

# NOTE 28 – OFF-BALANCE SHEET COMMITMENTS

## 28.1 Main vendor warranties granted in connection with asset disposals

In relation to the disposal of certain businesses, the Group has granted customary vendor warranties in respect of certain fundamental representations, along with some specific capped and time-limited warranties. Provisions have been set aside in respect of some vendor warranties (see Note 22).

## 28.2 Off-balance sheet commitments relating to leases

| *(in € millions)* | Payments due by period: Less than one year | Payments due by period: One to five years | Payments due by period: More than five years | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|---|---|---|
| Leases signed but effective after December 31, 2022 | 16 | 219 | 410 | 645 | 214 |
| Short-term leases | 15 | - | - | 15 | 82 |
| Leases with a low-value underlying asset | 7 | 7 | - | 14 | 24 |
| **Lease commitments given** | **38** | **226** | **410** | **674** | **320** |

### 28.3 Other commitments given and received in the course of the Group's operations

Other commitments given and received in the course of the Group's operations can be analyzed as follows:

| | Payments due by period | | | | |
|---|---|---|---|---|---|
| *(in € millions)* | Less than one year | One to five years | More than five years | Dec. 31, 2022 | Dec. 31, 2021 |
| Binding purchase commitments | 84 | 34 | - | 118 | 180 |
| Customs deposits and other guarantees in respect of operations | 180 | 8 | 5 | 193 | 133 |
| **Other commitments given** | **264** | **42** | **5** | **311** | **313** |
| **Other commitments received** | **30** | **-** | **-** | **30** | **26** |

As of December 31, 2022, the amount pledged to secure liabilities relating to property, plant and equipment had been repaid in full (€34 million as of December 31, 2021).

# NOTE 29 – TRANSACTIONS WITH RELATED PARTIES

### 29.1 Related party controlling the Group

Kering SA is controlled by Artémis, which in turn is wholly owned by Financière Pinault.

| | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| % capital held by the Artémis group in Kering SA | 42.0% | 41.7% |
| % of voting rights held by the Artémis group in Kering SA | 59.3% | 58.7% |
| Dividend paid for Year Y-1 *(in € millions)* | 625 | 414 |
| Interim dividend paid for Year Y *(in € millions)* | 235 | 182 |
| Fees for the period *(in € millions)* | 7 | 6 |

The Group pays fees to Artémis 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.

### 29.2 Remuneration paid to members of the Board of Directors and the Group's Executive Committee

| *(in € millions)* | 2022 | 2021 |
|---|---|---|
| Wages and salaries | 41 | 29 |
| Payroll taxes | 7 | 4 |
| Termination indemnities | - | - |
| **Short-term remuneration** | **48** | **33** |
| Post-employment benefits | 1 | 1 |
| Other long-term benefits | 25 | 13 |
| Share-based payment | 2 | 25 |
| **Long-term remuneration** | **29** | **39** |
| TOTAL | 77 | 71 |

Short-term remuneration corresponds to amounts paid during the year, whereas long-term remuneration corresponds to amounts recognized as expenses in the period.

# NOTE 30 – LIST OF CONSOLIDATED ENTITIES

Consolidation method

Full consolidation: C

Equity method: E

| Company | Transaction | % interest Dec. 31, 2022 | | % interest Dec. 31, 2021 | |
|---|---|---|---|---|---|
| **KERING SA** | | | **Parent company** | | **Parent company** |
| **LUXURY HOUSES** | | | | | |
| **France** | | | | | |
| ALEXANDER MCQUEEN FRANCE SAS | | C | 100.00 | C | 100.00 |
| ARCADES PONTHIEU SA | | C | 95.00 | C | 95.00 |
| BALENCIAGA OPERATIONS SAS | | C | 100.00 | C | 100.0 |
| BALENCIAGA SAS | | C | 100.00 | C | 100.00 |
| BOTTEGA VENETA FRANCE SAS | | C | 100.00 | C | 100.00 |
| BOUCHERON PARFUMS SAS | | C | 100.00 | C | 100.00 |
| BOUCHERON SAS | | C | 100.00 | C | 100.00 |
| BRIONI FRANCE SAS | | C | 100.00 | C | 100.00 |
| ATELIER DE CONFECTION SAINT LAURENT | | C | 100.00 | C | 100.00 |
| DODO PARIS SAS | | C | 100.00 | C | 99.99 |
| FRANCE CROCO SAS (BEFORE MERGER) | Merger | - | - | C | 100.00 |
| GG FRANCE SERVICES SAS | | C | 100.00 | C | 100.00 |
| GPO HOLDING SAS | | C | 100.00 | C | 100.00 |
| GUCCI FRANCE SAS | | C | 100.00 | C | 100.00 |
| LES BOUTIQUES BOUCHERON SAS | | C | 100.00 | C | 100.00 |
| POMELLATO PARIS SAS | | C | 100.00 | C | 99.99 |
| QEELIN FRANCE SARL | | C | 100.00 | C | 100.00 |
| SOWIND FRANCE SAS | Disposal | - | - | C | 100.00 |
| FRANCE CROCO SAS | | C | 100.00 | C | 100.00 |
| 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** | | | | | |
| ALEXANDER MCQUEEN TRADING GMBH | | C | 100.00 | C | 100.00 |
| BALENCIAGA GERMANY GmbH | | C | 100.00 | C | 100.00 |
| BOTTEGA VENETA GERMANY GmbH | | C | 100.00 | C | 100.00 |
| BRIONI GERMANY GmbH | | C | 100.00 | C | 100.00 |
| DODO DEUTSCHLAND GmbH | | C | 100.00 | C | 100.00 |
| GG LUXURY GOODS GmbH | | C | 100.00 | C | 100.00 |
| KW LUXURY DISTRIBUTION GmbH | Disposal | - | - | C | 100.00 |
| POMELLATO DEUTSCHLAND 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 |
| BALENCIAGA AUSTRIA GmbH | | C | 100.00 | C | 100.00 |
| BOTTEGA VENETA AUSTRIA GmbH | | C | 100.00 | C | 100.00 |
| GUCCI AUSTRIA GmbH | | C | 100.00 | C | 100.00 |
| YVES SAINT LAURENT AUSTRIA GmbH | | C | 100.00 | C | 100.00 |

| Company | Transaction | % interest Dec. 31, 2022 | | % interest Dec. 31, 2021 | |
|---|---|---|---|---|---|
| **Belgium** | | | | | |
| BALENCIAGA BELGIUM | Formation | C | 100.00 | - | - |
| GUCCI BELGIUM SA | | C | 100.00 | C | 100.00 |
| SAINT LAURENT BELGIUM | Formation | C | 100.00 | - | - |
| **Denmark** | | | | | |
| BALENCIAGA DENMARK APS | | C | 100.00 | C | 100.00 |
| LUXURY GOODS DENMARK AS | | C | 51.00 | C | 51.00 |
| **Spain** | | | | | |
| BALENCIAGA SPAIN SL | | C | 100.00 | C | 100.00 |
| BOTTEGA VENETA ESPANA SL | | C | 100.00 | C | 100.00 |
| DODO SPAIN SA | | C | 100.00 | C | 100.00 |
| LUXURY GOODS SPAIN SL | | C | 100.00 | C | 100.00 |
| LUXURY TIMEPIECES ESPANA SL | | C | 100.00 | C | 100.00 |
| SOWIND IBERICA SL | Disposal | - | - | C | 100.00 |
| YVES SAINT LAURENT SPAIN SA | | C | 100.00 | C | 100.00 |
| **United Kingdom** | | | | | |
| ALEXANDER MCQUEEN TRADING Ltd | | C | 100.00 | C | 100.00 |
| AUTUMNPAPER Ltd | | C | 100.00 | C | 100.00 |
| BALENCIAGA UK Ltd | | C | 100.00 | C | 100.00 |
| BIRDSWAN SOLUTIONS Ltd | | C | 100.00 | C | 100.00 |
| BOTTEGA VENETA UK CO.Ltd | | C | 100.00 | C | 100.00 |
| BOUCHERON UK Ltd | | C | 100.00 | C | 100.00 |
| BRIONI UK Ltd | | C | 100.00 | C | 100.00 |
| DODO (UK) Ltd | | C | 100.00 | C | 100.00 |
| GUCCI Ltd | | C | 100.00 | C | 100.00 |
| LUXURY TIMEPIECES & JEWELLERY OUTLETS Ltd | | C | 100.00 | C | 100.00 |
| LUXURY TIMEPIECES UK Ltd | | C | 100.00 | C | 100.00 |
| PAINTGATE Ltd | | C | 100.00 | C | 100.00 |
| POMELLATO (UK) Ltd | | C | 100.00 | C | 100.00 |
| YVES SAINT LAURENT UK Ltd | | C | 100.00 | C | 100.00 |
| **Greece** | | | | | |
| LUXURY GOODS GREECE AE | | C | 100.00 | C | 99.80 |
| SAINT LAURENT GREECE AE | | C | 100.00 | C | 100.00 |
| BOTTEGA VENETA GREECE SA | Formation | C | 100.00 | - | - |
| **Hungary** | | | | | |
| GUCCI HUNGARY RETAIL LTD | | C | 100.00 | C | 100.00 |
| **Ireland** | | | | | |
| BOTTEGA VENETA IRELAND LTD | | C | 100.00 | C | 100.0 |
| GUCCI IRELAND Ltd | | C | 100.00 | C | 100.00 |
| SAINT LAURENT IRELAND LTD | | C | 100.00 | C | 100.00 |
| **Italy** | | | | | |
| ACCADEMIA DELLA PELLETTERIA SRL | | C | 51.00 | C | 51.00 |
| ALEXANDER MCQUEEN ITALIA SRL | | C | 100.00 | C | 100.00 |
| ALEXANDER MCQUEEN LOGISTICA SRL | | C | 100.00 | C | 100.00 |
| ALEXANDER MCQUEEN ONLINE ITALIA SRL | | C | 100.00 | C | 100.00 |
| B.V.ITALIA SRL | | C | 100.00 | C | 100.00 |
| BALENCIAGA LOGISTICA SRL | | C | 100.00 | C | 100.00 |
| BALENCIAGA ONLINE ITALIA SRL | | C | 100.00 | C | 100.00 |
| BALENCIAGA RETAIL ITALIA SRL | | C | 100.00 | C | 100.00 |
| BOTTEGA VENETA LOGISTICA SRL | | C | 100.00 | C | 100.00 |
| BOTTEGA VENETA SRL | | C | 100.00 | C | 100.00 |

| Company | Transaction | % interest Dec. 31, 2022 | | Dec. 31, 2021 | |
|---|---|---|---|---|---|
| BRIONI GERMANICS HOLDING SRL | | C | 100.00 | C | 100.00 |
| BRIONI ITALIA SRL | | C | 100.00 | C | 100.00 |
| BRIONI SpA | | C | 100.00 | C | 100.00 |
| BV ECOMMERCE SRL | | C | 100.00 | C | 100.00 |
| CARAVEL PELLI PREGIATE SpA | | C | 100.00 | C | 100.00 |
| CHEM – TEC SRL | | C | 51.00 | C | 51.00 |
| COLONNA SpA | | C | 51.00 | C | 51.00 |
| CONCERIA 800 SpA | | C | 51.00 | C | 51.00 |
| CONCERIA BLUTONIC SpA | Merger | - | - | C | 51.00 |
| COSTANZO & RIZZETTO SRL | Acquisition | E | 45.00 | - | - |
| DESIGN MANAGEMENT 2 SRL | | C | 100.00 | C | 100.00 |
| DESIGN MANAGEMENT SRL | | C | 100.00 | C | 100.00 |
| DI REMIGIO & DI DIODORO S.R.L. | Acquisition | C | 51.00 | - | - |
| E-LITE SRL | | C | 100.00 | C | 100.00 |
| FALCO PELLAMI SpA | | C | 51.00 | C | 51.00 |
| G COMMERCE EUROPE SpA | | C | 100.00 | C | 100.00 |
| GARPE SRL | | C | 100.00 | C | 100.00 |
| GGW ITALIA SRL | | C | 100.00 | C | 100.00 |
| GJP SRL | | C | 100.00 | C | 100.00 |
| GPA SRL | | C | 100.00 | C | 100.00 |
| GT SRL | | C | 100.00 | C | 100.00 |
| GUCCI GARDEN SRL | | C | 100.00 | C | 100.00 |
| GUCCI IMMOBILIARE 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 |
| IMMOBILIARE ARMEA SRL | | C | 100.00 | C | 100.00 |
| K RETAIL SRL | | C | 100.00 | C | 100.00 |
| KERING FASHION OPERATIONS SRL | | C | 100.00 | C | 100.00 |
| LECCIO SRL | Merger | - | - | C | 100.00 |
| 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 | 100.00 |
| MARBELLA PELLAMI SpA | | C | 51.00 | C | 51.00 |
| MOOD SRL | Acquisition | E | 19.00 | - | - |
| PELLETTERIA ALESSANDRA SRL | | C | 90.00 | C | 70.00 |
| PIGINI SRL | | C | 100.00 | C | 100.00 |
| POMELLATO EUROPA SpA | | C | 100.00 | C | 100.00 |
| POMELLATO SpA | | C | 100.00 | C | 100.00 |
| ROMAN STYLE SpA | | C | 100.00 | C | 100.00 |
| SAINT LAURENT ECOMMERCE SRL | | C | 100.00 | C | 100.00 |
| SAMMEZZANO OUTLET SRL | Merger | - | - | C | 100.00 |
| SL LUXURY RETAIL SRL | | C | 100.00 | C | 100.00 |
| SOWIND ITALIA SRL | Disposal | - | - | C | 100.00 |
| TEST & INNOVATION LAB SRL | | C | 100.00 | C | 100.00 |
| TIGER FLEX SRL | | C | 100.00 | C | 100.00 |
| TMLO HOLDING SRL | Formation | C | 100.00 | - | - |
| TRAMOR SRL | Merger | - | - | C | 100.00 |
| ULYSSE NARDIN ITALIA SRL | Disposal | - | - | C | 100.00 |
| YVES SAINT LAURENT MANIFATTURE SRL | | C | 100.00 | C | 100.00 |

| Company | Transaction | % interest Dec. 31, 2022 | | Dec. 31, 2021 | |
|---|---|---|---|---|---|
| **Luxembourg** | | | | | |
| BOTTEGA VENETA INTERNATIONAL SARL | | C | 100.00 | C | 100.00 |
| GUCCI GULF INVESTMENT SARL | | C | 100.00 | C | 100.00 |
| GUCCI LUXEMBOURG SA | | C | 100.00 | C | 100.00 |
| QEELIN HOLDING LUXEMBOURG SA | | C | 100.00 | C | 100.00 |
| **Monaco** | | | | | |
| BOUCHERON SAM | | C | 100.00 | C | 100.00 |
| GUCCI SAM | | C | 100.00 | C | 100.00 |
| KERING RETAIL MONACO SAM | | C | 100.00 | C | 100.00 |
| SAM YVES SAINT LAURENT OF MONACO | | C | 100.00 | C | 100.00 |
| SOCIETE MONEGASQUE DE HAUTE JOAILLERIE S.A.M. | | C | 100.00 | C | 99.79 |
| **Norway** | | | | | |
| LUXURY GOODS NORWAY AS | | C | 51.00 | C | 51.00 |
| **Netherlands** | | | | | |
| ALEXANDER MCQUEEN (THE NETHERLANDS) BV | | C | 100.00 | C | 100.00 |
| BALENCIAGA NETHERLANDS BV | | C | 100.00 | C | 100.00 |
| BOTTEGA VENETA NETHERLANDS BV | | C | 100.00 | C | 100.00 |
| G DISTRIBUTION BV | | C | 100.00 | C | 100.00 |
| GG MIDDLE EAST BV | | C | 51.00 | C | 51.00 |
| GG OTHER TERRITORIES BV | | C | 100.00 | C | 100.00 |
| GUCCI NETHERLANDS BV | | C | 100.00 | C | 100.00 |
| KERING ASIAN HOLDING BV | | C | 100.00 | C | 100.00 |
| YVES SAINT LAURENT NETHERLANDS BV | | C | 100.00 | C | 100.00 |
| **Portugal** | | | | | |
| BOTTEGA VENETA PORTUGAL, UNIPESSOAL LDA | | C | 100.00 | C | 100.00 |
| GUCCI PORTUGAL UNIPESSOAL, LDA | | C | 100.00 | C | 100.00 |
| SAINT LAURENT PORTUGAL SL | | C | 100.00 | C | 100.00 |
| **Czech Republic** | | | | | |
| BALENCIAGA CZECH REPUBLIC SRO | | C | 100.00 | C | 100.00 |
| BRIONI CZECH REPUBLIC SRO | Liquidation | - | - | C | 100.00 |
| LUXURY GOODS CZECH REPUBLIC SRO | | C | 100.00 | C | 100.00 |
| YVES SAINT LAURENT CZECH REPUBLIC, SRO | | C | 100.00 | C | 100.00 |
| **Romania** | | | | | |
| SIFA INTERNATIONAL SRL | | C | 100.00 | C | 100.00 |
| **Russia** | | | | | |
| BOUCHERON RUS OOO | | C | 100.00 | C | 100.00 |
| GUCCI RUS OOO | | C | 100.00 | C | 100.00 |
| ULYSSE NARDIN RUSSIA LLC | Disposal | - | - | C | 100.00 |
| **Serbia** | | | | | |
| F.LLI ROSSI SHOES DOO | | C | 70.00 | C | 70.00 |
| LUXURY TANNERY DOO | | C | 51.00 | C | 51.00 |
| **Sweden** | | | | | |
| GUCCI SWEDEN AB | | C | 51.00 | C | 51.00 |
| **Switzerland** | | | | | |
| BALENCIAGA SWITZERLAND SA | | C | 100.00 | C | 100.00 |
| BOTTEGA VENETA SWISS RETAIL SA | | C | 100.00 | C | 100.00 |
| BOUCHERON (SUISSE) SA | | C | 100.00 | C | 100.00 |
| BOUCHERON TIMEPIECES SA | Formation | C | 100.00 | - | - |
| BRIONI SWITZERLAND SA | | C | 100.00 | C | 100.00 |
| DONZE CADRANS SA | Disposal | - | - | C | 100.00 |
| FABBRICA QUADRANTI SA | | C | 100.00 | C | 100.00 |

| Company | Transaction | % interest Dec. 31, 2022 | | Dec. 31, 2021 | |
|---|---|---|---|---|---|
| GUCCI SWISS RETAIL SA | | C | 100.00 | C | 100.00 |
| GUCCI SWISS TIMEPIECES SA | | C | 100.00 | C | 100.00 |
| LUXURY GOODS OUTLETS EUROPE SAGL | | C | 100.00 | C | 100.00 |
| ROUD' HOR SA | Disposal | - | - | E | 35.00 |
| SIGATEC SA | Disposal | - | - | E | 50.00 |
| SOWIND GROUP SA | Disposal | - | - | C | 100.00 |
| SOWIND SA | Disposal | - | - | C | 100.00 |
| THE MALL LUXURY OUTLET SA | | C | 100.00 | C | 100.0 |
| MANUFACTURE ET FABRIQUE DE MONTRES ET CHRONOMETRES ULYSSE NARDIN LE LOCLE SA | Disposal | - | - | C | 100.00 |
| UNCA SA | Disposal | - | - | E | 50.00 |
| YSL SWITZERLAND SA | | C | 100.00 | C | 100.00 |
| **Aruba** | | | | | |
| GEMINI ARUBA NV | | C | 100.00 | C | 100.00 |
| **Brazil** | | | | | |
| BOTTEGA VENETA HOLDING Ltda | | C | 100.00 | C | 100.00 |
| GUCCI BRASIL IMPORTACAO E EXPORTACAO Ltda | | C | 100.00 | C | 100.00 |
| SAINT LAURENT BRASIL IMPORTACAO E EXPORTACAO Ltda | | C | 100.00 | C | 100.00 |
| **Canada** | | | | | |
| ALEXANDER MCQUEEN TRADING CANADA INC. | | C | 100.00 | C | 100.00 |
| BALENCIAGA CANADA Inc. | | C | 100.00 | C | 100.00 |
| BOTTEGA VENETA CANADA Ltd | | C | 100.00 | C | 100.00 |
| G.BOUTIQUES Inc. | | C | 100.00 | C | 100.00 |
| QEELIN CANADA LTD | Formation | C | 100.00 | - | - |
| SAINT LAURENT CANADA BOUTIQUES Inc. | | C | 100.00 | C | 100.00 |
| **Chile** | | | | | |
| LUXURY GOODS CHILE SpA | | C | 51.00 | C | 51.00 |
| **United States** | | | | | |
| ALEXANDER MCQUEEN TRADING AMERICA, Inc. | | C | 100.00 | C | 100.00 |
| 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 AMERICA HOLDING Inc. | | C | 100.00 | C | 100.00 |
| BRIONI AMERICA Inc. | | C | 100.00 | C | 100.00 |
| E-LITE US Inc. | Liquidation | - | - | C | 100.00 |
| G GATOR USA LLC | | C | 100.00 | C | 100.00 |
| GUCCI AMERICA Inc. | | C | 100.00 | C | 100.00 |
| GUCCI FINANCIAL HOLDING AMERICAS, INC. | | C | 100.00 | C | 100.00 |
| GUCCI OSTERIA USA LLC | | C | 100.00 | C | 100.00 |
| GUCCI SAIPAN INC | Formation | C | 100.00 | - | - |
| GUCCI TRUST | | C | 100.00 | C | 100.00 |
| KERINAMERICAS TRADING, LLC | Formation | C | 100.00 | - | - |
| LUXURY HOLDINGS Inc. | | C | 100.00 | C | 100.00 |
| LUXURY TIMEPIECES AND JEWELRY USA, Inc. | Liquidation | - | - | C | 100.00 |
| POMELLATO USA Inc. | | C | 100.00 | C | 100.00 |
| TRADEMA OF AMERICA Inc. | Disposal | - | - | C | 100.00 |
| ULYSSE NARDIN Inc. | Disposal | - | - | C | 100.00 |
| WALL'S GATOR FARM II LLC | | E | 40.00 | E | 40.00 |
| WG ALLIGATOR FARM LLC | | E | 40.00 | E | 40.00 |
| YVES SAINT LAURENT AMERICA HOLDING Inc. | | C | 100.00 | C | 100.00 |
| YVES SAINT LAURENT AMERICA Inc. | | C | 100.00 | C | 100.00 |

| Company | Transaction | % interest Dec. 31, 2022 | | Dec. 31, 2021 | |
|---|---|---|---|---|---|
| **Mexico** | | | | | |
| BALENCIAGA RETAIL MEXICO, S.DE R.L.DE C.V. | | C | 100.00 | C | 100.00 |
| BOTTEGA VENETA MEXICO, S.DE R.L.DE C.V. | | C | 100.00 | C | 100.00 |
| D ITALIAN CHARMS S.A.DE R.L.DE C.V. | | C | 100.00 | C | 100.00 |
| GUCCI IMPORTACIONES S.A.DE C.V. | | C | 100.00 | C | 100.00 |
| GUCCI MEXICO S.A.DE C.V. | | C | 100.00 | C | 100.00 |
| SAINT LAURENT MEXICO, S.DE R.L.DE C.V. | | C | 100.00 | C | 100.00 |
| **Panama** | | | | | |
| LUXURY GOODS PANAMA S.DE R.L. | | C | 51.00 | C | 51.00 |
| SAINT LAURENT PANAMA Inc. | | C | 100.00 | C | 100.00 |
| **Australia** | | | | | |
| ALEXANDER MCQUEEN AUSTRALIA PTY Ltd | | C | 100.00 | C | 100.00 |
| BALENCIAGA AUSTRALIA PTY Ltd | | C | 100.00 | C | 100.00 |
| BOTTEGA VENETA AUSTRALIA PTY Ltd | | C | 100.00 | C | 100.00 |
| GUCCI AUSTRALIA PTY Ltd | | C | 100.00 | C | 100.00 |
| QEELIN AUSTRALIA PTY. LTD. | Formation | C | 100.00 | - | - |
| SAINT LAURENT AUSTRALIA PTY Ltd | | C | 100.00 | C | 100.00 |
| **New Zealand** | | | | | |
| ALEXANDER MCQUEEN NEW ZEALAND LTD | | C | 100.00 | C | 100.00 |
| BALENCIAGA NEW ZEALAND LTD | | C | 100.00 | C | 100.00 |
| GUCCI NEW ZEALAND Ltd | | C | 100.00 | C | 100.00 |
| SAINT LAURENT NEW ZEALAND Ltd | | C | 100.00 | C | 100.00 |
| **Greater China** | | | | | |
| ***Mainland China*** | | | | | |
| ALEXANDER McQUEEN (SHANGHAI) TRADING Ltd | | C | 100.00 | C | 100.00 |
| BALENCIAGA FASHION SHANGHAI CO.Ltd | | C | 100.00 | C | 100.00 |
| BOTTEGA VENETA (CHINA) TRADING Ltd | | C | 100.00 | C | 100.00 |
| BRIONI (SHANGHAI) TRADING Ltd | | C | 100.00 | C | 100.00 |
| GUCCI (CHINA) TRADING Ltd | | C | 100.00 | C | 100.00 |
| GUCCI WATCHES MARKETING CONSULTING (SHANGHAI) Ltd | | C | 100.00 | C | 100.00 |
| KERING (SHANGHAI) WATCHES AND JEWELRY Ltd | | C | 100.00 | C | 100.00 |
| POMELLATO SHANGHAI CO.Ltd | | C | 100.00 | C | 100.00 |
| QEELIN TRADING (SHANGHAI) CO.Ltd | | C | 100.00 | C | 100.00 |
| YVES SAINT LAURENT (SHANGHAI) TRADING Ltd | | C | 100.00 | C | 100.00 |
| ULYSSE NARDIN & GIRARD-PERREGAUX (SHANGHAI) WATCHES COMPANY LIMITED | Disposal | - | - | - | - |
| ***Hong Kong SAR*** | | | | | |
| ALEXANDER MCQUEEN (HONG KONG) Ltd | | C | 100.00 | C | 100.00 |
| BALENCIAGA ASIA PACIFIC Ltd | | C | 100.00 | C | 100.00 |
| BOTTEGA VENETA HONG KONG Ltd | | C | 100.00 | C | 100.00 |
| BOUCHERON HONG KONG Ltd | | C | 100.00 | C | 100.00 |
| BRIONI HONG KONG Ltd | | C | 100.00 | C | 100.00 |
| GUCCI ASIA COMPANY Ltd | | C | 100.00 | C | 100.00 |
| GUCCI GROUP (HONG KONG) LTD | | C | 100.00 | C | 100.00 |
| MOVEN INTERNATIONAL Ltd | Disposal | - | - | C | 100.00 |
| POMELLATO PACIFIC Ltd | | C | 100.00 | C | 100.00 |
| QEELIN Ltd | | C | 100.00 | C | 100.00 |
| ULYSSE NARDIN (ASIA PACIFIC) Ltd | Disposal | - | - | C | 100.00 |
| YVES SAINT LAURENT (HONG KONG) Ltd | | C | 100.00 | C | 100.00 |

| Company | Transaction | % interest Dec. 31, 2022 | | Dec. 31, 2021 | |
|---|---|---|---|---|---|
| ***Macau SAR*** | | | | | |
| ALEXANDER McQUEEN (MACAU) Ltd | | C | 100.00 | C | 100.00 |
| BALENCIAGA MACAU Ltd | | C | 100.00 | C | 100.00 |
| BOTTEGA VENETA MACAU Ltd | | C | 100.00 | C | 100.00 |
| BRIONI MACAU Ltd | | C | 100.00 | C | 100.00 |
| GUCCI MACAU Ltd | | C | 100.00 | C | 100.00 |
| KERING (MACAU) WATCHES AND JEWELRY Ltd | | C | 100.00 | C | 100.00 |
| QEELIN MACAU Ltd | | C | 100.00 | C | 100.00 |
| YVES SAINT LAURENT MACAU Ltd | | C | 100.00 | C | 100.00 |
| ***Taiwan*** | | | | | |
| BOUCHERON TAIWAN CO.Ltd | | C | 100.00 | C | 100.00 |
| ULYSSE NARDIN (TAIWAN) Ltd | Disposal | - | - | C | 100.00 |
| **South Korea** | | | | | |
| ALEXANDER MCQUEEN KOREA Ltd | | C | 100.00 | C | 100.00 |
| BALENCIAGA KOREA LLC | | C | 100.00 | C | 100.00 |
| BOTTEGA VENETA KOREA LLC | | C | 100.00 | C | 100.00 |
| GUCCI KOREA LLC | | C | 100.00 | C | 100.00 |
| KERING WATCHES & JEWELRY KOREA LLC | | C | 100.00 | C | 100.00 |
| YVES SAINT LAURENT KOREA LLC | | 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** | | | | | |
| LUXURY GOODS RETAIL PRIVATE LTD | | C | 51.00 | C | 51.00 |
| **Japan** | | | | | |
| BALENCIAGA JAPAN Ltd | | C | 100.00 | C | 100.00 |
| BOTTEGA VENETA JAPAN Ltd | | C | 100.00 | C | 100.00 |
| BOUCHERON JAPAN Ltd | | C | 100.00 | C | 100.00 |
| BRIONI JAPAN CO.Ltd | | C | 100.00 | C | 100.00 |
| GUCCI OSTERIA JAPAN G.K. | | C | 100.00 | C | 100.00 |
| QEELIN JAPAN LIMITED | Formation | C | 100.00 | - | - |
| POMELLATO JAPAN CO.Ltd | | C | 100.00 | C | 100.00 |
| SOWIND JAPAN KK | Disposal | - | - | C | 100.00 |
| **Malaysia** | | | | | |
| AUTUMNPAPER MALAYSIA SDN BHD | | C | 100.00 | C | 100.00 |
| BALENCIAGA SEA MALAYSIA SDN BHD | | C | 100.00 | C | 100.00 |
| BOTTEGA VENETA MALAYSIA SDN BHD | | C | 100.00 | C | 100.00 |
| GUCCI (MALAYSIA) SDN BHD | | C | 100.00 | C | 100.00 |
| KERING WATCHES AND JEWELRY (MALAYSIA) SDN BHD | | C | 100.00 | C | 100.00 |
| SAINT LAURENT (MALAYSIA) SDN BHD | | C | 100.00 | C | 100.00 |
| **Mongolia** | | | | | |
| ULYSSE NARDIN MONGOLIA LLC | Disposal | - | - | E | 50.00 |
| **Philippines** | | | | | |
| LUXURY GOODS PHILIPPINES INC | | C | 75.00 | C | 100.00 |
| **Singapore** | | | | | |
| ALEXANDER MCQUEEN (SINGAPORE) PTE Ltd | | C | 100.00 | C | 100.00 |
| BALENCIAGA SINGAPORE PTE Ltd | | C | 100.00 | C | 100.00 |
| BOTTEGA VENETA SINGAPORE PRIVATE Ltd | | C | 100.00 | C | 100.00 |
| GUCCI SINGAPORE PTE Ltd | | C | 100.00 | C | 100.00 |
| KERING (SINGAPORE) WATCHES AND JEWELRY PTE Ltd | | C | 100.00 | C | 100.00 |
| SAINT LAURENT (SINGAPORE) PTE Ltd | | C | 100.00 | C | 100.00 |

| Company | Transaction | % interest Dec. 31, 2022 | | Dec. 31, 2021 | |
|---|---|---|---|---|---|
| **Thailand** | | | | | |
| ALEXANDER MCQUEEN (THAILAND) Ltd | | C | 100.00 | C | 100.00 |
| BALENCIAGA THAILAND Ltd | | C | 100.00 | C | 100.00 |
| BOTTEGA VENETA (THAILAND) Ltd | | C | 75.00 | C | 75.00 |
| GUCCI SERVICES (THAILAND) Ltd | | C | 98.00 | C | 98.00 |
| LUXURY GOODS (THAILAND) Ltd | | C | 75.00 | C | 75.00 |
| SAINT LAURENT (THAILAND) CO.Ltd | | C | 100.00 | C | 100.00 |
| **Vietnam** | | | | | |
| GUCCI VIETNAM CO.Ltd | | C | 100.00 | C | 100.00 |
| **South Africa** | | | | | |
| GG LUXURY RETAIL SOUTH AFRICA PTE Ltd | | C | 62.00 | C | 62.00 |
| **Bahrain** | | | | | |
| FLORENCE 1921 WLL | | C | 49.00 | C | 49.00 |
| **United Arab Emirates** | | | | | |
| AP LUXURY GOODS MIDDLE EAST LLC | | C | 49.00 | C | 49.00 |
| ATELIER LUXURY GULF LLC | | C | 49.00 | C | 49.00 |
| BOTTEGA VENETA ARABIA TRADING LLC | Formation | C | 75.00 | - | - |
| FASHION LUXURY MIDDLE EAST LLC | | C | 49.00 | C | 49.00 |
| KERING TRADING MIDDLE EAST DWC - LLC | Formation | C | 100.00 | - | - |
| LUXURY FASHION GULF LLC | | C | 49.00 | C | 49.00 |
| LUXURY GOODS ARABIA LTD | | C | 75.00 | C | 75.00 |
| LUXURY GOODS GULF LLC | | C | 49.00 | C | 49.00 |
| **Kazakhstan** | | | | | |
| ULYSSE NARDIN KAZAKHSTAN LLP | Disposal | - | - | E | 50.00 |
| **Kuwait** | | | | | |
| AUTUMNPAPER LUXURY GOODS FOR READYMADE CLOTHES, SHOES AND ACCESSORIES WLL | | C | 49.00 | C | 49.00 |
| B.A.L FOR READY-TO-WEAR APPAREL AND ACCESSORIES WLL | | C | 49.00 | C | 49.00 |
| BOTTEGA VENETA LEATHER GOODS KUWAIT WLL | | C | 49.00 | C | 49.00 |
| LUXURY GOODS KUWAIT WLL | | C | 26.01 | C | 26.01 |
| YSL KUWAIT FOR READYMADE CLOTHES AND ACCESSORIES WLL | | C | 49.00 | C | 49.00 |
| **Qatar** | | | | | |
| APL LUXURY FASHION TRADING WLL. | Formation | C | 49.00 | - | - |
| FASHION LUXURY TRADING LLC | Formation | C | 49.00 | - | - |
| GUCCI QFZ LLC | Formation | C | 100.00 | - | - |
| LUXURY GOODS QATAR LLC | | C | 25.50 | C | 25.50 |
| SAINT LAURENT PARIS LLC | | C | 24.00 | C | 24.00 |
| **Turkey** | | | | | |
| GUCCI TURKEY LUXURY GOODS TRADE LLP | | C | 100.00 | C | 100.00 |
| SAINT LAURENT TURKEY LÜKS ÜRÜNLER LIMITED ŞIRKETI | Formation | C | 100.00 | - | - |
| KERING EYEWEAR AND CORPORATE | | | | | |
| **KERING EYEWEAR AND KGS** | | | | | |
| **France** | | | | | |
| KERING EYEWEAR FRANCE SAS | | C | 64.32 | C | 67.07 |
| MANUFACTURE KERING EYEWEAR SAS | | C | 64.32 | C | 67.07 |
| MAUI JIM FRANCE SARL | Acquisition | C | 64.32 | - | - |
| **Germany** | | | | | |
| KERING EYEWEAR DACH GmbH | | C | 64.32 | C | 67.07 |
| MAUI JIM GERMANY, GMBH | Acquisition | C | 64.32 | - | - |

| Company | Transaction | % interest Dec. 31, 2022 | | Dec. 31, 2021 | |
|---|---|---|---|---|---|
| **Croatia** | | | | | |
| KERING EYEWEAR SOUTH EAST EUROPE DOO | | C | 64.32 | C | 67.07 |
| **Canada** | | | | | |
| MAUI JIM CANADA ULC | Acquisition | C | 64.32 | - | - |
| **Denmark** | | | | | |
| LINDBERG AS | | C | 64.32 | C | 67.07 |
| **Spain** | | | | | |
| KERING EYEWEAR ESPANA SA | | C | 64.32 | C | 67.07 |
| MAUI JIM SPAIN, S.L. | Acquisition | C | 64.32 | - | - |
| **United Kingdom** | | | | | |
| KERING EYEWEAR UK Ltd | | C | 64.32 | C | 67.07 |
| MAUI JIM UK LTD. | Acquisition | C | 64.32 | - | - |
| **Italy** | | | | | |
| KERING EYEWEAR SpA | | C | 64.32 | C | 67.07 |
| TRENTI INDUSTRIA OCCHIALI SPA | | C | 35.37 | C | 36.86 |
| MAUI JIM - ITALY S.R.L. | Acquisition | C | 64.32 | - | - |
| **Portugal** | | | | | |
| KERING EYEWEAR PORTUGAL UNIPESSOAL LDA | Formation | C | 64.32 | - | - |
| **Sweden** | | | | | |
| MAUI JIM NORDIC AB | Acquisition | C | 64.32 | - | - |
| **Switzerland** | | | | | |
| LINDBERG AG | | C | 64.32 | C | 67.07 |
| **United States** | | | | | |
| HUIPU CORP. | Formation | C | 64.32 | - | - |
| KERING EYEWEAR USA Inc. | | C | 64.32 | C | 67.07 |
| MAUI JIM INC. | Acquisition | C | 64.32 | - | - |
| MAUI JIM USA, INC. | Acquisition | C | 64.32 | - | - |
| NILES FISHING COMPANY, LTD. | Acquisition | C | 64.32 | - | - |
| ZEAL OPTICS, INC. | Acquisition | C | 64.32 | - | - |
| LINDBERG USA, IINC. | Formation | C | 64.32 | - | - |
| **Australia** | | | | | |
| KERING EYEWEAR AUSTRALIA PTY Ltd | | C | 64.32 | C | 67.07 |
| MAUI JIM AUSTRALIA PTY, LTD | Acquisition | C | 64.32 | - | - |
| **Greater China** | | | | | |
| ***Mainland China*** | | | | | |
| GUANGZHOU KGS CORPORATE MANAGEMENT & CONSULTANCY Ltd | Disposal | - | - | C | 100.00 |
| KERING EYEWEAR SHANGHAI TRADING ENTERPRISES Ltd | | C | 64.32 | C | 67.07 |
| LINDBERG SHANGHAI TRADING LTD | | C | 64.32 | C | 67.07 |
| MAUI JIM EYEWEAR SELLING (SHANGHAI) CO., LTD | Acquisition | C | 64.32 | - | - |
| REDCATS COMMERCE ET TRADING (SHANGHAI) CO Ltd | Disposal | - | - | C | 100.00 |
| KGS SOURCING (SHANGHAI) LTD | Disposal | - | - | C | 100.00 |
| ***Hong Kong SAR*** | | | | | |
| KERING EYEWEAR APAC Ltd | | C | 64.32 | C | 67.07 |
| KGS GLOBAL MANAGEMENT SERVICES Ltd | Disposal | - | - | C | 100.00 |
| KGS SOURCING Ltd | Disposal | - | - | C | 100.00 |
| MAUI JIM ASIA LIMITED | Acquisition | C | 64.32 | - | - |
| ***Taiwan*** | | | | | |
| KERING EYEWEAR TAIWAN Ltd | | C | 64.32 | C | 67.07 |

| Company | Transaction | % interest Dec. 31, 2022 | | Dec. 31, 2021 | |
|---|---|---|---|---|---|
| **South Korea** | | | | | |
| KERING EYEWEAR KOREA Ltd | | C | 64.32 | C | 67.07 |
| **India** | | | | | |
| KERING EYEWEAR INDIA Ltd | | C | 64.32 | C | 67.07 |
| KGS SOURCING INDIA PTE Ltd | Disposal | - | - | C | 100.00 |
| MAUI JIM SUN OPTICS INDIA PRIVATE LIMITED | Acquisition | C | 64.32 | - | - |
| **Japan** | | | | | |
| KERING EYEWEAR JAPAN Ltd | | C | 64.32 | C | 67.07 |
| **Malaysia** | | | | | |
| KERING EYEWEAR MALAYSIA SDN BHD | | C | 64.32 | C | 67.07 |
| **Mexico** | | | | | |
| MAUI JIM SUNGLASSES DE MEXICO S DE RL DE CV | Acquisition | C | 64.32 | - | - |
| **Singapore** | | | | | |
| KERING EYEWEAR SINGAPORE PTE LTD | | C | 64.32 | C | 67.07 |
| **South Africa** | | | | | |
| MAUI JIM SOUTH AFRICA (PTY) LTD | Acquisition | C | 64.32 | - | - |
| **United Arab Emirates** | | | | | |
| KERING EYEWEAR MIDDLE EAST FZ-LLC | | C | 64.32 | C | 67.07 |
| MAUI JIM MIDDLE EAST TRADING L.L.C | Acquisition | C | 64.32 | - | - |
| MAUI JIM MIDDLE EAST FZE | Acquisition | C | 64.32 | - | - |
| **Turkey** | | | | | |
| KGS SOURCING TURKEY LIMITED | Liquidation | - | - | C | 100.00 |
| CORPORATE | | | | | |
| **France** | | | | | |
| DISCODIS SAS | | C | 100.00 | C | 100.00 |
| GG FRANCE 13 SAS | | C | 100.00 | C | 100.00 |
| GG FRANCE 14 SAS | | C | 100.00 | C | 100.00 |
| IMMO FRANCE 1 SAS | Formation | C | 100.00 | - | - |
| KERING BEAUTE SAS | Formation | C | 100.00 | - | - |
| KERING FINANCE SNC | | C | 100.00 | C | 100.00 |
| KERING FRANCE PARTICIPATIONS SAS | | C | 100.00 | C | 100.00 |
| KERING SIGNATURE | | C | 100.00 | C | 100.00 |
| KERING VENTURE SAS | | C | 100.00 | C | 100.00 |
| SOCIETE CIVILE KERING CAPITAL | | C | 100.00 | C | 100.00 |
| **Spain** | | | | | |
| KERING SPAIN SL | | C | 100.00 | C | 100.00 |
| **United Kingdom** | | | | | |
| KERING INTERNATIONAL Ltd | | C | 100.00 | C | 100.00 |
| KERING UK SERVICES Ltd | | C | 100.00 | C | 100.00 |
| **Italy** | | | | | |
| KERING ITALIA SpA | | C | 100.00 | C | 100.00 |
| KERING SERVICE ITALIA SpA | | C | 100.00 | C | 100.00 |
| NEVER GIVE UP INVESTMENTI S.R.L. | Formation | C | 50.74 | - | - |
| **Luxembourg** | | | | | |
| E-KERING LUX SA | | C | 100.00 | C | 100.00 |
| GEMINGA SARL | | C | 100.00 | C | 100.00 |
| KERING INVESTMENTS SA | | C | 94.13 | C | 94.13 |
| KERING RE | | C | 100.00 | C | 100.00 |

| Company | Transaction | % interest Dec. 31, 2022 | | Dec. 31, 2021 | |
|---|---|---|---|---|---|
| **Netherlands** | | | | | |
| GUCCI PARTICIPATION BV | | C | 100.00 | C | 100.00 |
| K OPERATIONS BV | | C | 100.00 | C | 100.00 |
| KERING HOLLAND NV | | C | 100.00 | C | 100.00 |
| KERING INVESTMENTS EUROPE BV | | C | 100.00 | C | 100.00 |
| KERNIC-MET BV | | C | 100.00 | C | 100.00 |
| **Switzerland** | | | | | |
| LUXURY GOODS INTERNATIONAL SA | | C | 100.00 | C | 100.00 |
| LUXURY GOODS LOGISTICS SA | | C | 51.00 | C | 51.00 |
| LUXURY GOODS OPERATIONS SA | | C | 51.00 | C | 51.00 |
| **Brazil** | | | | | |
| KERING BRASIL SERVICOS ADMINISTRATIVOS LTDA | | C | 100.00 | C | 100.00 |
| **Canada** | | | | | |
| KERING CANADA SERVICES INC | | C | 100.00 | C | 100.00 |
| **United States** | | | | | |
| KERING AMERICAS Inc. | | C | 100.00 | C | 100.00 |
| YOUR FRIENDS IN NEW YORK HOLDINGS, LLC | | E | 22.22 | E | 22.22 |
| **Mexico** | | | | | |
| KERING MEXICO S.DE R.L.DE C.V. | | C | 100.00 | C | 100.00 |
| **Australia** | | | | | |
| KERING AUSTRALIA PTY Ltd | | C | 100.00 | C | 100.00 |
| **Greater China** | | | | | |
| *Mainland China* | | | | | |
| KERING INVESTMENT MANAGEMENT GROUP CO., LTD | | C | 100.00 | C | 100.00 |
| *Hong Kong SAR* | | | | | |
| KERING ASIA PACIFIC Ltd | | C | 100.00 | C | 100.00 |
| **South Korea** | | | | | |
| KERING KOREA LLC | | C | 100.00 | C | 100.00 |
| **Japan** | | | | | |
| YUGEN KAISHA GUCCI | | C | 100.00 | C | 100.00 |
| KERING JAPAN Ltd | | C | 100.00 | C | 100.00 |
| KERING TOKYO INVESTMENT Ltd | | C | 100.00 | C | 100.00 |
| **Malaysia** | | | | | |
| KERING SERVICES MALAYSIA SDN BHD | | C | 100.00 | C | 100.00 |
| **Singapore** | | | | | |
| KERING SOUTH EAST ASIA PTE Ltd | | C | 100.00 | C | 100.00 |
| **United Arab Emirates** | | | | | |
| KERING SERVICES MIDDLE EAST | | C | 100.00 | C | 100.00 |

# NOTE 31 – STATUTORY AUDITORS' REMUNERATION

| **Fees for fiscal year 2022** *(in € thousands, excluding tax and disbursements)* | **PwC**[1] | **KPMG** | **Deloitte**[1] | | **Total** | |
|---|---|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** |
| Kering SA | 0.6 | 0.6 | 0.8 | 0.6 | 1.4 | 1.3 |
| Fully-consolidated subsidiaries | 3.9 | 4.6 | 3.5 | 2.0 | 7.5 | 6.6 |
| **Statutory audit** | **4.5** | **5.3** | **4.3** | **2.7** | **8.9** | **7.9** |
| Kering SA | 0.1 | 0.1 | 0.4 | 0.6 | 0.6 | 0.8 |
| Fully-consolidated subsidiaries | 3.7 | 1.5 | 0.3 | 0.3 | 4.0 | 1.8 |
| **Non-audit services** | **3.8** | **1.6** | **0.7** | **1.0** | **4.6** | **2.6** |
| TOTAL | 8.4 | 6.9 | 5.1 | 3.6 | 13.5 | 10.5 |

(1) Of which PwC network: €3.2 million in 2022 with respect to statutory audit services and €3.8 million with respect to non-audit services.
(2) Of which Deloitte network: €3.2 million in 2022 with respect to statutory audit services and €0.5 million with respect to non-audit services.

# NOTE 32 – SUBSEQUENT EVENTS

## Stock repurchase program

The fourth tranche of the Stock Repurchase Program was completed on December 12, 2022. Between October 24 and December 15, 2022, 650,000 shares were repurchased at an average price of €511.71 per share, representing around 0.5% of the share capital.

The Board of Directors decided in its meeting of February 14, 2023 that the 650,000 shares repurchased in this tranche would be canceled.

No other significant event took place between December 31, 2022 and February 14, 2023, the date on which the Board of Directors approved the annual financial statements.

# NOTE 33 – ACCOUNTING POLICIES AND METHODS

## 33.1 Basis of preparation of the consolidated financial statements

### 33.1.1 Changes to the IFRS basis

The amendments and interpretations that have entered into force since January 1, 2022 include:

- amendment to IAS 37 – Onerous contracts – Cost of fulfilling a contract, which clarifies that the costs to be taken into account to recognize a provision for onerous contract should include both the incremental costs and an allocation of other costs that relates directly to fulfilling the contract;
- amendment to IAS 16 – Property, Plant and Equipment – Proceeds before intended use, which prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while making that asset available to its intended use. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss;
- amendment to IFRS 3, which updates references to the Conceptual Framework;
- annual improvements to IFRSs 2018-2020.

These amendments have no impact for the Group.

The Group has also analyzed the impact of the IFRIC decision relating to IAS 38 – Intangible assets regarding the recognition of configuration and customization costs in a SaaS (Software as a Service) arrangement. An amount of €21 million net of deferred tax, which is non-material for the Group, was recorded in equity under Other reserves at January 1, 2022, with a balancing entry consisting of a decrease in intangible assets.

The Group has not applied early any standards or interpretations that were not mandatorily applicable in 2022.

### 33.1.2 Use of estimates and judgment

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 recognized during the period in which the change occurs and all affected future periods.

The main estimates made by management in the preparation of the consolidated financial statements concern goodwill, the useful lives of property, plant and equipment and intangible assets, contingency provisions and uncertain tax positions, inventory impairment provisions, assumptions used to calculate lease right-of-use assets and lease liabilities, provisions for pensions and long-term remuneration including share-based payment, the recognition of deferred tax assets and certain financial instruments.

In addition to the use of estimates, Group management uses judgment to determine the appropriate accounting treatment for certain transactions, pending the clarification of certain IFRSs or where prevailing standards do not cover the issue at hand.

In its main estimates and in its risk analysis, the Group has taken into account the current macroeconomic context, including the increase in inflation, even though the Group has little exposure to it. Hyperinflation in certain countries, particularly Turkey, has no material impact on the Group's consolidated financial statements. The actuarial assumptions used to calculate post-employment benefits, like the discount rates used in carrying out impairment tests and devising medium-term plans, have been assessed in view of the most recent officially published inflation figures.

### 33.1.3 Climate risks

In 2022, the Group set up a Sustainable Finance department whose role includes linking the financial statements with climate issues, responding to new sustainable finance regulations, and ensuring that environmental issues play an integral part in Kering's decision-making processes, particularly as regards investments.

In accordance with the recommendation of the *Task Force on Climate-Related Financial Disclosures* (TCFD), Kering has conducted an initial assessment of the financial impact of specific climate risks. The analysis carried out so far does not show any material impact on the Group's financial statements.

Work has been done in the following areas:

- Impact on operational financial performance:
  - The impact of thermal stress on the availability of certain raw materials (particularly bovine leather) and therefore on procurement costs, is not deemed material in terms of the Group's financial statements. Kering's laboratories are developing new materials in-house, which should help diversify the product range and maintain the Group's revenue and margins. In addition, various mitigation measures, such as the *Kering Standards* applicable to suppliers, or the development of regenerative agriculture practices, will make the Group more resilient to climate risks.
  - As regards risks arising from changing consumer expectations, no material decline in revenue is expected.
  - The commitments made by Kering and its Houses in terms of their positive contribution to climate have already been represented in the financial statements for several years, and are an integral part of the business model. Kering has been supporting carbon offsetting programs since 2012. In addition, efforts to reduce carbon emissions and increase the amount of electricity used from renewable sources should have a positive impact on the Group's financial statements.

- Impact on the measurement of assets and liabilities:
  - As regards physical risks such as extreme events affecting the Group's facilities, no provisions for decommissioning or restoring the condition of those facilities have been set aside.
  - The Group has set up share-based payment plans including performance criteria based on climate-related targets. The fulfillment of those criteria was taken into account in evaluating the share-based payment plans at the end of 2022.

Based on this analysis, no adjustment has been made to the revenue and margin assumptions used to carry out impairment tests. Only the cost of carbon offsetting, historically allocated to *Corporate and other* segment, has been allocated to the trajectories of each CGU in proportion to their estimated consumption.

### 33.1.4 Use of alternative performance indicators

The alternative performance indicators used by the Group and presented in the consolidated financial statements are:

**Recurring operating income and other non-recurring operating income and expenses**

The Group's operating income includes all revenues and expenses directly related to its activities, whether these revenues and expenses are recurring or arise from non-recurring decisions or transactions.

Other non-recurring operating income and expenses consist of items that, by their nature, amount or frequency, could distort the assessment of the Group's operating performance as reflected in its recurring operating income. They include changes in scope, the impairment of goodwill and brands and, where material, of property, plant and equipment and intangible assets, capital gains and losses on disposals of non-current assets, restructuring costs and disputes (see Note 6).

"Recurring operating income" is therefore an alternative performance indicator for the Group, defined as the difference between operating income and other non-recurring operating income and expenses. This indicator is intended to facilitate the understanding of the operating performance of the Group and its Houses and can therefore be used as a way to estimate recurring performance. It 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 (see Note 2).

**EBITDA**

The Group uses EBITDA as an alternative performance indicator to monitor its operating performance. This financial indicator corresponds to recurring operating income plus net charges to depreciation, amortization and provisions on non-current operating assets recognized in recurring operating income (see Note 2).

**Effective tax rate on recurring income**

The effective tax rate on recurring income corresponds to the effective tax rate excluding tax effects relating to other non-recurring operating income and expenses (see Notes 6 and 8).

**Net debt**

Net debt is one of the Group's main financial indicators, and is defined as borrowings less cash and cash equivalents. Lease liabilities are not included in the calculation of this indicator. Borrowings include put options granted to minority interests (see Note 33.21). The cost of net debt corresponds to all financial income and expenses associated with these items, including the impact of derivative instruments used to hedge the fair value of borrowings (see Note 7).

## 33.2 Consolidation principles

The Group's consolidated financial statements include the financial statements of the companies listed in Note 30. They include the financial statements of companies acquired as from the acquisition date and companies sold up until the date of disposal.

Subsidiaries are consolidated from the effective date of control.

Intercompany assets and liabilities as well as transactions between consolidated companies are eliminated. Gains and losses on internal transactions with controlled companies are fully eliminated.

### 33.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group exercises control. Control is defined according to three criteria: power over the investee; exposure, or rights, to variable returns from involvement with the investee; and the ability to exert 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 a smaller proportion of voting rights is held.

### 33.2.2 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. This generally implies holding 20% to 50% of the voting rights.

Associates are recognized 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 the Group is recognized in “Share in earnings (losses) of equity-accounted companies”, 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 recognizes 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 equity-accounted companies” in the balance sheet.

Gains or losses on internal transactions with equity-accounted associates are eliminated in the amount of the Group’s investment in these companies.

### 33.2.3 Business combinations

Business combinations, where the Group acquires control of one or more other activities, are recognized using the acquisition method.

Business combinations are recognized and measured in accordance with the provisions of the IFRS 3. Accordingly, the consideration transferred 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 an acquisition are recognized within other non-recurring operating expenses in the income statement.

Goodwill is recognized to represent the difference between the Group's share of the identified assets and liabilities measured at fair value. If the difference is negative, the gain is immediately recognized in the income statement within other non-recurring operating income.

The Group may choose to measure any minority 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 of control over the acquired entity is obtained and may not be adjusted after the measurement period. No additional goodwill is recognized on any subsequent acquisition of minority interests. Acquisitions and disposals of minority interests are recognized directly in equity attributable to the Group.

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 minority interests.

## 33.3 Foreign currency translation

### 33.3.1 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 its presentation currency.

### 33.3.2 Foreign currency transactions

Transactions denominated in foreign currencies are recognized in the entity’s functional currency at the exchange rate prevailing on the transaction date.

Monetary items (assets and liabilities) in foreign currencies are translated at the closing exchange rate at the end of each reporting period. Any foreign exchange gains and losses resulting from this translation or from the settlement of these monetary items are recognized within other financial income and expenses in the income statement.

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 recognized directly in equity within other comprehensive income, similar treatment is applied to the foreign exchange component of this gain or loss. Otherwise, the component is recognized in the income statement.

The treatment of currency hedges in the form of derivatives is described in Note 33.17.

### 33.3.3 Currency translation of foreign subsidiaries’ financial statements

The income statements and balance sheets of Group entities with a functional currency that differs from the presentation currency are translated into euros as follows:

- items recorded in the balance sheet other than equity are translated at the exchange rate at the end of the reporting period;
- items in the income statement are translated at the average exchange rate for the period, corresponding to an approximate value for the rate at the transaction date in the absence of significant fluctuations;
- translation differences are recognized directly in equity within other comprehensive income as currency translation adjustments.

Goodwill and fair value adjustments arising from a business combination with a foreign activity are recognized in the functional currency of the entity acquired. They are subsequently translated into the Group’s presentation currency at the closing exchange rate, and any resulting differences are recognized directly in equity within other comprehensive income as currency translation adjustments.

### 33.3.4 Net investment in a foreign business

Currency translation adjustments arising on the translation of a net investment in a foreign subsidiary are recognized directly in equity within other comprehensive income, and are transferred to the income statement on the disposal of the net investment.

Currency translation adjustments in respect of foreign currency borrowings designated as hedging a net investment in a foreign subsidiary are recognized directly in equity within other comprehensive income to the extent that the hedge is effective. They are transferred to the income statement on the disposal of the net investment hedged.

## 33.4 Operating segments

In accordance with IFRS 8, segment information is reported on the same basis as used internally by the Chairman and Chief Executive Officer and the Group Managing Director – the Group's chief operating decision makers – to allocate resources to segments and assess their performance.

An operating segment is a separate 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.

Financial information provided on operating segments is prepared in accordance with the same accounting rules as in the consolidated financial statements.

The performance of each operating segment is measured based on recurring operating income, which is the approach used by the Group's chief operating decision maker.

Recurring charges to depreciation, amortization and provisions on non-current operating assets reflect net charges to depreciation, amortization and provisions on intangible assets, lease right-of-use assets and property, plant and equipment recognized in recurring operating income.

Acquisitions of property, plant and equipment and intangible assets correspond to gross non-current asset purchases, including cash timing differences, as presented in the consolidated cash statement.

The presentation of revenue by region is based on the geographic location of clients.

## 33.5 Revenue

Revenue mainly comprises sales of goods, together with income from associated services, and income from royalties and operating licenses.

### 33.5.1 Sales of goods and associated services

Sales of goods, whether through a store network or online (retail activity including e-commerce) or wholesale operations, are recognized when the Group satisfies its performance obligation to its clients, typically upon delivery.

Sales of goods are measured:

- at the fair value of the consideration received;
- excluding taxes;
- net of any rebates or discounts;
- net of any returned goods;

When a customer (particularly in the wholesale and e-commerce businesses) has a contractual right of return or routinely makes returns, a specific provision is set aside. When such returns are not contractual, the provision for returns is estimated based on historical data. Provisions for returns are presented in the balance sheet under liabilities in respect of future refunds. An asset (with an offsetting adjustment corresponding to cost of sales) representing the right to recover the goods from the client is also recognized.

### 33.5.2 Royalties from operating licenses

Royalties received with respect to operating licenses are recognized in accordance with the contractual obligations specific to each agreement, over time as the performance obligation is satisfied, for example, when calculated based on the value of the underlying sales generated by the licensee under the agreement.

## 33.6 Personnel expenses

Personnel expenses primarily consist of wages, salaries and payroll taxes, expenses relating to pensions and other post-employment benefits under defined benefit plans (see Note 33.22), and expenses related to share-based payments (see Note 33.7). Wages, salaries and payroll taxes include fixed remuneration, variable short-term remuneration, long-term remuneration plans, expenses related to employee profit-sharing and other incentive plans, and any associated payroll taxes. Other personnel expenses notably include severance paid to individual employees or as part of a restructuring plan, and directors' fees paid to directors of Group entities.

## 33.7 Share-based payment

The Group may operate long-term variable remuneration plans that feature share-based payments. These plans are classified as either cash-settled plans or plans settled in Kering shares.

- Cash-settled plans result in the recognition of personnel expenses in the income statement spread over the rights vesting period and a matching liability in the balance sheet. The fair value of the benefit granted to the beneficiaries is remeasured at the end of each reporting period, taking into account any changes in market-based or internal performance conditions.
- Plans settled in Kering shares result in the recognition of personnel expenses in the income statement spread over the rights vesting period and an offsetting entry in equity attributable to the Group. The fair value of the benefit granted to the beneficiaries is set at the grant date of the plan using the Black & Scholes and Monte Carlo models, which take into account the impacts of any market-based performance conditions as from the inception of the plan. The impacts of any internal-based performance conditions are remeasured at the end of each reporting period.

The payroll taxes relating to these long-term variable remuneration plans are also recognized in personnel expenses in the income statement as the rights under the plans vest, with a matching liability in the balance sheet, regardless of whether the plans are settled in cash or in Kering shares. These payroll taxes are remeasured at the end of each reporting period based on the most certain assumptions as regards the outcome of the plans. Payroll taxes relating to plans settled in Kering shares reflect the best estimate of the number of shares to be delivered upon expiry of the plan at the end of each reporting period.

## 33.8 Income taxes

Income tax expense comprises the current and deferred tax expense.

Deferred tax is calculated using the liability method on all temporary differences between the carrying amount recorded in the consolidated balance sheet 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 closing date.

Deferred tax assets and liabilities are not discounted and are presented separately in the balance sheet within non-current assets and liabilities.

A deferred tax asset is recognized on deductible temporary differences and for tax loss and credit carry-forwards to the extent that their future offset is probable.

A deferred tax liability is recognized on taxable temporary differences relating to investments in subsidiaries and associates 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.

Uncertain income tax positions are analyzed and reviewed internally in accordance with IAS 12 and IFRIC 23 and are shown on the balance sheet in the "current tax liabilities" line item.

## 33.9 Earnings per share

Earnings per share is calculated by dividing net income attributable to the Group by the weighted average number of ordinary shares outstanding during the period, i.e., without taking account of the weighted average number of Kering treasury shares held by the Group during the period.

Diluted earnings per share equals net income attributable to the Group by the weighted average diluted number of shares outstanding during the period, adjusted for the dilutive effect arising from free share grants.

Earnings per share from continuing operations excluding non-recurring items is also calculated by adjusting net income from continuing operations attributable to the Group for the amount of non-recurring items net of tax. Non-recurring items correspond to other non-recurring operating income and expenses in the income statement (see Note 33.1.4).

## 33.10 Goodwill

Goodwill is determined according to the method indicated in Note 33.2.3.

Goodwill is allocated as of the acquisition date to cash-generating units (CGUs) defined by the Group. The CGUs to which goodwill has been allocated are tested for impairment each year, or whenever events or circumstances indicate that an impairment loss is likely.

CGUs and the related impairment tests are described in Note 33.12.

## 33.11 Brands and other intangible assets

Brands and other intangible assets are recognized at cost less accumulated amortization and impairment.

Brands and 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 recognized separately from goodwill.

Brands, which represent the majority of intangible assets within the Group, are intangible assets with indefinite useful lives and are therefore not amortized but are tested as part of the impairment test carried out on CGUs. Where that test indicates an impairment loss, brands are tested separately.

Other intangible assets are amortized over their useful lives and are tested for impairment when there is an indication that an impairment loss has taken place.

The configuration and customization costs of software as part of a *SaaS*(*Software as a service*) arrangement are recorded in expenses for the period.

Software developed in-house by the Group and meeting all the relevant criteria is capitalized and amortized on a straight-line basis over its useful life, which is generally between three and ten years.

Impairment tests are described in Note 33.12.

## 33.12 Cash-generating units and impairment tests

The Group tests the value of its assets for impairment by allocating them to cash-generating units (CGUs). The impairment tests are performed each year, or whenever events or circumstances indicate that an impairment loss is likely. A CGU is the smallest group of assets, including goodwill, that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or CGUs.

CGUs as defined by the Group represent the operating segments in which the Group's brands operate (see Note 33.4).

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 CGU.

Future cash flow projections are based on medium-term budgets and plans. These plans are drawn up for a period of five years with the exception of certain CGUs undergoing strategic repositioning, for which a longer period may be applied (typically ten years). To calculate value in use, a terminal value equal to the perpetual capitalization of a normative annual cash flow is added to the estimated future cash flows. The perpetual growth rates are appropriate in view of the country mix, since the Group now operates in regions whose markets are enjoying faster-paced growth than in Europe.

When the CGU's recoverable amount is less than its net carrying amount, an impairment loss is recognized. Impairment is charged first to goodwill and recognized under "Other non-recurring operating income and expenses" in the income statement (see Note 33.1.4).

Impairment recognized in respect of brands and other intangible assets along with property, plant and equipment may be reversed at a later date if there is an indication that the impairment loss no longer exists. Impairment recognized in respect of goodwill may not be reversed.

Goodwill relating to the disposed portion of a CGU is measured on a proportionate basis, except where an alternative method is more appropriate.

For 2022, the way in which the Group took into account the inflationary macroeconomic situation and climate risk in its impairment tests is described in Notes 33.1.2 and 33.1.3 respectively.

## 33.13 Leases

### 33.13.1 Scope of IFRS 16

The Group applies the recognition principles set out in IFRS 16 for all of its leases, with the exception of:

- short-term leases, with a lease term of 12 months or less as of the commencement date;
- leases for which the underlying asset is of low value, based on the value of the asset when it is new.

### 33.13.2 Recognition of leases under IFRS 16

Under IFRS 16, for each affected lease, the following items are recognized in the balance sheet as of the commencement date:

- a lease liability, corresponding to the present value of all fixed future payments for the estimated term of the lease. The current and non-current portions of the liability are presented separately. Fixed future lease payments include the remeasurement of any payments that depend on an index or a growth rate established in the lease. They may also include the value of any purchase options or estimated penalties for terminating the lease, where the Group is reasonably certain to exercise these options. In addition, any lease incentives receivable as of the commencement date are deducted from fixed payments;

- a lease right-of-use asset, corresponding to the value of the lease liability less any incentives received from the lessor and plus any prepaid lease payments, initial direct costs and the estimated cost of restoring the asset where required by the terms and conditions of the lease.

After the commencement date and at each reporting date:

- the lease liability is remeasured as follows:
  - an increase reflecting the discounting adjustments made over the period depending on the incremental borrowing rate applied to the lease, with a corresponding entry to "Interest expense on lease liabilities" within "Financial result" in the income statement,
  - a reduction reflecting the lease payments made over the period, with a corresponding entry to "Cash and cash equivalents" in the balance sheet,
  - an increase reflecting any revisions to the index or growth rate applicable to the lease payments, where appropriate, with a corresponding entry to "Lease right-of-use assets" in the balance sheet,
  - an increase or a reduction reflecting the remeasurement of fixed future lease payments further to a change in the estimated lease term, with a corresponding entry to "Lease right-of-use assets" in the balance sheet;
- the lease right-of-use asset is remeasured as follows:
  - a reduction reflecting the depreciation of the asset on a straight-line basis over the term of the lease, with a corresponding entry to "Depreciation of lease right-of-use assets" within "Recurring operating income" in the income statement,
  - a reduction reflecting the potential impairment of lease right-of-use assets, with a corresponding entry to "Other non-recurring operating income and expenses" in the income statement,
  - an increase reflecting any revisions to the index or growth rate applicable to the lease payments, where appropriate, with a corresponding entry to "Lease liabilities" in the balance sheet,
  - an increase or a reduction reflecting the remeasurement of future lease payments further to a change in the estimated lease term, with a corresponding entry to "Lease liabilities" in the balance sheet.

The impact of applying IFRS 16 on the income statement can be summarized as follows:

- within "Other recurring operating income and expenses", as part of "Recurring operating income":
  - variable lease payments, rental charges and payments under short-term leases or leases with a low-value underlying asset,
  - straight-line depreciation of lease right-of-use assets;
- within "Financial result", the interest expense corresponding to the unwinding of the discount on lease liabilities.

Lastly, the impact of applying IFRS 16 on the statement of cash flows can be summarized as follows:

- within "Net cash received from operating activities": variable lease payments, rental charges and payments under short-term leases or leases with a low-value underlying asset;
- within "Net cash used in financing activities": repayments of the principal amount ("Repayment of lease liabilities") and interest expense on lease liabilities ("Interest paid and equivalent").

### 33.13.3 Estimation of lease terms

The lease term corresponds to the non-cancelable period for which a lessee has the right to use an underlying asset, adjusted for any periods covered by an extension option or an option to terminate the lease if the lessee is reasonably certain to exercise that option.

To establish that term, the Group takes into account management assumptions (i.e. management's estimate of whether or not it will remain in the premises), the depreciation period of the underlying assets, and the amount of any investments made.

### 33.13.4 Determination of the discount rate applicable to lease liabilities

The Group has elected to apply the incremental borrowing rate to all its leases.

The incremental borrowing rate corresponds to the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the lease right-of-use asset in a similar economic environment.

The rates applied by the Group are based on a combination of risk-free interest rate curves per currency/country, euro/foreign currency swap points, and the Group's credit spread, also accounting for the nature of the underlying asset (property).

An "industry" beta, which varies according to the lessee's operating segment, is added to these inputs to reflect the specific risk of each activity.

The rate curves take into account the average lease term and are prepared on a quarterly basis.

### 33.13.5 Lease rights taken into account when calculating lease right-of-use assets

Lease rights are a separate component of right-of-use assets and are depreciated over the term of the underlying leases, less any residual value. This residual value is tested for impairment each year and an impairment loss is recognized where necessary.

## 33.14 Property, plant and equipment

Property, plant and equipment are recognized at amortized historical cost less any impairment losses, with the exception of land, which is not depreciated. They are not revalued.

The various components of property, plant and equipment are recognized separately when their estimated useful life and therefore their depreciation periods are significantly different. The cost of property, plant and equipment includes the expenses that are directly attributable to its acquisition.

Subsequent costs are included in the carrying amount of the asset or recognized 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.

Depreciation is calculated using the straight-line method, based on the purchase price 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 three to ten years for equipment.

Property, plant and equipment are tested for impairment when an indication of impairment exists, such as a scheduled closure of a store or site, a redundancy plan or a downward revision of market forecasts. When an asset's recoverable amount is less than its net carrying amount, an impairment loss is recognized. 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.

When an item of property, plant and equipment is sold, the disposal gain or loss resulting from the difference between the selling price and the carrying amount of the assets sold is recognized in the income statement.

## 33.15 Financial assets

The classification of financial assets determines their accounting treatment and basis of measurement. There are three categories of financial assets:

- financial assets measured at amortized cost;
- financial assets measured at fair value through the income statement (profit or loss);
- financial assets measured at fair value in equity through other comprehensive income.

The Group determines the classification of its financial assets upon initial recognition, based on their characteristics and the management objective behind the asset's purchase. Purchases and sales of financial assets are recognized on the transaction date, which is the date the Group is committed to the purchase or sale of the asset.A financial asset is derecognized if the contractual rights to the cash flows from the financial asset expire or the asset is transferred.

### 33.15.1 Financial assets measured at amortized cost

Financial assets are carried at amortized cost if they are held as part of a business model whose objective is to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category includes loans and receivables, deposits and guarantees, trade receivables and most other current and non-current receivables.

These financial assets are initially recognized at fair value and subsequently at amortized 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 asset by discounting its estimated future cash flows until maturity. 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 asset. Net gains and losses on loans and receivables relate to interest income and impairment allowances.

Impairment allowances are recognized in the income statement based on the expected loss model:

- for its trade receivables, the Group applies a provision matrix for each country/brand based on historical loss data. Credit insurance that may be taken out by the Group is taken into account in the evaluation of the risk and therefore of the provision;
- for other financial assets measured at amortized cost, an analysis is carried out taking into account the probability of counterparty default.

### 33.15.2 Financial assets measured at fair value through the income statement

Financial assets measured at fair value through the income statement mostly comprise financial assets giving rise to contractual cash flows that are not solely payments of principal and interest on the principal amount outstanding.

This category includes:

- non-consolidated investments and other financial investments, unless the Group has chosen to carry specific investments at fair value under the fair value option, in which case they are recognized directly in equity through other comprehensive income;
- financial assets held by the Group for trading purposes that the Group intends to resell in the near future and that are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- assets designated as at fair value under the fair value option.

Changes in the fair value of these assets are taken to the income statement.Net gains or losses arising on financial assets measured at fair value through the income statement generally correspond to interest income, dividends, changes in the fair value of the assets (unrealized gains or losses) and capital gains or losses on disposals (realized gains or losses).

#### 33.15.3 Financial assets measured at fair value in equity through other comprehensive income

Financial assets are carried at fair value directly in equity through other comprehensive income when they are held as part of a business model whose objective is achieved both by collecting contractual cash flows (corresponding solely to payments of principal and interest on the principal amount outstanding) and selling these financial assets.

This category includes debt instruments, such as bonds, meeting the contractual cash flow and business model characteristics set out above.

It may also include non-consolidated investments or other financial investments such as shares in investment funds where the Group has elected to classify the shares in this category, in which case changes in the fair value of the shares are recognized directly in equity through other comprehensive income until the shares are sold, with the exception of dividends received in respect of these shares, which are systematically recognized in the income statement irrespective of the classification of the underlying financial asset.

#### 33.15.4 Fair value hierarchy and associated valuation methods

The fair value of financial assets is determined using one of three levels in the fair value hierarchy:

- Level 1: financial assets quoted on an active market;
- Level 2: financial assets whose fair value is determined using valuation techniques drawing on observable market inputs;
- Level 3: financial assets 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.

### 33.16 Financial liabilities

The classification of financial liabilities determines their accounting treatment and measurement. There are two categories of financial liabilities:

- financial liabilities measured at amortized cost;
- financial liabilities measured at fair value through the income statement (profit or loss).

The Group determines the classification of its financial liabilities upon initial recognition, based on their characteristics.

#### 33.16.1 Financial liabilities measured at amortized cost

Financial liabilities are carried at amortized cost if they are held as part of a business model whose objective is to disburse contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category includes borrowings (with the exception of put options granted to minority interests – see Note 33.21), trade payables and most other current and non-current liabilities.

These financial liabilities are initially recognized at fair value less transaction costs, and subsequently at amortized 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. 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 measured at amortized cost that qualify as hedged items as part of a fair value hedging relationship is adjusted with respect to the hedged risk (see Note 33.17.1).

#### 33.16.2 Financial liabilities measured at fair value through the income statement

The Group may elect to carry some financial liabilities at fair value through the income statement. In this case, unlike in the amortized cost method, the transaction costs associated with setting up these financial liabilities are recognized immediately within other financial income and expenses in the income statement.

## 33.17 Derivative instruments

### 33.17.1 Derivative instruments designated as hedging instruments

The Group uses various derivative instruments to reduce its exposure to foreign exchange risk, interest rate risk and the risk of movements in the prices of certain precious metals.

Derivative instruments are recognized in the balance sheet within current or non-current financial assets and liabilities, depending on their maturity. They are recognized at fair value as from the transaction date.

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 future cash flow from recognized assets or liabilities or a highly probable transaction that would impact the income statement;
- a fair value hedge is used to hedge the risk of changes in the fair value of recognized assets or liabilities or a firm commitment not yet recognized that would impact the income statement;
- a net investment hedge is used to hedge the translation risk arising on operations denominated in foreign currencies.

Hedge accounting can only be applied if all of the following conditions are met:

- the hedged instrument and the hedging instrument are both eligible;
- there is a formal designation and documentation of the hedging relationship as of the date of inception;
- there is an economic relationship between the hedged item and the hedging instrument.

The accounting treatment of derivative instruments qualified as hedging instruments, and their impact on the income statement and balance sheet, differ depending on the type of hedging relationship:

- for cash flow and net investment hedges, gains and losses are initially recognized directly in equity through other comprehensive income. They are then transferred to the income statement when the hedged items are recognized. For foreign currency derivatives, the effective portion is recorded in operating income, and the ineffective portion, option premiums and difference between spot and forward exchange rates (contango/backwardation) are recorded within "Financial result";
- for fair value hedges, gains and losses are recorded in the income statement in the same item as the hedged items, except for the ineffective portion, which is always recorded within "Financial result".

### 33.17.2 Derivative instruments designated as trading instruments

Changes in the fair value of derivative instruments that the Group cannot or does not wish to designate as hedging instruments are recognized in full in the income statement in other financial income and expenses within "Financial result".

### 33.17.3 Embedded derivative instruments

Certain financial assets or liabilities may contain a derivative instrument. When they are not closely related to the underlying instrument, these embedded derivatives are recognized separately in the balance sheet as a derivative instrument held for trading. Any changes in their fair value are taken in full in the income statement in other financial income and expenses within "Financial result".

## 33.18 Inventories

Inventories are measured using the weighted average cost method for all of the Group's business activities. In 2022, the Group stopped using the retail method, previously used for some activities, in order to have a single measurement method. The impact of this change in accounting estimates is presented in Note 15.

An impairment allowance on inventories is recognized on the basis of expected inventory turnover and obsolescence and if they are damaged.

## 33.19 Cash and cash equivalents

Cash and cash equivalents recorded on the assets side of the balance sheet include 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 and cash equivalents.

Bank overdrafts are presented in borrowings on the liabilities side of the balance sheet. In the statement of cash flows, cash and cash equivalents at the opening and closing of the reporting period include bank overdrafts.

## 33.20 Kering treasury shares

Kering treasury shares, whether specifically allocated for grant to Group employees or allocated to the liquidity agreement or in any other case, as well as directly related transaction costs, are deducted directly from equity attributable to the Group.

On disposal, the consideration received for these shares, net of transaction costs and the related tax impacts, is also recognized directly in equity attributable to the Group.

## 33.21 Put options granted to minority interests

The Group has undertaken to repurchase the minority 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 Group recognizes a financial liability in respect of any put options granted to minority interests. This liability is recognized at the present value of the best estimate of the strike price, with an offsetting entry in equity attributable to the Group. Any subsequent changes in the liability relating to put options granted to minority interests are recognized directly in equity, including the impact of unwinding the discount.

The financial liability recognized in respect of put options granted to minority interests is shown in the balance sheet within current and non-current borrowings, as appropriate. Put options granted to minority interests are therefore included in consolidated net debt (see Note 32.1.4).

Depending on the agreements signed by the Group with minority interests, minority shareholders may in some cases waive their dividend rights until the put option is exercised. In this case, the corresponding minority interests are canceled, with a direct offsetting entry in equity attributable to the Group. If the minority interests retain their dividend rights until the option is exercised however, the minority interests continue to be shown in the balance sheet.

## 33.22 Provisions for pensions and other post-employment benefits

Based on the laws and practices of each country, the Group recognizes various types of employee benefits, including pensions and other post-employment benefits.

### Defined contribution plans

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 in the income statement as incurred.

### Defined benefit plans

Under defined benefit plans, obligations are valued using the projected unit credit method based on agreements in effect in each entity. 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.

This acquisition is an important milestone in the successful expansion of Kering Eyewear and fits perfectly with its development strategy.

The provision recognized in the balance sheet corresponds to the present value of the obligations calculated as described above, less the fair value of the plans' financial assets under wholly funded pension plans.

The current service cost for these plans is recognized within personnel expenses in the income statement. The interest cost relating to the benefit obligation net of interest income on plan assets under wholly funded plans is recognized in other financial income and expenses within “Financial result”. Past service cost, designating the increase in an obligation following the introduction of a new plan or the impact of amendments to an existing plan, is expensed immediately in the income statement within personnel expenses, regardless of whether or not the benefit entitlement has already vested or is still vesting.

Changes in actuarial assumptions and the impact of experience adjustments (the difference between outcomes estimated using actuarial assumptions and actual outcomes) give rise to actuarial gains and losses, which are recognized directly in equity within other comprehensive income. These actuarial gains and losses are never transferred to the income statement.

## 33.23 Provisions

Provisions for litigation, disputes and miscellaneous contingencies and losses are recognized 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 their 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 provision for restructuring costs is recognized 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.

## 33.24 Discontinued operations, assets held for sale and liabilities associated with assets held for sale

The Group applies IFRS 5, which requires the separate recognition and presentation of 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 recognized 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 balance sheet, 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 line of business or geographical area of operations. For all periods presented, the net income or loss from these activities is shown on a separate line of the income statement within discontinued operations and is restated in the statement of cash flows.

# 2 - EXCERPT FROM KERING SA'S ANNUAL FINANCIAL STATEMENTS

## 2.1 Balance sheet

### Assets

| *(in € millions)* | Gross | Depreciation, amortization and provisions | Dec. 31, 2022 Carrying amount | Dec. 31, 2021 Carrying amount |
|---|---|---|---|---|
| Investments | 11,024 | (1,659) | 9,365 | 7,770 |
| Other long-term investments | 1,265 | (93) | 1,172 | 475 |
| **Total investments** | **12,289** | **(1,752)** | **10,537** | **8,245** |
| Property, plant and equipment and intangible assets | 547 | (166) | 381 | 363 |
| **Total non-current assets** | **12,836** | **(1,918)** | **10,918** | **8,608** |
| Receivables[1] | 393 | (1) | 392 | 225 |
| Marketable securities | 111 | | 111 | 76 |
| Cash[1] | 1,365 | | 1,365 | 3,245 |
| **Total current assets** | **1,869** | **(1)** | **1,868** | **3,546** |
| TOTAL ASSETS | 14,705 | (1,919) | 12,786 | 12,154 |
| (1) o/w concerning associates: | | | 1,556 | 3,384 |

### Equity and liabilities

| *(in € millions)* | Dec. 31, 2022 | Dec. 31, 2021 |
|---|---|---|
| Share capital | 496 | 499 |
| Additional paid-in capital | 1,711 | 2,052 |
| Reserves | 1,345 | 1,345 |
| Retained earnings | 2,585 | 1,421 |
| Net income for the year | 1,552 | 2,769 |
| **Total equity** | **7,689** | **8,086** |
| **Provisions** | **51** | **35** |
| Bond issues [1] | 4,238 | 3,375 |
| Other borrowings [1] [2] | 40 | 26 |
| Other liabilities [2] | 768 | 632 |
| **Total liabilities** | **5,046** | **4,033** |
| TOTAL EQUITY AND LIABILITIES | 12,786 | 12,154 |
| (1) o/w due in more than one year: | 3,638 | 2,572 |
| (2) o/w concerning associates: | 64 | 63 |

## 2.2 Income statement

| *(in € millions)* | 2022 | 2021 |
|---|---|---|
| Operating income | 584 | 479 |
| Operating expenses | (633) | (502) |
| **Net operating loss** | **(49)** | **(23)** |
| Dividends | 1,628 | 2,027 |
| Other financial income and expenses | (107) | (26) |
| **Financial result** | **1,521** | **2,001** |
| **Recurring income before tax** | **1,472** | **1,978** |
| Net non-recurring income (expense) | 41 | 566 |
| Employee profit-sharing | (9) | (7) |
| Income tax | 48 | 232 |
| **Net income for the year** | **1,552** | **2,769** |

## 2.3 Statement of cash flows

| *(in € millions)* | 2022 | 2021 |
|---|---|---|
| Dividends received | 1,628 | 2,027 |
| Interest on borrowings | (51) | (39) |
| Income tax (paid) received | 25 | 134 |
| Other | (80) | 229 |
| **Net cash received from operating activities** | **1,521** | **2,351** |
| (Acquisitions) disposals of operating assets | (116) | (133) |
| Change in long-term investments | (2,713) | 338 |
| **Net cash received from (used in) investing activities** | **(2,829)** | **205** |
| Net change in borrowings | 872 | (467) |
| Share capital increases | 39 | - |
| Dividends paid by Kering | (1,483) | (998) |
| **Net cash received from (used in) financing activities** | **(573)** | **(1,465)** |
| **Change in cash and cash equivalents** | **(1,880)** | **1,091** |
| **Cash and cash equivalents at beginning of year** | **3,245** | **2,154** |
| **Cash and cash equivalents at end of year** | **1,365** | **3,245** |

**Kering**

*Société anonyme* (a French corporation) with share capital of €496,283,112
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