KERING

2020
Financial Document

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CHAPTER 1

Presentation of the Group and key highlights

François-Henri Pinault
Chairman and Chief Executive Officer

A global Luxury group, Kering manages the development of a series of renowned Houses in fashion, leather goods, jewelry and watches. By placing creativity at the heart of its strategy, Kering enables its Houses to set new limits in terms of their creative expression while crafting tomorrow's Luxury in a sustainable and responsible way.

We capture these beliefs in our signature:

Empowering Imagination

Amid a particularly challenging environment in 2020, marked by the numerous impacts of an unprecedented health and economic crisis, Kering demonstrated strong resilience. The creativity of each of our Houses and the agility of our organization has allowed us to weather the storm with confidence and determination. We continued the steady roll-out of our strategic initiatives and further strengthened our growth platforms. Thanks to our solid financial standing, we are continuously investing in our Houses to make them more exclusive and reinforce our positions. The crisis has highlighted the strength and relevance of our strategy and our value creation model. It has not altered our fundamentals or those of our markets by any means, but has instead accelerated certain existing trends and transformations. As we emerge strengthened from the crisis, we are confident in our potential to bounce back and in our ability to achieve strong performances over the long-term.

1 - KERING IN 2020

GUCCI

SAINT LAURENT

BOTTEGA VENETA

Alexander McQUEEN

BALENCIAGA

Brioni
ROMA

BOUCHERON
PARIS

Pomellato

DoDo
CHARMING JEWELRY SINCE 1994

qeelin

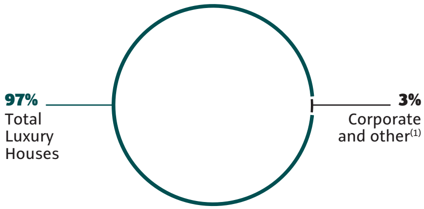
GIRARD-PERREGAUX

ULYSSE NARDIN
SINCE 1846 LE LOCLE - SUISSE

KERING
EYEWEAR

Revenue

€13,100 million



Change in revenue

(2020 vs 2019, in %)

	Group	Total Luxury Houses	Corporate and other[1]
Reported	-17.5%	-17.6%	-15.4%
Comparable[2]	-16.4%	-16.5%	-14.6%

Recurring operating income

€3,135 million

Free cash flow from operations

€2,105 million

Net income attributable to owners of the parent

€2,150 million

Dividend per share

€8.00[3]

38,553
Employees
as of December 31, 2020[4]

-29%
Environmental footprint (EP&L)[5]

55%
Women managers

(1) The "Corporate and other" segment is defined on page 90.
(2) Comparable revenue is defined on page 97.
(3) Subject to the approval of the Annual General Meeting to be held on April 22, 2021.
(4) Average 36,646 FTE in 2020.
(5) EP&L intensity 2015-2019.

2 – HISTORY AND KEY HIGHLIGHTS

Kering has continuously transformed itself since its inception in 1963, guided by an entrepreneurial spirit and a commitment to constantly seek out growth and create value.

Founded by François Pinault as a timber and building materials business, the Kering group repositioned itself on the retail market in the 1990s and soon became one of the leading European players in the sector. The acquisition of a controlling stake in Gucci Group in 1999 marked a new stage in the Group's development, and the establishment of a coherent ensemble of complementary luxury brands. Since 2018 and the distribution in kind of 70% of PUMA shares, Kering is a pure player in Luxury.

1963

François Pinault establishes the Pinault group, specializing in timber trading.

1988

Listing of Pinault SA on the Paris Stock Exchange.

1990

Acquisition of Cfao, a group specializing in trading with Africa and in electrical equipment distribution (activity renamed Rexel in 1993).

1991

Entry into the retail market with the acquisition of a controlling stake in Conforama.

1992

Takeover of Au Printemps SA, a department store chain which also held a majority interest in mail order clothing brand La Redoute.

1994

Merger of La Redoute with Pinault-Printemps, renamed Pinault-Printemps-Redoute.

Takeover of Fnac, a retailer of books, music, films and consumer electronics.

1999

Acquisition of a 42% stake in Gucci Group NV, marking the Group's entry into the luxury sector.

First steps toward the creation of a multi-brand Luxury group, with the acquisition by Gucci Group of Yves Saint Laurent, YSL Beauté and Sergio Rossi.

Kering is continuing its growth story, unlocking the potential of its Houses and pursuing its ambition to the be the world's most influential Luxury group in terms of creativity, sustainability and long-term economic performance

2000

Acquisition by Gucci Group of high jewelry House Boucheron.

2001

Gucci Group acquires Italian leather goods brand Bottega Veneta and Balenciaga, and signs partnership agreements with Alexander McQueen and Stella McCartney.

The Group raises its stake in Gucci Group to 53.2%.

2003

Sale of Pinault Bois & Matériaux to the Wolseley group (UK).

The Group raises its stake in Gucci Group to 67.6% (after raising it to 54.4% in 2002).

2004

The Group raises its stake in Gucci Group to 99.4% further to a tender offer.

Sale of Rexel.

2005

Pinault-Printemps-Redoute becomes PPR.

François-Henri Pinault becomes Chairman and Chief Executive Officer of PPR.

2006

Sale of a 51% controlling stake in Printemps to RREEF and the Borletti group.

2007

Sale of the residual 49% stake in Printemps to RREEF and the Borletti group.

Acquisition of a 27.1% controlling stake in PUMA. This stake was increased to 62.1% further to a tender offer.

2008

Sale of YSL Beauté to L'Oréal.

Acquisition of a 23% stake in watchmaker Girard–Perregaux.

2009

Listing of 58% of Cfao.

Creation of the Kering Foundation to combat violence against women.

2010

Acquisition by PUMA of Cobra.

2011

Sale of Conforama to Steinhoff.

Acquisition of Volcom.

The Group raises its stake in Sowind Group (Girard–Perregaux and JEANRICHARD) to 50.1%.

2012

Acquisition of Italian men's tailor Brioni.

Sale of the remaining 42% stake in Cfao.

Joint venture with Yoox S.p.A. dedicated to e–commerce for several of the Group's luxury brands.

2013

Acquisition of a majority stake in Chinese fine jewelry brand Qeelin.

Acquisition of a majority stake in the Christopher Kane brand.

Acquisition of a majority stake in France Croco – now named Tannerie de Périers – a Normandy-based tannery specializing in precious skins.

Listing of Groupe Fnac on the Paris Stock Exchange.

Change of corporate name: PPR becomes Kering.

Acquisition of a majority stake in Italian jewelry group Pomellato.

Admission to the Dow Jones Sustainability World and Europe Indices (DJSI).

2014

Sale of La Redoute.

Acquisition of watchmaker Ulysse Nardin.

2015

Launch of Kering Eyewear.

Sale of Italian shoemaker Sergio Rossi.

Publication of the very first Environmental Profit and Loss Account (EP&L) at Group level.

2016

Sale of Electric by Volcom.

Kering relocates its headquarters to the former Laennec Hospital, in the heart of Paris' Left Bank.

Kering announces its 2025 sustainability strategy, which is based on three pillars: Care, Collaborate, Create.

2017

Strategic partnership signed between Kering Eyewear and Maison Cartier to develop, manufacture and distribute the Cartier eyewear collections, with Richemont acquiring a minority stake in Kering Eyewear.

2018

Distribution in kind of PUMA shares to Kering shareholders, confirming the Group's positioning as a luxury pure player while maintaining a financial interest at 15.85% of PUMA's share capital.

Kering announces its withdrawal from Stella McCartney, Volcom, Christopher Kane and Tomas Maier.

Publication of the first Integrated Report (for 2017).

New developments in Kering's digital strategy, aimed at enhancing the Group's omni–channel capabilities and its Houses' digital activities. In particular, Kering will fully internalize the e-commerce activities currently handled through the joint venture with Yoox Net-a-Porter Group (YNAP).

2019

Sale of Volcom.

Offering of bonds exchangeable into existing ordinary shares of PUMA maturing in 2022 for a nominal amount of €550 million.

The Fashion Pact: French President Emmanuel Macron gives François–Henri Pinault a mission to bring together fashion and textile players with the aim of setting practical objectives for reducing the environmental impact of their industry.

Extension of parental leave policy and commitment to provide 14 weeks of paid leave for all employees.

2020

The **COVID-19** health crisis marked the year 2020, impacting the development and momentum of the luxury industry and the Group's business.

From the very first days of the pandemic, Kering introduces a series of measures to ensure the safety and protect the health of its employees and clients around the world and to support its suppliers. The Group and its Houses also launch a number of initiatives to help fight the pandemic, assist healthcare professionals and institutions, and support those affected. The Group and its Houses rapidly introduce action plans aimed at ensuring business continuity and enabling their activities to quickly resume, with a view to minimizing the impact of the pandemic on the Group's financial results and securing its robust financial position to the extent possible *(see section 6 of this chapter).*

Strategy, activities and finance

Sale of 5.83% of the share capital of PUMA following an accelerated bookbuilding process with qualified investors. Following the transaction, Kering retains a 9.87% stake in PUMA.

€1.2 billion dual-tranche bond issue comprising (i) a €600 million tranche with a three-year maturity and a 0.25% coupon, and (ii) a €600 million tranche with an eight-year maturity and a 0.75% coupon.

Environmental, Social and Governance (ESG)

Appointment of Jean Liu, Tidjane Thiam and Emma Watson to Kering's Board of Directors. Emma Watson is also appointed Chair of the Board's Sustainability Committee, and Tidjane Thiam Chair of the Audit Committee.

Executive remuneration: in light of the COVID-19 pandemic and its impact on business activity: François-Henri Pinault, Chairman and CEO, decides to reduce the fixed portion of his salary from April 1 until the end of 2020. In addition, François-Henri Pinault and Jean-François Palus, Group Managing Director, decide to waive the entirety of the variable portions of their annual remuneration for 2020.

Sustainability strategy: three years after announcing its next-generation sustainability strategy, "Crafting Tomorrow's Luxury", Kering publishes its Sustainability Progress Report. Kering reduced its overall environmental impacts by 29% in terms of EP&L intensity between 2015 and 2019 and is on track to reach its 40% reduction target by 2025.

Biodiversity: for the first time, Kering publishes a dedicated biodiversity protection strategy with a series of new targets to achieve a "net positive impact"[(1)] on biodiversity by 2025.

Sustainability indices: Kering is listed on the Dow Jones Sustainability World and Europe Indices (DJSI) for the eighth consecutive year.

(1) A business that has a "net positive" impact on biodiversity is one whose negative impacts on biodiversity are outweighed by its positive impacts. This is generally achieved by applying the mitigation hierarchy: 1. Avoid 2. Minimize 3. Restore/Remediate 4. Offset (Conservation Hierarchy).

3 - MAJOR MARKET TRENDS

In 2020, the personal luxury goods market was heavily impacted by the COVID-19 crisis, but its medium- to long-term growth fundamentals are not affected. The crisis has intensified a certain number of previously observed trends, thereby accelerating the market transformation already taking place. See Chapter 2 for a detailed presentation of the personal luxury goods market.

Solid growth drivers

Fast-growing middle classes in emerging countries
Larger number of wealthy individuals worldwide
Increase in average disposable income
Development of local client base in addition to tourism
Generational shift in client base, appeal of value proposition offered by luxury goods brands
Effective omni-channel approach, complementary nature of physical and digital distribution

Outlook for 2025

€330-€370bn
Estimated size of personal luxury goods market

Accelerated transformation

Repatriation of demand to local markets
Accelerated growth and penetration of online sales
Greater expectations for personalized client relations and experience
Digital transformation and increasingly sophisticated CRM[1] approach
Demand for transparency and corporate social and environmental responsibility

Outlook for 2025

30%
share of e-commerce in total personal luxury goods sales

(1) Customer Relationship Management.

2020 – a year like no other

Tourism at a standstill and repatriation of consumption

Partial closure of store network, production facilities and logistics platforms

Difficulties experienced by certain distribution channels (indirect sales, travel retail)

Impacts of the health and economic crisis on consumer confidence and purchasing power

Contrasting performances from one quarter to the next, with performance bottoming out in the second quarter, and significant disparity between regions due to varying degrees of recovery depending on the macro-economic and health situation and exposure to local and tourist clients

2020 projection

22%-23% decline

in the personal luxury goods market between 2019 and 2020
(at constant and reported exchange rates) – base case scenario

Recovery expected from 2021

Global economy set to return to growth (estimate: +5.0%[(1)])

Normalization of local consumer footfall across the distribution network

Restrictions to be eased, leading to a potential gradual recovery in tourism

Varying scenarios depending on the level of global economic recovery and international travel

2021 projection

10%-19% growth

in personal luxury goods market expected in 2020-2021

2022-2023 projections

Growth expected to return to 2019 levels between 2022 and 2023, depending on the scenario

2020-2022 CAGR[(2)] of 10%-15% growth, 2020-2023 CAGR of 8%-14% growth

Source: unless otherwise indicated, all historical and forecast information comes from the Bain Luxury Study – Altagamma Worldwide Market Monitor, published in November 2020, rounded out with data from the full report published in December 2020.

(1) Source: Oxford Economics, World Economic Prospects, January/February 2021.
(2) Compound annual growth rate.

4 - OUR VALUE CREATION MODEL

Leveraging exceptional quality resources... — optimized by Kering... — with clearly defined priorities... — the Group creates value... — that it shares with its stakeholders.

Leveraging exceptional quality resources...

- **Strong ethical responsibility**
  founded on solid convictions inspiring the Group's actions and business practices
- **38,553 employees**
  with exceptional know-how and creativity
- **Responsible use of natural resources**
  and raw materials, guided by our 2025 roadmap
- **Product and customer experience innovations**
  key levers for differentiation
- **A network of several thousand suppliers**
  mainly located in Italy
- **Reinforced control**
  increasing share of direct distribution with a network of 1,433 stores and a growing number of internalized ateliers
- **€787 million in capex**
  to support the growth of the Houses
- **A stable shareholder structure**
  combined with international capital and a committed governance to support the Group’s long–term development

Definition: the Group refers to the value creation model developed by Michael E. Porter and Mark R. Kramer (HBR, 2006), seeking to create both economic value (measured through financial metrics) and value for society as a whole (measured through corporate social responsibility metrics).

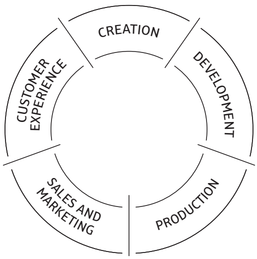
Leveraging exceptional quality resources… — **optimized by Kering…** — with clearly defined priorities… — the Group creates value… — that it shares with its stakeholders.

optimized by Kering…

A vision
embracing creativity for a modern, bold vision of Luxury

A multi-brand model
built on a long-term approach and creative autonomy for the Houses

A value chain
bringing key advantages



Increasing integration of the most strategic components of the value chain, combined with flexible production capacity

Cross-business expertise, e.g., Kering Eyewear

Shared support functions and platforms

Kering Standards, the common foundation for implementing the 2025 sustainability strategy

A strategy
that aims to harness the full potential of Luxury, to grow faster than our markets

PROMOTING ORGANIC GROWTH

ENHANCING SYNERGIES AND DEVELOPING GROWTH PLATFORMS

To support our ambition
To be the world's most influential Luxury group in terms of creativity, sustainability and long term economic performance

Leveraging exceptional quality resources… — **optimized by Kering…** — **with clearly defined priorities…** — **the Group creates value…** — **that it shares with its stakeholders.**

with clearly defined priorities…

SUSTAIN ORGANIC GROWTH

- Creative brands resonating with customers
- Market share gains
- Unleash potential of our Houses according to their maturity level

SOLID PROFITABILITY LEVEL

- Invest for growth: products, stores, client experience and engagement, talents, communications, digital and omni-channel capabilities
- Operating leverage thanks to optimization of cost base relative to scale

BALANCED CAPITAL ALLOCATION

- Consistent dividend policy
- Ability to seize M&A opportunities
- Agile in returning additional cash to shareholders

SOLID CASH FLOW GENERATION

- Optimize working capital
- Pursue Group investments with Capex to sales ratio at c. 6%-7%
- Continued optimization of return on capital employed

Leveraging exceptional quality resources… — **optimized by Kering…** — **with clearly defined priorities…** — **the Group creates value…** — **that it shares with its stakeholders.**

the Group creates value…

Sharp growth in 2015-2019

	2015[1]	2019	
Revenue	**€7,660m**	**€15,884m**	x2.1 +20%[2]
Recurring operating income	**€1,528m**	**€4,778m**	x3.1 +33%[2]
Recurring operating margin	**19.9%**	**30.1%**	>+10 pts

and strong resilience in 2020

	Market[3]	**Kering**
Revenue	-22% on a comparable basis	**-16% on a comparable basis**[4]
Operating income (EBIT)	-60%	**-34%**[5]
Operating margin (EBIT margin)	c. 12%	**24%**[5]

through its client experience

- Several prizes and awards acknowledging the Houses' creativity
- A highly desirable product offering
- Direct distribution channels guaranteeing service quality and respect for the image of the Houses, representing 78% of revenue and reflecting an increasingly exclusive distribution strategy
- An omni-channel and digital experience, with 67% growth in online sales

(1) 2015 data adjusted for 2019 scope.
(2) Compound annual growth rate (CAGR).
(3) Source: Bain Luxury Study – Altagamma Worldwide Market Monitor, published in November 2020, rounded out with data from the full report published in December 2020.
(4) Comparable revenue is defined on page 97.
(5) Recurring operating income and margin.

Leveraging exceptional quality resources... optimized by Kering... with clearly defined priorities... the Group creates value... that it shares with its stakeholders.

that it shares with its stakeholders.

Employees

Approximately €2 billion of personnel expenses

96.7% of employees trained

100% of employees covered by progressive policies including 14 weeks of parental leave

Actors of innovation

More than 3,800 materials referenced in the Materials Innovation Lab (MIL)

Partner since 2017 of the Fashion for Good accelerator working with 115 promising start-ups

Suppliers and subcontractors

2,399 audits[1] conducted in 2020 with suppliers on social, environmental and sourcing issues. 88% of our suppliers were audited in 2015–2020

Launch in 2020 of an online platform dedicated to the Group's suppliers to share information and best practices in relation to sustainable developpement

Civil society, local communities and NGOs

Approximately €15 million contributed in 2020 by Kering and its Houses to help fight the COVID-19 pandemic

More than 900,000 people reached via social media in the five countries hosting the "16 Days 16 Films" campaign (Kering Foundation)

Creative talent and excellence in craftsmanship

Nearly 1,200 experts trained at Kering's Houses since 2015 via around 20 programs to support excellence in craftsmanship

Launch in 2020 of a training course as part of the French *Institut Français de la Mode* – Kering Sustainability Chair

Shareholders and financial community

Balanced and attractive dividend distribution policy with an average dividend growth rate of 15% (2015–2020)

Environment

29% reduction in EP&L intensity between 2015 and 2019

Publication of the Biodiversity strategy, in addition to the Climate strategy

91% of key materials traced back to their country of origin

Carbon neutrality achieved in 2019 and exceptional measures undertaken in 2020: 100% of emissions from Scopes 1 and 2 and the large majority of Scope 3 emissions offset (combined 64% of all residual emissions offset)

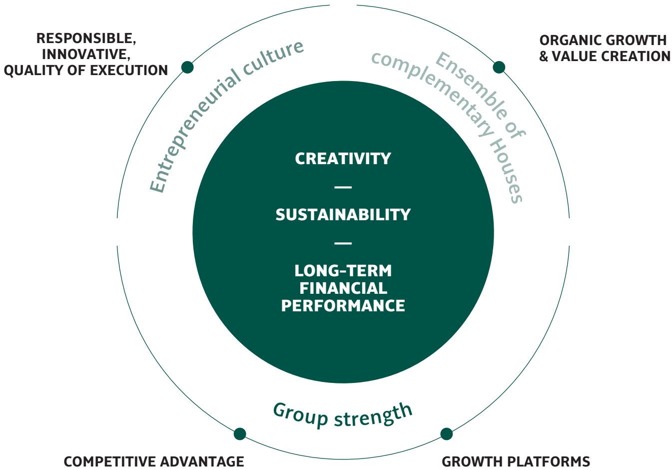
Publication of the first Fashion Pact progress report. Kering has been a founding member since 2019

(1) For comparison, the Group conducted 3,441 audits in 2019. The number of realised audits in 2020 was impacted by the confinment measures put in place in Italy in the context of the COVID-19 pandemic.

5 - OUR STRATEGY

The Group's vision, business model and strategy held firm through the events of 2020, a year marked by the impacts of the COVID-19 pandemic on the market and on Kering's business. On the contrary, the year's events demonstrate the relevance of the Group's approach, validating the decisions made over the past several years and the investment priorities taken, which will enable Kering and its Houses to further reinforce their competitive advantage. The Group is ideally placed to benefit from the major trends that are shaping and driving growth in its markets, including:

- a shift in distribution toward an increasingly exclusive model combined with the expansion of online sales;
- the digitalization of the luxury goods industry;
- the evolving expectations of clients in search of creativity and an ever more personalized experience;
- the emergence of a new generation of consumers who are increasingly connected and conscious of social and environmental issues.



Vision

Embracing creativity for a modern, bold vision of Luxury

Business model

A multi-brand model built on a long-term approach and creative autonomy for our Houses

AGILITY
BALANCE
RESPONSIBILITY

Strategy

Harnessing the full potential of Luxury to grow faster than our markets

PROMOTING ORGANIC GROWTH

ENHANCING SYNERGIES AND DEVELOPING GROWTH PLATFORMS

Vision

Embracing creativity for a modern, bold vision of Luxury

A new world order is forming. Against a backdrop of ever-faster change, new economies are taking shape as cultures evolve, disruptive technologies emerge and young "always-on" consumers seek meaningful connections. Today's change generation is shaking up the rules.

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

A new generation of consumers means new client expectations. Tradition and expertise, which many luxury brands have relied on for decades, are no longer enough. Consumers today want to express their unique individuality – and our vision of Luxury supports this radical shift. We dare to take risks, think differently, and constantly propose fresh and innovative ideas that inspire emotion and enthusiasm for our exceptional products capable of expressing each consumer's distinctive personality.

What Kering and its Houses propose is an experience. Our values are closely tied to a powerful, creative content imbued with modernity and are complemented by the entrepreneurial spirit that permeates each of our brands and by the vision of our creative teams. Kering is made up of women and men who strive each day to create authentic, ever-changing Luxury.

We want to play our part in the emergence of a more environmentally friendly world. We are constantly raising our creative and production standards to ensure respect for the planet while at the same time having positive social impacts. We aim to create value that is equitably distributed among all our stakeholders.

Kering is pronounced "caring", which is much more than a simple allusion – it gives meaning to everything we do.

Business model

A multi-brand model built on a long-term approach and creative autonomy for our Houses

A global Luxury group, Kering manages the development of a series of renowned Houses in Fashion, Leather Goods, Jewelry and Watchmaking: Gucci, Saint Laurent, Bottega Veneta, Alexander McQueen, Balenciaga, Brioni, Boucheron, Pomellato, DoDo, Qeelin, Girard-Perregaux, Ulysse Nardin and Kering Eyewear.

Thanks to our international footprint and the strength of our Houses combined with the creative autonomy they enjoy and the unique quality of our creations, Kering is among the foremost players in the luxury goods market. Our model fosters rapid growth for our brands and creates the space for them to thrive.

"Our multi-brand approach is built on a long-term vision and combines agility, balance and responsibility"

AGILITY

Kering provides its Houses with an organizational structure that unlocks their potential for excellence

- **Constancy**

Kering began as a family company more than 50 years ago and is now controlled by Artémis, a holding company owned by the Pinault family. With this strong and stable shareholder, Kering boasts an attractive and sustainable profile conducive to developing its vision in the luxury goods market over the long term.

- **Transformation**

From a conglomerate of diversified retail activities until the early 2000s, Kering has transformed itself into a Luxury group focusing on personal goods. We are now an integrated group bringing together and developing some of the world's most prestigious Houses. Through the years, we have been able to leverage the most effective growth drivers.

- **Clarity**

Kering helps its Houses realize their full growth potential. At each stage of their development, they benefit from innovative logistics platforms, digital services and technological infrastructure and common support functions. By encouraging imagination in all its forms, our organization fosters strict management while enabling our Houses to unleash the best of their talent and creativity. The Group ensures that the brands' success is aligned with their long-term visions and objectives. Thanks to our curiosity, capacity for self-reflection and big-picture thinking, we can achieve the clarity necessary to set a successful course for the Group and its Houses.

BALANCE

Kering's multi-brand model is reaching optimal efficiency

- **An ensemble of exceptional Houses**

Each of our Houses fosters a unique blend of emotions and creations. Following our successful transformation into a leading luxury goods player, we boast some of the most prestigious Houses. With distinctive positionings, they play complementary roles in a coherent ensemble.

- **Multi-brand model**

We use our strength as a Group to help forge a distinctive identity for each House. Our brands find ways to express their unique characters: couture and accessories for some, jewelry and watchmaking for others. The Group supports the brands by providing expertise, exercising its power as a group to exert influence, improving supply chain reliability and opening up access to distribution networks, as well as enhancing client experience, especially in digital channels. It also encourages the Houses to share best practices with a view to driving innovation.

- **Growth prospects**

Spurred by positive demographic, economic and sociological factors, the worldwide luxury goods market enjoys significant structural growth potential. Kering adds its own momentum on top of these intrinsic factors, further amplified by placing creative boldness at the heart of its model. So while our most firmly established Houses are reinventing themselves and re-engaging with their audiences, our emerging brands are focused on realizing their full potential and gaining new clients.

- **Ready to weather adverse market conditions**

With both well-established and still-emerging brands in various specialties, segments and markets, Kering has an extensive footprint in diverse regions. Due to the variety of its clients, products, brands and locations, the Group is well placed to weather changes in market conditions and seize growth opportunities. Kering's global reach proved crucial during the 2020 pandemic, alleviating the impacts of store closures in certain regions while enabling the brands to benefit from the rapid market recovery in Mainland China.

"Our economic model is built on exceptional Houses, complementary positionings and varied maturity profiles"

RESPONSIBILITY

All our operations are founded on a responsible economic model. Our comprehensive, sustainable approach is a structural competitive advantage

- **Towards sustainable Luxury**

Can a responsible economic approach change the very nature of Luxury? For Kering, the answer is a resounding "yes". For our Houses, sustainability is in line with our vision of modern Luxury. Businesses have an ethical obligation to be more responsible, reflecting society's new expectations. This situation can also be viewed as an opportunity to grow, and a source of inspiration and innovation. Methods, materials, resources and products are being reinvented and client usages and expectations are changing. Kering is changing the way it designs luxury products by incorporating the criterion of sustainable value, for our clients as well as for society. The targets identified to improve the Group's social and environmental performance are set out in our 2025 sustainability strategy.

- **An inclusive approach**

The aim of the responsible model is to rethink Kering's relationships with its stakeholders so as to ensure fairness and responsibility. Affecting all dimensions of Kering's eco-system, from the Group's strategy and the Houses' creative decisions to operational production, processing and distribution choices, the model aims to reduce the social and environmental impacts of the Group's operations. Placing people at the heart of the model brings fresh entrepreneurial spirit, engaging employees and stakeholders.

- **Creative potential**

Responsibility is deeply embedded in the Group's organizational structure and promotes business growth through ever more innovative and attractive products. It rewards best business practices such as good cost control and process upgrading. In a context of limited natural resources, new high-quality materials are being fashioned and more sustainable processes devised. We are constantly on the look-out for innovative and disruptive technologies. For our brands, this represents a vast swathe of creative territory yet to be explored.

- **Governance and ethics**

Built on the Group's core values, Kering's responsible model leverages an ambitious governance structure, supported by the Board of Directors and its Sustainability Committee. Together they drive the sustainability strategy, which the Houses put into action every day under the guidance of dedicated experts. The Group's Ethics Committees, Compliance structure and whistleblowing procedure for employees and third parties ensure that Kering's Code of Ethics and principles for responsible business conduct are properly applied.

"Being a responsible Luxury group means crafting the Luxury of tomorrow – we perceive change as an opportunity and a growth lever"

Strategy

Harnessing the full potential of Luxury to grow faster than our markets

Over the past decade, Kering has undergone a profound strategic shift and is now a global leader in the luxury sector. In the coming years, the Group will continue to strengthen and sustain its growth momentum.

Promoting organic growth

- **Above-market performance in an industry set to deliver growth in the medium and long term**

The future of the luxury goods market is structurally bright. The growth of emerging economies, the cultural exposure of new populations to global brands and the increasing use of new technologies are major sources of value creation for Kering. The challenge for each of our Houses is to outperform its respective market in all segments and categories.

- **Product innovation**

Energized by new creative teams, our Houses are setting trends. Backed by the Group, they are moving into new product categories and coming up with ever more fresh ideas. Their offerings both stimulate and meet their clients' expectations and aspirations by arousing desire, inspiring dreams and tapping into emotions.

- **Sales efficiency**

In their networks of directly operated stores, our brands deploy initiatives to boost sales performance, capitalizing on increasingly effective merchandising and in-store operational excellence, supported by the Group and its dedicated teams. Optimizing comparable-store sales performance is a key organic growth lever for Kering.

- **Client experience**

Improving the quality of in-store client experience is central to driving sales performance. Personalized client experience and customization help make each client relationship unique. Support for clients before, during and after the sale – in stores or online – is what enables our Houses to create and sustain lasting connections. With this in mind, in 2019 Kering completed the roll-out of a dedicated application designed with Apple. The Group's sales associates are invited to use the app to consult stock levels in real time, order an out-of-stock product for delivery to the client's home, and generate personalized style advice for a truly revitalized shopping experience. The decision to bring client relations and e-commerce platforms back in-house and the acceleration of the development of distance selling tools were guided by the same aim.

- **Omni-channel approach**

Our clients are connected and mobile, constantly flicking between distribution channels, from digital platforms to brick-and-mortar stores. Our client relations strategy is epitomized by continuity on all communication and distribution channels. This holistic omni-channel approach is supported by targeted directly operated store extensions and strategies for distribution agreements, travel retail, e–commerce, social media and digital communication. In 2020, we began to migrate some of our Houses onto the e-commerce platform developed and managed internally. This migration is a key phase of our strategy, especially in view of the rapid penetration of online sales. It gives us control over the whole value chain so as to provide clients with a truly exceptional experience across all channels and touchpoints, aligning the e-commerce side with the standards of excellence seen in its boutiques thanks to a range of omni-channel services.

- **Digital expertise, CRM and innovation**

A number of projects have been set up under the leadership of the Chief Client and Digital Officer to support Kering in its digital transformation and drive forward its e-commerce, CRM, data science and innovation activities. These include several pilot projects using data science techniques to deliver personalized messages and experiences to individual clients, which are now being rolled out, as well as the creation of a dedicated data science team to improve the service provided to the clients of Kering's Houses by making the best use of the available data. Lastly, the Group's Innovation team has been tasked with fulfilling two objectives: firstly, to instill an internal culture of innovation (applying a test-and-learn approach, sharing discoveries quickly, scouting business trends, etc.) and secondly, to work on disruptive technologies to enrich our business models and support our sustainability efforts.

"Digital is simultaneously accelerating and deepening our relationships with our clients, allowing us to offer them an exceptional shopping experience"

Enhancing synergies and developing growth platforms

Our integrated model gives us a distinct advantage. Our brands benefit from Group-wide synergies while preserving their unique characters and exclusivity.

• Resource pooling

Our Houses share certain support functions, allowing them to concentrate on what really counts: creativity, production quality, product range development and renewal, client relations, as well as brand and product communication. The Group pools resources and streamlines certain strategic functions such as logistics, indirect purchasing, legal affairs, property, accounting, media relations, IT and the development of new tools (in particular with respect to the omni-channel approach). Relieved of this burden, our Houses can focus their energy on creativity.

• Cross-business expertise

In order to enrich its brands' offerings, the Group draws on cross-business expertise. A notable success story in this domain is Kering Eyewear, which has been developed internally. Our Houses benefit from a dedicated specialist that ensures full control over the value chain of their frame and sunglasses businesses, from creation and development to supply chain; brand strategy and marketing to distribution. This innovative management model enables Kering to harness the full growth potential of its brands in this category and generate significant value creation opportunities.

• Growth platforms and operating efficiency

Kering is constantly improving and adapting its operating model to ensure its structures are always more up-to-date and flexible. The Group has launched an ambitious transformation project focusing on its information systems, supply chain and logistics. The aim is to adapt these functions to the Group's new scope, as well as changing consumer trends and client expectations. With shared, state-of-the-art IT, as well as redefined logistics operations that include the construction of new warehouses in the United States (2019), Italy (2020-2021) and ultimately Asia, the Group's brands will be in a better position to anticipate demand, respond more quickly and adapt inventory management to optimize costs.

• Talent excellence

We pay particular attention to the professional development and satisfaction of the women and men working for our Houses and in our headquarters. Based on ever-greater mobility, our ambitious worldwide human resources strategy facilitates the growth of the Houses through a shared pool of talented individuals, expertise and excellence. The Group helps employees reach their potential and express their creativity by developing skills and performance, as well as by offering aspirational development opportunities.

A source of collective intelligence and enrichment but also fundamental to our culture of equality, allowing each individual to realize their full potential, our policy of promoting diversity, gender parity and inclusiveness is at the heart of Group and House talent management actions and initiatives.

Kering also pays careful attention to the role of women, who make up the majority of its employees and clients. Internal systems are in place to guarantee gender equality, as evidenced by our ambitious global parental policy. The Kering Corporate Foundation is committed to combating violence against women. The aim of the Women in Motion initiative is to showcase the contribution of women to the film industry, whether in front of the camera or behind.

"The Group strives to create value for its Houses and is geared to unlocking their creative potential"

6 – IMPACTS OF THE COVID-19 CRISIS

Impacts of COVID-19 / MARKET

Unless otherwise indicated, source: Bain Altagamma[1].

Demand shock	Supply shock
• Economic shock and global recession: estimated 3.9% decrease in global GDP in 2020[2] • Impacts on consumer confidence and purchasing power, with spending reallocated • Travel restrictions and lockdown measures	• 22% contraction in the worldwide personal luxury goods market in 2020 (at constant exchange rates) • Major disruptions across the value chain: creation, product development, supply, production, logistics and distribution

Impacts in 2020

- Collapse in **tourist numbers**: more than 60% drop in air traffic[3], decrease in international tourist numbers and **repatriation** of spending (80% to 85% of luxury goods purchases made by local clients in 2020)
- **Temporary** and/or **partial closure** of production facilities, logistics platforms and the store network: different impacts depending on the country, the duration of the lockdown and the relative exposure to tourist flows and the distribution networks
- **Difficulties** experienced by certain distribution channels (wholesale, travel retail)
- More resilient performances by **Shoes, Accessories and Jewelry** in 2020. Underperformance by Ready-to-Wear and Watches relative to the market
- Sharp growth in **online sales** (23% of total sales in 2020)

Accelerated transformation of the luxury industry

More exclusive distribution	Repatriation of spending (especially Chinese) to the local market and gradual weakening of the wholesale market: these factors are expected to spur luxury brands into making their **distribution more exclusive** and to rethink the **geographic coverage** of their store networks
Online sales	Accelerated penetration of **online sales**, with the proportion expected to continue to rise to reach more than 30% by 2025
New forms of clienteling	Lower in-store footfall due to the lack of tourists, meaning that brands are having to invent new forms of clienteling, helped by **optimal use of data and CRM tools**
Investments	**Investments** required in several domains (digitalization, the store network, revamping the supply chain, etc.). Close monitoring of operating costs in order to maximize return on investment and expenditure
Consolidation	Difficult to assess the impacts of the crisis on the **polarization** that was already happening in the market and any resulting **consolidation**: the heightened complexity of doing business in a market that is **global**, but at the same time more **fragmented** than before, seems to be strengthening the competitive advantage of large multi–brand groups as they can pool their resources and investments
Shift in the client base	In the long term, **Chinese customers** and **generations Y and Z** will be the growth drivers of the worldwide personal luxury goods market (Chinese customers are estimated to represent 46% to 48% of the market by 2025, while generations Y and Z are estimated to account for 180% of market growth between 2019 and 2025 and represent 65% to 70% of demand in 2025 versus 57% in 2020)
Transparency	Demand for **transparency** from consumers, validating the introduction of a clear sustainability strategy covering the whole value chain

(1) Bain Luxury Study – Altagamma Worldwide Market Monitor, published in November 2020, rounded out with data from the full report published in December 2020.
(2) Source: Oxford Economics, World Economic Prospects, January/February 2021.
(3) Source: IATA.

Impacts of COVID-19 / KERING

Impacts

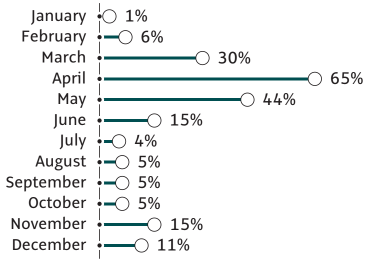
Design, manufacture, supply and logistics

- Team (notably design and merchandising) procedures impacted by the lockdown measures
- **Closure of product development and production sites in March**, almost exclusively based in Italy. Gradual return to normal as from May, with reduced productivity and capacity due to social distancing measures
- **Partial or complete closure of warehouses and logistics sites** in Switzerland, Italy and the United States between March and end-April. Return to normal in June. Persistent supply difficulties, which impacted the recovery when stores re-opened and contributed to sub–optimal availability of products online
- **Calendar** for collections and deliveries **pushed back**

Distribution and clients

- **Partial or complete closure of stores** as from end-January in China and then Asia, followed by Europe and North America as from mid-March. Gradual reopenings as from May. In Europe, partial lockdown reintroduced in November and December

% stores closed worldwide on average (excluding reduced opening hours)



- **Collapse in tourist numbers**, hitting the travel retail market as well as business in general in Western Europe and, to a certain extent, in the Asia-Pacific region
- **Accelerated growth in online sales**

Actions and initiatives

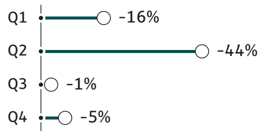
Design, manufacture, supply and logistics

- **Accelerated digitalization** of product design and marketing, with virtual sales campaigns
- **Adaptation** of the calendar and format of **fashion shows**
- **Adjustments to collections** and merchandising: in-store presentation of Spring/Summer collections extended and adjustments to the depth and structure of the Fall/Winter collections
- **Production adjustments** (calendar and volumes) for the Fall/Winter collections
- **Resumption of logistics activities**: adjustments to delivery flows based on store reopenings and the postponement of collections

Distribution and clients

- **Growth in distance selling capacities** (customer service, customer advisors)
- **Sharp growth in online sales** during the lockdown, a trend that has continued since stores reopened
- **Planned internalization of online capacities** for Alexander McQueen and then Saint Laurent. Growth in new omni-channel services
- **Spring/Summer collection**: optimization of sales and inventory management, leading to a slight dilution in gross margin
- **Clienteling** initiatives
- Roll-out of the strategy to **enhance the exclusivity** of the distribution network and streamline sales to wholesale accounts

Impacts of COVID-19 / KERING

	Stakeholders	Financial
Impacts	• **Suppliers** and economic stakeholders: direct consequences of lockdown measures for the frequency of collections and the production calendar and impact on the utilization of the production capacities of the Group and its suppliers • **Employees and service providers**: closure of stores, production units and some logistics sites	• **Strong impact on Group revenue**, down 16% over the year **Change in comparable revenue**  • **Dilution in profitability** given the structure of fixed costs vs. variable costs • **Investment choices made**, with some projects for the store network postponed or suspended • Priority given to the management of working capital and especially **inventory levels** • Increased focus on **credit and liquidity risks**
Actions and initiatives	• Introduction of strict measures to ensure the **health and safety of employees, suppliers and clients** • **Homeworking** across the board, with employees **returning on-site gradually** in line with the applicable health restrictions • **Jobs protected** and salary levels maintained • **Masks produced** by the Houses • Numerous **initiatives to support** local communities and organizations in their fight against the pandemic • Initiatives to **support suppliers** (Gucci-San Paolo Intesa agreement)	• **Revenue optimization measures** (online, distance selling, adjustments to collections) • **Adjustments to the cost base:** renegotiation of lease payments, reduction in stores' running costs, cuts to communication and marketing spend and freeze on salaries and hiring • **Investments prioritized**, with strategic programs continued (logistics, internalization of e-commerce, information systems) • **No significant escalation of the credit risk and sufficient liquidity** across the Group (confirmed credit lines, bond issue) • **Revised dividend** paid for 2019 • **Reduction in remuneration** of executive corporate officers and directors

CHAPTER 2
Group activities

1 - KEY FIGURES

(in € millions)	**2020**	**2019**	**Change (reported)**
Revenue	**13,100**	**15,884**	**-17.5%**
EBITDA	**4,574**	**6,024**	**-24.1%**
EBITDA margin (as a % of revenue)	*34.9%*	*37.9%*	*-3.0 pts*
Recurring operating income	**3,135**	**4,778**	**-34.4%**
Recurring operating margin (as a % of revenue)	*23.9%*	*30.1%*	*-6.2 pts*
Net income attributable to owners of the parent	**2,150**	**2,309**	**-6.9%**
o/w continuing operations excluding non-recurring items	1,972	3,212	-38.6%
Gross operating investments[1]	**787**	**956**	**-17.7%**
Free cash flow from operations[2]	**2,105**	**1,521**	**+38.4%**
Net debt[3]	**2,149**	**2,812**	**-23.6%**

(1) Purchases of property, plant and equipment and intangible assets.
(2) Net cash flow from operating activities less net acquisitions of property, plant and equipment and intangible assets.
(3) Net debt is defined on page 97.

Per share data *(in €)*	**2020**	**2019**	**Change (reported)**
Earnings per share attributable to owners of the parent	17.20	18.40	-6.5%
o/w continuing operations excluding non-recurring items	15.78	25.59	-38.4%
Dividend per share	8.00[1]	8.00	-

(1) Subject to the approval of the Annual General Meeting to be held on April 22, 2021.

Revenue breakdown and comparable[1] change by region

38% Asia-Pacific change: -7%

28% Western Europe change: -28%

21% North America change: -8%

7% Japan change: -29%

6% Rest of the world change: -16%

(1) Comparable revenue is defined on page 97.

Recurring operating income: change and margin

(in € millions)	2020	2019	Change (reported)
Total Luxury Houses	**3,367**	**5,042**	**-33.2%**
Recurring operating margin	*26.6%*	*32.8%*	*-6.2 pts*
Corporate and other[1]	**(232)**	**(264)**	**+12.1%**
Total Group	**3,135**	**4,778**	**-34.4%**

(1) The "Corporate and other" segment is defined on page 90.

Equity and debt-to-equity ratio[1]

(in € millions and in %)

(1) Net debt (defined on page 97)/equity.

Dividend per share

(in €)

(2) Subject to the approval of the Annual General Meeting to be held on April 22, 2021.

2 - SIMPLIFIED ORGANIZATIONAL CHART AS OF DECEMBER 31, 2020

KERING

- **Kering Americas**
- **Kering Corporate**[1]
  - **Luxury Houses**
    - 100% Gucci
    - 100% Yves Saint Laurent
    - 100% Bottega Veneta
    - 100% Alexander McQueen
    - 100% Balenciaga
    - 100% Brioni
    - 100% Boucheron
    - 100% Pomellato
    - 100% Qeelin
    - 100% Sowind[2]
    - 100% Ulysse Nardin
  - **Kering Eyewear**
- **Kering Asia-Pacific**

(1) Corporate is defined on page 90.
(2) The Sowind group owns the Girard-Perregaux brand.

3 - OUR MARKETS

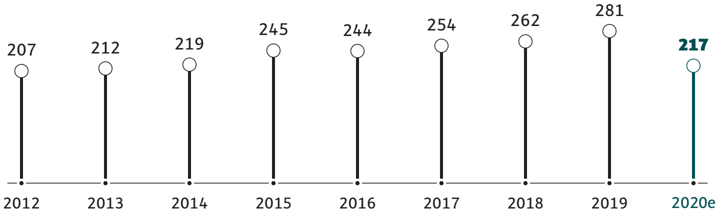
Personal luxury goods market overview

This section contains information extracted from studies conducted by organizations such as Altagamma and Bain & Company. Unless otherwise indicated, all historical and forecast information, including trends, sales, market shares, sizes and growth, comes from the Bain Luxury Study – Altagamma Worldwide Market Monitor, published in November 2020, rounded out with data from the detailed report published in December 2020. Luxury goods industry segments and product categories correspond to those used in the study: the soft luxury segment (shoes, apparel and leather goods), the hard luxury segment (watches and jewelry), and the perfumes and cosmetics segment.

I. Market overview: size, trends and main growth drivers

The worldwide personal luxury goods market enjoyed strong growth from 2010 to 2012. The market gradually decelerated from late 2013 up to and including 2016, with weaker or even subdued growth at comparable exchange rates, when signs of a recovery were nonetheless visible in the second half of the year. 2017 marked the return of solid growth in the market, a trend confirmed in 2018 thanks in particular to a promising macro-economic environment. Growth slowed slightly in 2019 at comparable exchange rates, whereas in 2020 the industry was strongly impacted by the health crisis related to the COVID-19 pandemic, contracting 23% on a reported basis (22% at comparable exchange rates) to €217 billion.

Worldwide personal luxury goods market trends *(in € billions)*



Annual change:

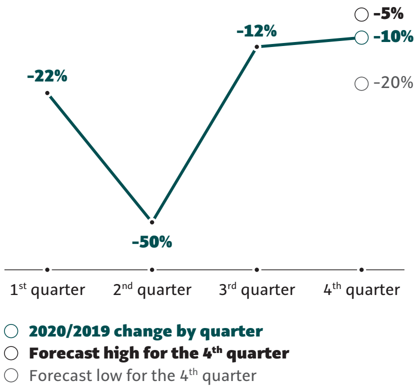
reported	+11%	+2%	+3%	+12%	0%	+4%	+3%	+7%	-23%
comparable	+6%	+6%	+3%	+1%	0%	+5%	+7%	+4%	-22%

A. Impacts of COVID-19

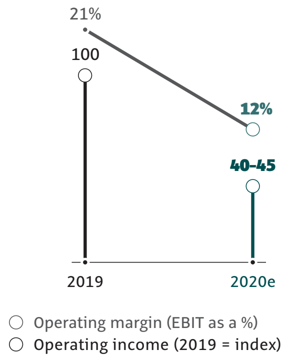
While the industry's structural growth drivers remain unchanged in the medium and long term, the scale and scope of the COVID-19 pandemic had a significant impact on the development and momentum of the personal luxury goods market in 2020:

- extended store closures in some of the industry's key markets, such as Mainland China in the first quarter, Western Europe and North America in the second quarter, and again mainly Western Europe in the fourth quarter;
- a drastic reduction in tourist numbers and spending, with an impact on business in i) the regions the most exposed to tourism, such as Western Europe, and ii) certain sales formats, such as travel retail. According to IATA, global air traffic (based on the number of passengers) fell by over 60% in 2020 compared to the previous year;
- acceleration of an existing trend to relocate spending: in 2020, 80% to 85% of luxury goods purchases were made by clients in their local market;
- sharp increase in online sales, whose contribution to total personal luxury goods sales doubled in 2020;
- a drop in consumer confidence, earnings and spending in the first half of the year, followed by a rebound in the second half in certain regions, such as Mainland China. According to a McKinsey survey published in September 2020, consumer intent to shop for apparel, footwear, accessories and jewelry was down by 27% to 35% in the United States compared to 2019;
- a contraction in global GDP of 3.9% in 2020 versus a 2.5% increase in 2019[(1)]: the key luxury market regions were affected differently, with Mainland China rebounding from the second quarter and growing 2% over the year as a whole and the United States, the eurozone and Japan experiencing a recession. The implementation of large-scale fiscal stimulus policies in the United States and Western Europe and the relaxation of already expansionary monetary policies in the world's main business regions limited the pandemic's adverse impact on global growth.

In this context, trends in the personal luxury goods market varied considerably from one quarter to the next:



These trends had a significant impact on the profitability of sector participants, with a decrease in operating income estimated at approximately 60% in 2020 and operating margins for the sector narrowing from an average of around 21% in 2019 to 12% in 2020.



(1) Source: Oxford Economics, World Economic Prospects, January/February 2021.

B. Other trends

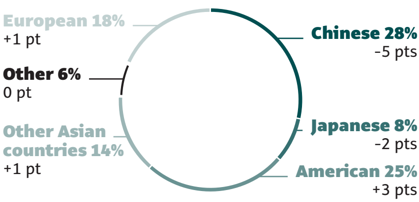
2020 was also characterized by:

- renewed geopolitical and social tensions and uncertainty about major political changes combined with the unprecedented deterioration in the economic situation (protests about racial and social issues, as well as the presidential and senate elections in the United States, sharp volatility on equity markets, Brexit negotiations, etc.) have weighed on consumer confidence and spending trends;
- persistently high FX volatility in certain key currencies for the luxury industry (appreciation of the euro in the second half of the year, depreciation of the US dollar against a basket of key currencies, appreciation of the Chinese yuan and the Japanese yen). These currency fluctuations had a lesser impact on consumer trends than in the past, in view of the sharp reduction in tourist spending due to the health crisis.

C. Main structural and cyclical factors underpinning trends in the luxury goods market

a. 2020 luxury goods market by nationality

By nationality, the worldwide personal luxury goods market is characterized by the weight of Chinese and American consumers, who together account for more than half of the market in value. For most of 2020, international tourist flows came to a standstill, leading to a sharp drop in tourist spending and an increase in local purchases. The proportion of consumers of nationalities that are traditionally active on their local markets increased, while the proportion of those who generally spend abroad dropped accordingly. For example, the proportion of consumers from China fell by 5 percentage points compared to 2019, while the proportion of American and European consumers increased by 3 points and 1 point, respectively.



/pt: Market share change (2020e vs 2019).

b. The market is facing a number of structural changes and more cyclical events

Although the COVID-19 pandemic had significant short-term impacts on the personal luxury goods market, the underlying trends that shape the market were not affected:

- traditional luxury consumers are continuing to extend their spending to new categories involving experiences (hotels, cruises, restaurants, etc.), while new luxury consumers are entering the market, either via the "accessible" luxury segment or more directly, by purchasing products from brands that are positioned in a more premium segment;
- luxury consumers are becoming more value sensitive and digital-oriented and are leaning increasingly toward innovation and novelty, especially as younger populations enter the market and more particularly generations Y and Z (born after 1980 and around 2000, respectively);
- the key players and biggest brands have already achieved significant penetration of the main markets thanks to the expansion of their store networks, which means that growth is now mainly driven by increases in same-store sales.

Against this backdrop, luxury groups and brands need to adapt their strategy to the market trends that are likely to shape the industry in the coming years:

- Chinese consumers will continue to be the main growth driver;
- meeting the expectations of a new generation of consumers, whose buying decisions are increasingly influenced by:
  - digital technology (online editorial and marketing content, social media, etc.), together with buying habits that require greater use of digital features and tools (including online shopping, Internet of Things, virtual reality, artificial intelligence and mobile payments),
  - environmental awareness (environmental footprint of raw materials, production and distribution activities, product composition, animal welfare, etc.) and the integration of these expectations into brands' operations and communications (carbon offsetting, management of unsold inventory, etc.);
- luxury consumers seeking a creative and differentiated product offering, together with a customer experience that is both personalized and integrated across physical and digital distribution channels;
- rebalancing of local/tourist spending through appropriate management of price differentials across regions, which gained momentum in 2020.

A combination of factors will continue to support demand and growth in the personal luxury goods market over the medium and long term, including:

- demographic trends in emerging markets;
- the emerging middle class in these countries, where the average disposable income and the purchasing power of consumers continue to grow;
- the rising number of high-net-worth individuals (HNWIs).

Nevertheless, the luxury goods market, which relies on discretionary consumption by individuals, is exposed to a certain number of risks, which, if they were to materialize, could lead to short-term disruptions:

- macro-economic uncertainties, currency volatility and higher customs tariffs and taxes on luxury goods;
- geopolitical tensions, security threats and outbreaks of epidemics/diseases, as we have seen with the COVID-19 pandemic;
- any other factor weighing on tourism (including visa policies and travel regulations) or luxury consumption (restrictions, tax and import duties, etc.);
- exogenous events such as political turmoil and unfavorable weather conditions.

II. Competitive environment

Although fragmented, the worldwide personal luxury goods market is nonetheless characterized by the presence of a few large global players, often part of multi-brand groups, as well as a large number of smaller independent players. These players compete in different segments in terms of both product category and geographic location. Kering operates alongside the most prominent global groups in the personal luxury goods market: LVMH, Hermès, Richemont, Chanel, Prada and Burberry. A number of brands with more accessible prices could also compete with established luxury brands.

A phenomenon known as performance polarization has been observed over the past three to four years, with:

- above-market performances by certain players, usually of significant size or belonging to a multi–brand group; and
- in contrast, below-market performances by single brand and/or medium-sized players.

III. Regional overview

Worldwide personal luxury goods market: breakdown by region (2020e)

	Size *(in € billions)*	Reported YoY change	YoY change at comparable exchange rates	% of total market
Europe	57	-36%	-36%	26%
Americas	62	-27%	-26%	29%
Mainland China	44	+45%	+48%	20%
Japan	18	-24%	-25%	8%
Rest of Asia	27	-35%	-34%	13%
Rest of the world	9	-21%	-20%	4%
TOTAL	217	-23%	-22%	100%

In 2020, the eight largest countries in the worldwide personal luxury goods market were as follows (revenue by consumption location and not by nationality):

Rank	Country	Size *(in € billions)*	Reported YoY change	YoY change at comparable exchange rates	% of total market
1	United States	55	-27%	-26%	25%
2	Mainland China	44	+45%	+48%	20%
3	Japan	18	-24%	-25%	8%
4	South Korea	11	-24%	-16%	5%
5	United Kingdom	11	-35%	-34%	5%
6	Italy	10	-44%	-44%	5%
7	France	9	-44%	-44%	4%
8	Germany	8	-30%	-30%	4%

Europe was the world's second biggest luxury goods market in 2020, with revenue down 36% versus 2019 at comparable exchange rates. Given its high exposure to tourists, who usually account for up to two thirds of the region's consumers in an ordinary year, Europe was strongly impacted by the sharp decrease in international and inter-regional tourism. Local consumption fared better, but also trended downwards.

Within the eurozone, Italy and France remained the leading countries despite a 44% contraction at comparable exchange rates. As luxury spending in these two countries is concentrated mainly in major cities that attract tourists (Paris, Milan), they were particularly hard-hit. The United Kingdom and Germany were less affected as they have a greater percentage of local clients.

The Americas region was the largest market, ahead of Europe, with the United States accounting for the vast majority of revenue (c. 89%). In 2020, business in the region contracted 26% at comparable exchange rates. In the United States, the impact on the local market of lockdowns and political uncertainty related to the elections was not fully offset by greater spending at home. The large cities and regions that are traditionally key for luxury goods consumption in the United States, such as New York and Boston, underperformed, with secondary cities such as Atlanta, Detroit, Houston and Dallas faring better than usual. The performance of department stores remained subdued, due to very low in-store traffic and despite growth in their online sales. Canada was also affected by the decline in incoming Chinese tourists, while Brazil held up well thanks to purchases typically made in the United States and Europe being shifted back to the local market.

Mainland China was the greatest beneficiary of the trend to repatriate luxury spending in 2020 with a spectacular 48% rise at comparable exchange rates. The country now represents 20% of the worldwide personal luxury goods market, an increase of 5 percentage points. The first country to be impacted by the COVID-19 pandemic, Mainland China, saw a rebound in the consumption of luxury goods in the second quarter, with sales continuing to progress rapidly during the second half. This performance was driven by the repatriation of local spending and the market's underlying dynamics, which attract an increasing number of younger clients each year. Spending by locals in their local market represented between 70% and 75% of total spending by Chinese nationals, up by some 40 percentage points compared to the previous year. Hong Kong continued its downward trend as its position as a leading tourist destination for luxury goods purchases suffered. Chinese tourists, who represented the majority of Hong Kong's luxury goods clients, shifted their spending back to Mainland China, particularly to Hainan province where various measures were taken to attract them.

Japan represented 8% of the worldwide personal luxury goods market in 2020. The third largest country in terms of personal luxury goods consumption after the United States and China, the Japanese market contracted 25% on a comparable basis. Consumers in Japan spent less during the crisis and the absence of tourists, mainly from China, also dampened the performance of the Japanese personal luxury goods market.

Among the other countries in Asia, South Korea held up well, thanks to the appetite of local clients for luxury goods and despite a drop in duty-free shopping by tourists.

The rest of the world – including the Middle East, Africa and Australia – represented 4% of the worldwide personal luxury goods market with €9 billion in revenue in 2020, down 20% at comparable exchange rates. Countries in the Middle East delivered mixed performances, although relatively speaking, the health crisis had a lesser impact as spending was repatriated. However, Australia was impacted first by a large number of major bush fires and then a contraction in tourism.

IV. Product categories

The worldwide personal luxury goods market is divided into seven main product categories, as shown below.

Worldwide personal luxury goods market: breakdown by category (2020e)

	Size *(in € billions)*	Reported YoY change	% of total market
Apparel	45	-30%	21%
Leather goods	47	-18%	22%
Shoes	19	-12%	9%
Watches	27	-30%	12%
Jewelry	18	-15%	8%
Perfumes and cosmetics	48	-20%	22%
Other (eyewear, textile accessories, etc.)	13	N/A	6%
TOTAL	217	-22%	100%

Apparel

Apparel represented 21% of the total personal luxury goods market in 2020, totaling an estimated €45 billion, down 30% versus 2019. This category includes ready-to-wear for both women and men, which declined in the same proportions. Two key trends are emerging in apparel: (i) the popularity of streetwear among younger generations and (ii) the difficulties met by the most formal clothing segment.

All Kering soft luxury Houses operate in this product category, especially Gucci, Saint Laurent, Alexander McQueen, Balenciaga, and, to a lesser extent, Bottega Veneta, as well as Brioni for the menswear segment only.

Leather goods

This category includes handbags, small leather goods (wallets, purses, etc.), and other leather products. The revenue generated by leather goods in 2020 is estimated at €47 billion, or 22% of total personal luxury goods revenue. This category held up relatively well in 2020, contracting 18% on a reported basis, thanks to the appeal of the entry-price offering and iconic products, such as high-end handbags.

Kering operates in this category primarily through the Gucci, Saint Laurent and Bottega Veneta brands and, to a lesser extent, Alexander McQueen and Balenciaga.

Shoes

This category includes both men's and women's shoes. It represented 9% of the luxury goods market in 2020, or €19 billion in revenue. It saw a limited decline of 12% in 2020, on a reported basis, the trend toward less formal shoes, such as sneakers, resulting in a rebound in the second half.

Kering mainly operates in this product category through Gucci, Saint Laurent, Bottega Veneta, Alexander McQueen and Balenciaga.

Watches

This category generated revenue of €27 billion in 2020, representing 12% of the total personal luxury goods market, and was down 30% versus 2019 as reported. Already affected by consumer trends towards other categories, the watch industry was strongly impacted by the health crisis. Kering operates in this category across different price points with Gucci Timepieces, Boucheron, Girard-Perregaux and Ulysse Nardin.

Jewelry

Revenue from jewelry decreased by 15% as reported in 2020 to reach €18 billion, representing 8% of the personal luxury goods market. The segment resisted relatively well, supported by its entry-price offering and by the performance of high jewelry, especially in Asia and Mainland China.

Kering operates in this category primarily through Boucheron, Pomellato, DoDo and Qeelin, but also Gucci, which proposes an offering ranging from fashion jewelry to a high jewelry collection.

Perfumes and cosmetics

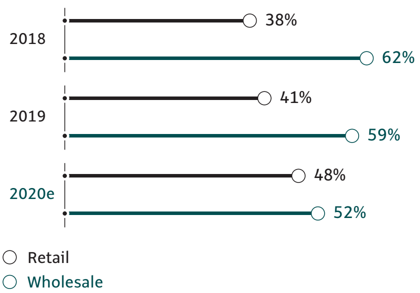
This category represented 22% of the total personal luxury goods market in 2020 and was worth an estimated €48 billion. Kering operates in this product category through licensing agreements between its main brands and leading industry players such as L'Oréal, Coty and Interparfums to develop and sell perfumes and cosmetics.

Other (eyewear, textile accessories, etc.)

Personal luxury goods that do not fit into the categories mentioned above represented 6% of the market in 2020, or €13 billion in revenue. This category includes eyewear, a segment in which Kering operates through Kering Eyewear.

V. Distribution channels

Worldwide personal luxury goods market: breakdown by distribution channel (2018-2020e)



Retail channel

A strong directly operated store network is important for the success of a luxury brand as it allows greater control over the consumer shopping experience and over the product mix, merchandising and customer service. In 2020, the retail channel accounted for 48% of in-person sales in the worldwide personal luxury goods market.

In the case of Kering's Houses, the share of retail sales is far higher (78%), reflecting the maturity of some of the brands, Kering's strategic commitment to grow its directly operated network and growth in the portion of online sales made via the brands' own websites.

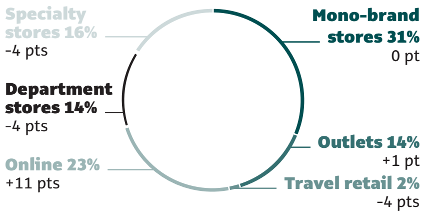
It also reflects the importance of leather goods and accessories, which represent a higher share of the product mix for retail sales, in the Group's luxury ranges.

Wholesale channel

The wholesale channel typically includes department stores, independent high-end multi-brand stores and franchise stores, and accounted for approximately 52% of the total worldwide personal luxury goods market in 2020. This channel can thus be multi-brand or mono-brand. The share of wholesale sales is typically higher in ready-to-wear, watches and jewelry, and is also more significant than retail in the channel mix for brands that stand at an earlier stage of maturity.

Sales formats

Distribution channels can also be split into six sales formats, which are either operated directly or by partners.



/pt: Market share change (2020e vs 2019).

E-commerce

Online sales of luxury goods grew at a record pace in 2020 and were up by 50% on a reported basis, representing the equivalent of five years of growth. Revenue increased by €16 billion year on year to nearly €50 billion and accounted for c. 23% of total luxury goods sales. This includes sales made through brand websites (retail channel) and department stores and e–tailers (wholesale). E-commerce became the market's leading sales format in 2020, driven by Asia and by a younger cohort of generation Y and generation Z consumers. Within e-commerce, brands and e-tailers are the top performers. Brands are accelerating their development of online activities, expanding both the geographical reach and the product offering on their e-stores, while e-tailers are seeing strong momentum due to an integrated offer of appealing content, sometimes supported by exclusive partnerships with brands.

Kering's Houses are present online via e-commerce sites, operated completely internally in the case of Gucci, and also for Alexander McQueen and Saint Laurent since 2020. The internalization of e-commerce on the Group's platforms will be finalized in the first half of 2021 for Balenciaga and Bottega Veneta.

Kering brands are also distributed online by selected partners, in line with the Group's strategy to also operate under a closely controlled virtual licensing model.

VI. Market outlook

Key trends **for 2021** include:

- a gradual recovery and a significant improvement in the global economy after the shock in 2020: forecasted global GDP growth of 5.0% in 2021(1) to reach 2019 levels at the end of the year;
- a gradual upturn in global air traffic based on the number of passengers, depending on how well the vaccination campaigns progress. According to IATA, air traffic could increase by more than 50% in 2021, but would still be down by around 40% compared to 2019;
- a continuation of the repatriation of consumption back to local markets, particularly in China, and the ensuing impact on spending by Chinese tourists, depending on the pace at which international tourism recovers. In addition, Hong Kong's ability to recover its appeal as a destination for luxury consumers will depend on the development of the alternative offering in Mainland China and in Hainan province in particular, and on the more structural measures taken by the Chinese government to encourage local consumption;
- faster penetration of e-commerce in the personal luxury goods market and greater demand from consumers for increasingly sophisticated digital exchanges;
- mixed performances across regions, with Europe depending partly on the recovery in tourist numbers, the United States potentially experiencing a downturn after the strong 2020 performance, and Asia (particularly Mainland China) continuing to drive the industry's recovery.

Accordingly, global demand for personal luxury goods is expected to rebound in 2021, leading to growth of between 10% to 19% compared to 2020, depending on the different scenarios considered and, in particular, the extent to which local consumption and international travel recover.

None of the current scenarios for 2021 foresees the market recovering to 2019 levels. Depending on the underlying assumptions, the personal luxury goods market could contract by around 8% to 15% in 2021 compared to 2019, representing an absolute value of €240 billion to €260 billion. Similarly, the industry's profitability is expected to bounce back in 2021 to an average of 16% to 18%, once again remaining below 2019 levels.

In the longer term, according to Bain and Altagamma and despite the atypical circumstances in 2020, the personal luxury goods market is expected to resume an annual growth rate of nearly 10% between 2020 and 2025 and could reach €330 to €370 billion by the end of that period. This represents annual average growth of 10% to 15% between 2020 and 2022, and of 8% to 14% between 2020 and 2023.

The market's structural growth drivers have been clearly identified:

- emerging consumers: a booming upper-middle class (urbanization, higher standards of living and a tendency to devote a larger budget share to discretionary spending), which should benefit the "accessible" luxury segment, particularly in China. According to forecasts, Chinese clients could represent 46% to 48% of the worldwide personal luxury goods market in 2025;

(1) Source: Oxford Economics, World Economic Prospects, January/February 2021.

- generations Y and Z: these generations are expected to account for 180% of growth in the personal luxury goods market between 2019 and 2025 and to represent 65% to 70% of the market in 2025 compared to 57% in 2020;
- countries or regions that are expected to make a greater contribution to the growth of the personal luxury goods market: Southeast Asian countries (Indonesia, Thailand, etc.), Brazil, Australia, Africa and India;
- an increase in high-spending consumer classes such as high-net-worth individuals (HNWIs). According to Bain's estimates, ultra-high-net-worth individuals (UNHWIs) already represented 30% of the luxury market in 2019 and their share will continue to grow;
- the development of distribution channels such as discount outlets, travel retail (depending on the recovery of international tourism) and e-commerce. The latter is expected to account for more than 30% of total personal luxury goods sales by 2025;
- the development of new high-end products and services;
- increasing interest in second-hand luxury goods. The second-hand market generated an estimated €26 billion in 2019, with growth driven by increased environmental awareness among consumers. Certain clients, particularly among the younger generations, also see the second-hand segment as a more accessible way to enter the luxury goods market.

These trends are expected to drive an increase in the number of luxury market clients from c. 380–390 million in 2019 to c. 450 million in 2025.

Eyewear market overview

This section contains information derived from data compiled by Mordor Intelligence, an independent market research and advisory firm, as well as Euromonitor, a market research and consulting company. The worldwide eyewear market presented in this section includes the following product categories: spectacles, contact lenses, sunglasses and other products.

Estimates of the size of the worldwide eyewear market are based on data from Mordor Intelligence and Euromonitor, both of which follow a similar methodology whereby they collect data from published reference sources, liaise with experts to capitalize on their market knowledge, and validate data and research following a stringent internal process.

According to Mordor Intelligence, the worldwide eyewear market generated revenue of €128 billion in 2019 (retail price value) and could reach €169 billion in 2025, representing an average increase of 5% per year.

> These forecasts through 2025 do not include the impacts of COVID-19. While the same structural aspects will continue to drive growth in the industry in the medium term, the scale and the scope of the pandemic suggest it will have a significant impact on the development and momentum of the eyewear market in 2020.

Rounded figures *(in € billions)*	**2019**	**2025e**	**CAGR**[(1)]
Spectacles	**53**	**68**	**4%**
as a % of total market	*41%*	*40%*	
o/w lenses	30	39	5%
as a % of total market	*23%*	*23%*	
o/w frames	23	29	4%
as a % of total market	*18%*	*17%*	
Contact lenses	**16**	**23**	**6%**
as a % of total market	*13%*	*14%*	
Sunglasses	**20**	**27**	**5%**
as a % of total market	*16%*	*16%*	
Other products	**39**	**51**	**5%**
as a % of total market	*30%*	*30%*	
TOTAL	128	169	5%

The spectacle frames and sunglasses segment was estimated at €43 billion in 2019, of which approximately €20 billion corresponded to luxury products.

Kering Eyewear operates only in the high-end (frames and sunglasses) sub-segment, which in 2019 was estimated at €7 billion (retail price value; sub-segment unit prices starting from €180) or around €3 billion[(2)] at equivalent wholesale prices.

Competition on the high-end eyewear sub-segment is relatively intense, with more than 20 players of widely varying sizes and operating models (own brands and/or licensed trademarks, different levels of vertical integration in terms of production and distribution) managing and marketing a total of around 70 luxury brands. The main player on the market is EssilorLuxottica, which operates alongside companies such as Thélios, De Rigo and Safilo.

(1) Compound annual growth rate.
(2) Kering estimate.

While the COVID-19 crisis has evidently had a significant and unprecedented impact on the sector as a whole, particularly in view of its exposure to certain distribution channels (including travel retail), future growth for the worldwide eyewear market is expected to be sustained by i) an aging population and the corresponding demand for ophthalmic solutions, ii) the development of emerging markets leading to a rise in the disposable income of these populations, iii) increased awareness among global consumers of the need for visual protection/correction due to greater screen time, and iv) optometrist recommendations advocating the use of spectacles rather than contact lenses for hygiene reasons.

These factors, as well as changing consumer behavior with a shift to considering eyewear as a beauty or fashion accessory, are contributing to the development of the luxury sub-segment, with a high rate of product renewal.

Lastly, given their price positioning, spectacle frames and sunglasses are an accessible form of Luxury and represent a way for brands to attract a new, more aspirational client base.

4 - OUR HOUSES

Luxury Houses

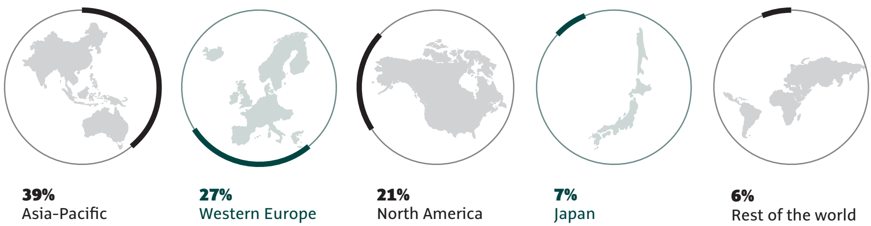
2020 key figures

€12,677 million

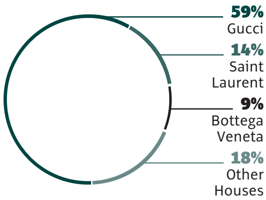
in revenue

Revenue
(in € millions)

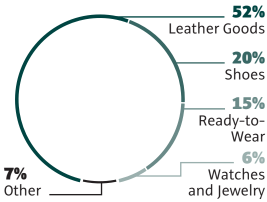
Breakdown of revenue by region



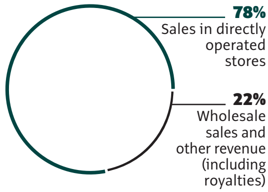
Breakdown of revenue by House



Breakdown of revenue by product category



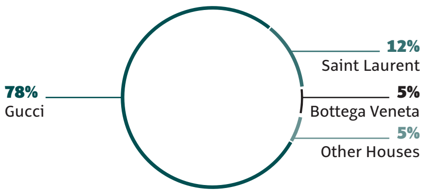
Breakdown of revenue by distribution channel



€3,367 million

in recurring operating income

Breakdown of recurring operating income



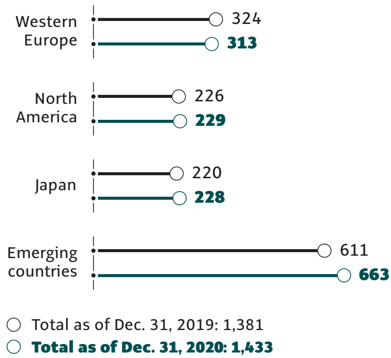
Recurring operating income
(in € millions)

32,507

average number of employees
(full time equivalent)

1,433

directly operated stores



GUCCI

2020 key figures

€7,441 million

in revenue

€2,615 million

in recurring operating income

17,953

average number of employees
(full time equivalent)

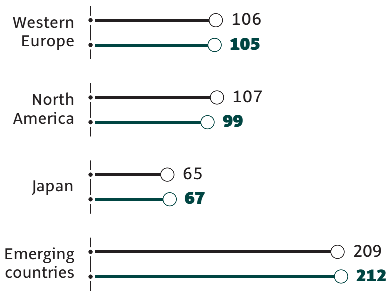
483

directly operated stores

Revenue
(in € millions)

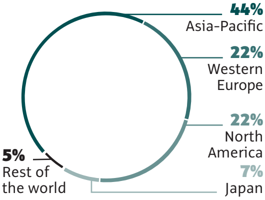
Recurring operating income
(in € millions)

Number of directly operated stores by region

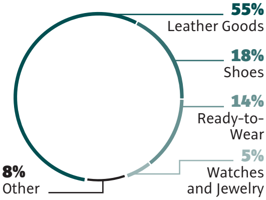


Total as of Dec. 31, 2019: 487
Total as of Dec. 31, 2020: 483

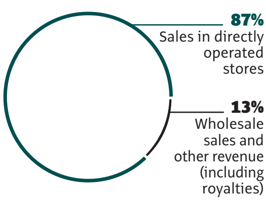
Breakdown of revenue by region



Breakdown of revenue by product category



Breakdown of revenue by distribution channel



Business concept

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

At the beginning of 2015, Gucci embarked on a new chapter in its history under the direction of a new management team led by President and CEO Marco Bizzarri and Creative Director Alessandro Michele. Over at least the last five years, thanks to its contemporary approach to luxury fashion, Gucci has regained its leadership position within the industry, resulting in powerful business momentum.

One of the foundations for the brand's success has been its ability to combine the introduction of a wholly new aesthetic led by Alessandro Michele with an equally innovative strategic vision and execution led by Marco Bizzarri. This approach has prioritized creativity and a distinctive company culture as the catalysts for a dynamic business. The framework is defined by empowerment at every level of the Company, an atmosphere that encourages thoughtful risk-taking, and a progressive approach to diversity and social responsibility.

Gucci products continue to represent the pinnacle of Italian craftsmanship and *savoir-faire*, with unsurpassed quality and attention to detail. They are sold exclusively through a network of 483 directly operated boutiques, a directly operated online store (active in 35 markets), a limited number of franchises, and select department and specialty stores, both offline and online.

At the end of 2020, Gucci's direct retail sales represented approximately 87% of the brand's total revenue.

Competitive environment

Gucci is one of the few luxury brands with truly worldwide operations, alongside Chanel, Christian Dior, Hermès and Louis Vuitton. In 2020, Gucci further enhanced its positioning as one of the world's leading luxury fashion brands both in terms of revenue and profitability.

Strategy

Over at least the past five years, always in a disruptive way, Gucci has succeeded in establishing itself at the vanguard of the fashion industry by challenging the status quo, both as a business and as a brand. Creativity, freedom of self-expression, innovation and a distinctive corporate culture have always been at the center of its value system and important drivers of the strategy.

What has defined and underpinned the brand's success has been its constant capacity for reinvention and regeneration, while remaining true to its unique DNA. This blend between modernity and heritage finds its harmonious expression in Alessandro Michele's collections. The unique styles are rooted in the House's rich archive of icons, symbols and patterns. These are always reinterpreted in a contemporary way, which deeply resonates with the zeitgeist and with a growing community around the world, bonded to the brand by a joyful sense of belonging.

The focus on creating an increasingly authentic, emotional connection between Gucci and its clients has been one of the key drivers of its success over at least the past five years. Deepening the conversation with clients across all the brand's touchpoints is critical for its long-term success, especially in a digitally connected society where immersive and innovative digital experiences are paramount and lead the way in engaging with consumers across the globe. This is achieved through the careful implementation of a qualitative content and platform strategy that is the source of an ongoing, authentic emotional and engaging narrative, which goes beyond products and collections.

Gucci's long-term business strategy is based on the key growth drivers reaffirmed during the Kering Capital Markets Day held in June 2018. These include, among others, the constant improvement of retail KPIs (traffic, conversion, retention and average ticket price), the rollout of the new store concept and the further expansion of gucci.com. In terms of products, the ultimate objective is to achieve full potential in all categories, consolidating leadership in the core areas and strengthening the positioning in segments where growth potential is still untapped.

However, the new world order brought on by the COVID-19 pandemic has had the effect of further accelerating certain strategic focuses that are reinforcing the foundation of the business for the future. On the eve of its 100th anniversary, Gucci is once again taking ambitious decisions, carefully balancing past legacy with innovation and risk-taking.

Gucci embarked on a new phase in the transformation of its distribution to make it even more exclusive and controlled, further enhancing its brand equity. The already selective approach to wholesale will be reinforced across the board, significantly reducing the channel's exposure. The same strategy is now being applied to online e-tailers through the implementation of a concession framework that once again protects brand equity.

Aiming at fostering more creativity, freedom and flexibility, Gucci decided to review the timing and the pace of its main collections, which will now be presented twice a year, without necessarily being associated with a global fashion week. This new milestone started with the collection *Ouverture of something that never ended*, which was presented through a unique seven-episode mini-series co–directed by filmmaker Gus Van Sant and Alessandro Michele, unveiled daily during GucciFest, an innovative digital fashion and film festival over the course of a week in November 2020. These moments will be complemented by regular new product drops, capsules and collaborations to continuously feed and nurture clients' curiosity and appetite for novelty.

Gucci's commitment to environmental and social sustainability has been reinforced by the COVID-19 pandemic. Gucci pushed forward with its ten-year sustainability strategy, building on various industry–leading initiatives to minimize its impact on the planet and to protect the rights and status of people around the world. Since 2018, Gucci has been carbon neutral in its operations and across its full supply chain.

Gucci further committed to a plan of action to increase diversity and inclusion among its employees, consistent with Kering's strategy. Diversity in all its forms, and equity and inclusivity, continue to be essential pillars of Gucci's company culture and fully integrated into its People strategy.

2020 highlights and ambitions for 2021

In 2020, the health and economic crisis brought on by the outbreak of COVID-19 slowed the strong revenue momentum that Gucci had been experiencing for at least the last five years. The pandemic, as well as the associated lockdowns and restrictions, impacted Gucci in terms of ways to engage with its clients and its business operations.

Nevertheless, the brand showed remarkable resilience during the peak of the crisis. Gucci responded quickly to the outbreak, reorganizing its priorities and operations, adopting strict but flexible cost management as well as continuously reallocating resources where needed throughout the year. The brand ensured business continuity by promoting new ways of working within the organization and innovative ways of engaging with clients, while implementing best-in-class health and safety measures to ensure employees and clients' safety.

With its production facilities based in Italy, Gucci's operations were particularly affected by the pandemic. Italy was one of the most impacted countries in Europe during the first wave of the COVID-19 outbreak and imposed strict lockdowns to contain the spread of the virus. As a result, the production plants were shut down completely for two months (from March until the end of April).

Like other players in the sector, Gucci's retail network was heavily affected by store closures and by the lack of tourism due to lockdowns and travel bans involving all geographical areas. However, once restrictions started to ease, business trends started to improve materially, at a different speed and magnitude for each market. This was achieved through action plans that were executed promptly and tailored individually to each market, intensifying the focus on local clients in all geographical areas. A strong set of initiatives was put in place to create excitement in the retail network and to attract clients to come back to the stores. Dedicated clienteling and retail activities were organized in store, from private appointments to engage with clients on a deeper level, to institutional experiences involving a broader audience, to showcase collections and emphasize strategic product launches. All this complemented by the deployment of a tactical product assortment, further differentiated to meet local demand in each market and enhanced by a visual merchandising strategy to maximize the visibility and selling potential of the offer.

The retail network remained stable in its footprint, while being continuously enhanced by the new store concept, with new openings and refurbishments in important cities across the world, including San Francisco, Sydney and Moscow. This concept is pivotal to reflecting the brand's aesthetic and values, giving substance and expression to the value of client inclusivity. With COVID-19 accelerating the evolution of the physical stores into experience hubs, the new concept plays an even more important role in powering interactions with clients, reducing barriers between the product and the client and across product categories – thus enhancing cross-selling opportunities.

The brand also continued to implement innovative forms of its experiential strategy. The Gucci Osteria restaurant, inaugurated in Florence at the Gucci Garden, opened a branch in Beverly Hills above the Gucci Rodeo Drive flagship store in January 2020, and there are also plans for other openings by the end of 2021.

In the wholesale channel, Gucci progressed in continuing to streamline its footprint, while also moving forward with the conversion of strategically relevant accounts to a concession or retail model, both on- and offline, with the primary goal being to increase control over distribution. As for travel retail, the brand focused on reviewing its locations in order to account for the new direction of traffic flows that has been accelerated by the pandemic.

The online channel delivered another outstanding year. Sales have been growing strongly as a result of the ongoing emphasis placed on a best-in-class client experience, blending seamless shopping functionalities, including new payment methods, with the brand's unique narrative content, and leveraging immersive innovations, from 3D product renderings to virtual try-on. New omni-channel services were introduced to ensure ease in remote shopping, enhanced by personalized customer experiences, including customized content and a live video service. This innovative tool was powered by the Gucci 9 global client service center, which plays an increasingly strategic role in reaching and engaging clients through online channels, while preserving the human touch.

Gucci further reinforced its global digital footprint, establishing key partnerships with innovative companies and emerging platforms. In December 2020, Gucci and Alibaba Group announced the opening of the Gucci flagship store on Alibaba's Tmall Luxury Pavilion, an exclusive platform dedicated to the world's leading luxury and fashion brands. Based on a concession model, the new Tmall Luxury Pavilion Gucci flagship store builds on an existing strategic digital ecosystem in China established by Gucci over the past few years, with its Chinese website, gucci.cn, launched in 2017, and a strong presence on all the market-relevant social media platforms.

From a product perspective, Gucci continued consolidating its key pillar products, which are highly desirable, while sustaining curiosity and building excitement through the calibrated introduction of new pieces, perfectly complementing the offer. During the year, new introductions across all product categories represented approximately 30% of total business. Leather goods were driven by a stronger focus on the most iconic lines, with seasonal refreshes and tactical extensions. This included the *Jackie 1961*, a refreshed version of a historical Gucci bag, which was launched this year and has been extremely well received in all markets.

In 2020, Gucci also consolidated its fine fragrances business, while expanding the beauty category. The make-up line was enriched with key products to complete the offer of the different segments (eyes, lips, face and nails), with an innovative and disruptive advertising campaign supported by coordinated digital activations.

The high-end watches and jewelry segment was marked this year by the launch of the *Lion Head* fine jewelry collection. In 2021, the brand will continue to expand this category further with new launches. Gucci is also developing a new Lifestyle category that includes a wide range of products, from games and playing cards, to stationery, travel sets and gifting items.

During the year, Gucci's brand heat remained strong, as was underlined by several achievements and industry recognitions. This included Interbrand's *Best Global Brands Report* for 2020 confirming Gucci as the most valuable Italian brand across all sectors, for the 21st consecutive year.

Gucci continued its contribution to environmental and social sustainability. Alongside its reaffirmed commitment to be carbon neutral in all its operations, including its supply chain, in 2020, Gucci continued its efforts toward fulfilling its pledge to further reduce its environmental impact and drive progressive change. It increased the use of recycled raw materials and organic fibers in its collections, and in June 2020 successfully launched its first circular line, *Gucci Off The Grid*. In October 2020, Gucci teamed up with The RealReal to promote circularity in luxury fashion through a temporary online shop, while in November 2020 the brand debuted its new sustainable packaging. Aiming to help small and medium-sized enterprises in the "Made in Italy" production supply chain to recover from the impact of COVID-19, Gucci partnered with Intesa Sanpaolo bank to launch *Programma Sviluppo Filiere*. Under the initiative, Gucci suppliers in Italy were able to obtain fast access to loans from Intesa Sanpaolo, cutting down the time it might take to obtain much-needed liquidity, with very favorable borrowing conditions generally reserved for large corporate clients.

In line with Gucci's ongoing mission to create a positive corporate culture in which diversity and inclusion can flourish, the company established a Global Equity Board, responsible for defining its overall vision and priorities, in a manner consistent with the Group strategy. The Global Equity Board also works with the Changemakers committee to implement new initiatives and strengthen the company's internal global volunteering program.

Gucci is confident in its strategy and aims to further consolidate its leadership position within the luxury industry in 2021. The brand will focus on enhancing its control of distribution, deepening relationships with local clients, unleashing its full potential across all product categories and developing new ways to service its clients, in a customer journey that will not be just about products, but also about content and engagement.

In order to create additional moments to engage with clients, Gucci will continue to exploit the opportunity to develop more frequent and well-coordinated drops within the main collections. To strengthen the effectiveness of each of its drops, new must-haves and sparkling capsule collections, possibly dedicated to specific events, will pair with a renewed carryover offer promoted at all times. *Gucci Pins* (Gucci pop-up stores) will be deployed from the beginning of 2021 to bring forward new seasonal messages and explore further opportunities, with an ambitious plan starting with a co-branded capsule collection with The North Face.

For its 100th anniversary in 2021, Gucci is planning a full calendar of diverse activities, starting in Florence, its birthplace, then moving on to a series of events and launches that reinforce the brand's DNA. While certainly recognizing the past, the brand will distinguish its activations with the unexpected, never–nostalgic Gucci creative twist, which keeps on differentiating the brand from its competitors.

SAINT LAURENT

2020 key figures

€1,744 million

in revenue

€400 million

in recurring operating income

3,810

average number of employees
(full time equivalent)

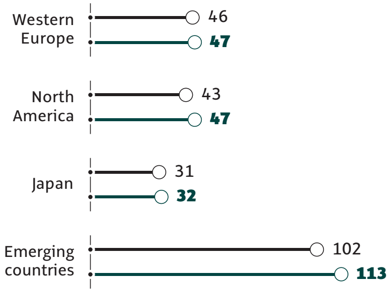
239

directly operated stores

Revenue
(in € millions)

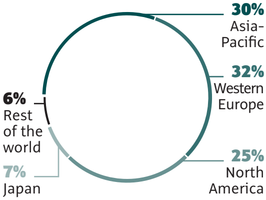
Recurring operating income
(in € millions)

Number of directly operated stores by region

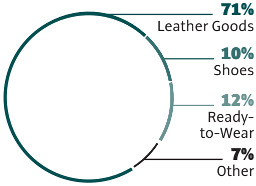


Total as of Dec. 31, 2019: 222
Total as of Dec. 31, 2020: 239

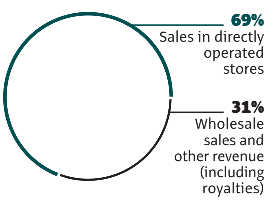
Breakdown of revenue by region



Breakdown of revenue by product category



Breakdown of revenue by distribution channel



Business concept

Founded in 1961, Yves Saint Laurent is one of the most prominent fashion Houses of the 20th century. Originally a House of haute couture, Yves Saint Laurent revolutionized the way fashion and society interact in 1966 with the introduction of high-end ready-to-wear clothes produced on a larger scale than its exclusive collections.

Saint Laurent designs and markets a broad range of men's and women's ready-to-wear, handbags, shoes, small leather goods, jewelry, scarves, ties and eyewear. The House's products are made in Italy and France, where an historic atelier manufactures ready-to-wear garments. Under a worldwide licensing agreement with L'Oréal, the House is active in the fragrances and cosmetics segment, and also collaborates with Kering Eyewear to develop a full range of frames and sunglasses.

In April 2016, Saint Laurent announced the appointment of Anthony Vaccarello as Creative Director. With a natural creative connection to the brand's spirit, he has since his arrival strongly empowered a highly desirable vision.

As of December 31, 2020, the Saint Laurent retail network consisted of 239 directly operated boutiques, including flagship stores in Paris, London, Dubai, New York, Hong Kong, Shanghai, Beijing, Tokyo, Melbourne, Miami and Los Angeles. These boutiques generated 69% of the House's total revenue for the year.

The House is also present in selected multi-brand and department stores worldwide.

Competitive environment

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

Saint Laurent was the first revolutionary fashion House, and this spirit is a fundamental part of its DNA.

Its status as a leader is fully established and recognized, with a very distinctive identity and strong codes, identified and made relevant to our time. Saint Laurent competes globally with the most high-end exclusive luxury brands and occupies a leading position in the ready-to-wear, fashion and leather goods sectors.

Strategy

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

Under the helm of its Creative Director, Anthony Vaccarello, the House's collections are a sophisticated tribute to Paris, the atelier and the expertise, conceived with a modern perspective.

A key focus of Saint Laurent's strategy is to build an innovative and sustainable future by retaining and hiring the best talent, promoting gender equality, and developing a sustainable way of doing business, while preserving heritage craft and exploring new business models. With this strategy firmly in place, Saint Laurent will continue growing and affirming itself in the 21st century as a brand with a strong and clear DNA.

2020 highlights and ambitions for 2021

Under the leadership of Francesca Bellettini, President and CEO, Saint Laurent took decisive action in 2020 to maintain the House's position at the forefront of the luxury goods industry.

Creative Director Anthony Vaccarello continues to express his vision through collections that embrace both modernity and the brand's legendary codes. The House's creative independence was asserted by setting a new precedent in Luxury, with the decision to adapt the timing for presenting collections according to Anthony Vaccarello's own creative sensibility rather than an arbitrary fashion calendar.

The House's creativity and agility were displayed in equal measures through the innovative presentations of its collections in 2020. These stunning digital films demonstrated the House's ability to adopt new forms of creative expression – and met with great success. More than 44 million people viewed the video premiere of the Men's collection and around 120 million viewed the Women's collection.

The interconnection of the House's legacy with its present is featured in a special exhibition devoted to Betty Catroux at the Musée Yves Saint Laurent in Paris. Anthony Vaccarello curated the exhibition, selecting pieces that reveal Catroux's signature style and her lasting influence on the label.

SELF, the multifaceted art project, continued to celebrate the creativity of artists, with Abel Ferrara and Willem Dafoe at the heart of SELF 06, *Sportin' Life*, a documentary detailing their collaboration of more than 20 years. The film was part of the official selection at the Venice Film Festival. Over the years, the SELF project has involved artists including Daido Moriyama, Vanessa Beecroft, Bret Easton Ellis, Gaspard Noé and Wong Kar Wai and has demonstrated the importance of art and artistry to Saint Laurent.

In 2020, Saint Laurent accelerated the execution of its long-term strategy to enhance local client relationships, expand digital presence and elevate distribution around the world.

In a year marked by significant uncertainty, Saint Laurent responded to the rapidly changing environment swiftly and efficiently, adjusting operations to i) ensure safety, ii) maintain stability and iii) prepare for global economic recovery. The brand resumed retail operations across its entire network in China in March and then launched ysl.cn. Stores were reopened throughout the world as soon as it was safe to do so.

The House's commitment to local clients has positioned Saint Laurent effectively for the years to come. With international travel unlikely to return to pre-pandemic levels in the short term, a focus on local clients, tailored and relevant communication and unique customer experience – in-store and online – will continue to differentiate Saint Laurent.

Saint Laurent recognizes that emotional engagement with clients will be essential as people return to stores. Individual attention, personal connection and anticipation of desires will be central to the client experience. Collection items will appear in stores according to schedules that reflect real client desires, and increased control over wholesale distribution will help ensure consistent standards of presentation and service.

At the same time, Saint Laurent is transforming its digital sales experience with the adoption of a new, directly controlled platform with enhanced capability and seamless integration across the House. The end of the joint venture with Yoox Net-a-Porter has created an opportunity for Saint Laurent to provide a distinctive, bespoke omni-channel experience. Online sales have grown consistently among a technologically savvy clientele. The brand has invested in IT infrastructure to provide clients with a seamless shopping experience – no matter where or how they experience Saint Laurent.

Digital outreach is a central element of the brand's communication strategy. Saint Laurent has a dedicated social media following that continues to grow as the brand engages on more platforms and with enhanced content. The House's digital engagement and social media activity is also focused on connecting with local clients, providing locally relevant content and promoting local activities and events.

The unprecedented events of 2020 have not altered Saint Laurent's strategic commitments. Instead, they have focused the House even more intensely on the creative independence and commercial priorities that have driven its success for several years. By continuing to act with innovation and agility, Saint Laurent will continue to set new standards for excellence in Luxury.

BOTTEGA VENETA

2020 key figures

€1,210 million

in revenue

€172 million

in recurring operating income

3,831

average number of employees
(full time equivalent)

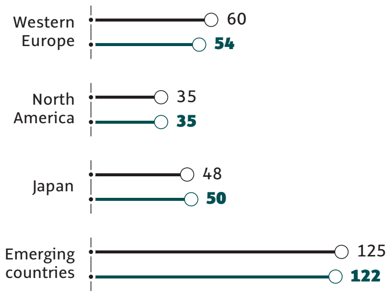
261

directly operated stores

Revenue
(in € millions)

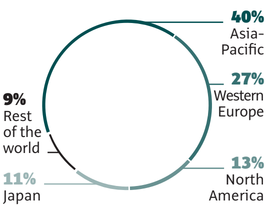
Recurring operating income
(in € millions)

Number of directly operated stores by region

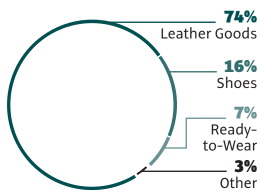


Total as of Dec. 31, 2019: 268
Total as of Dec. 31, 2020: 261

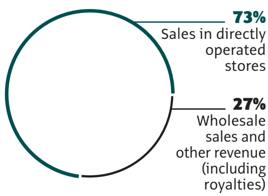
Breakdown of revenue by region



Breakdown of revenue by product category



Breakdown of revenue by distribution channel



Business concept

Founded in 1966 in the Veneto region of Italy, Bottega Veneta began its journey as a leather goods House. The brand quickly rose to fame with its signature *Intrecciato* code, inspiring individuality with innovative new modes of craftsmanship. Bottega Veneta has set a new standard for Luxury since its creation.

Bottega Veneta's products are sold through a distribution network of directly operated stores, complemented by exclusive franchise stores and select department and specialty stores worldwide. In addition, Bottega Veneta's products are now available through the brand's online store in 56 countries.

Competitive environment

Bottega Veneta draws on its Italian heritage to offer truly handcrafted products made with the expert know-how of its master artisans. An inclusive brand with exclusive products, Bottega Veneta offers a unique and elevated experience.

Strategy

Since the appointment of Daniel Lee as Creative Director in 2018 and Bartolomeo Rongone as CEO in September 2019, Bottega Veneta has opened a new chapter in its history, establishing the brand's positioning as a luxury fashion brand by leveraging on a bold approach to creativity. The business and creative sides are continuing to work hand in hand to increase brand awareness and ultimately achieve long–term sustainable growth. This strategy has propelled Bottega Veneta into new territories: while continuing to embrace discretion, the brand is engaging with a broader audience and tapping into its potential. A wider range of products appealing to an international clientele of men and women has gradually been integrated, all featuring Bottega Veneta's sophisticated substance, craftsmanship, Italian glamor and discretion. *Intrecciato* remains essential to the brand's visual identity, reinvented from a modern perspective.

The House has been strengthening its design and product development capabilities encompassing ready-to-wear and shoes in addition to its established core business of leather goods. The product mix has been evolving with significant efforts to expand ready–to–wear and shoes, which continue to increase their share of the brand's revenue versus leather goods, the latter accounting for 74% of sales in 2020 (vs. 83% in 2019).

2020 highlights and ambitions for 2021

In 2020, Bottega Veneta's strong momentum continued, fueled by the positive reception of its renewed creativity under Daniel Lee, resulting in a solid revenue performance despite the COVID-19 outbreak.

On the back of its successful creative renewal, Bottega Veneta posted remarkable first-quarter revenue, thanks to the acclaim received by the collections among local clientele in Western Europe and North America in particular. Between February and March, celebrating the launch of the Spring/Summer collection, exclusive events were held at London Harrods and Saks that both entailed window takeovers and in-store pop-up spaces.

On February 22, the Fall 2020 fashion show at Palazzo del Ghiaccio in Milan staged immersive projections capturing elements of Italian Palladian architecture, paying tribute to the spirit of the Veneto region. The collection was disruptive in its modernity and emphasized the tension between tradition and innovation with *Intrecciato* continuing to emerge.

In March, during the months of isolation due to the pandemic, Bottega Veneta offered a moment of distraction and inspiration to its audience through Bottega Residency: a platform celebrating creation in all forms, from art, literature and music, to film and cuisine. Captivating its audience on social media channels, through the voices of its creative community, the brand was able to build powerful cultural momentum.

From April, despite the exceptionally unfavorable market conditions, the House succeeded in containing the drop in revenue thanks to positive impetus in the stores that remained open and a rebound in Mainland China and Korea, as well as a surge in online sales.

In June, Bottega Veneta introduced its Pre-Fall 2020 collection alongside a dedicated advertising campaign shot by Tyrone Lebon, receiving an extraordinary response from both new and existing clients.

In July, the collection took over the foyer of the Plaza 66 Mall in Shanghai with The Invisible Store, a new and unique pop-up concept that subverted the idea of physical limitations with a mirrored facade. Embodying the brand's core values – subtlety and discretion, self-confidence, joy and sensuality – the tension between what is hidden and what is visible was showcased to inspire both existing and new audiences in China. To further engage with the Chinese public, Bottega Veneta's gold chain was blown up beyond its traditional proportions, allowing the product to become a giant installation inhabiting urban spaces around the world. Debuting at the Grand Gateway in Shanghai, the gourmette chain travelled to Tokyo, Chengdu, Nanjing, Sydney, Seoul and Kuwait later in the year, continuing to increase the brand's visibility.

With growth opportunities in the Men's business, the House affirmed its ambition to establish this category in July with the release of *Bottega Veneta: Men*, a film by Tyrone Lebon and Daniel Lee reflecting on the meaning of masculinity today through different creative voices including actor Barry Keoghan, director Dick Jewell, musicians Neneh Cherry and Tricky, as well as ballet dancer Roberto Bolle.

From mid-August, the Fall 2020 *Puddle* boots in biodegradable material pre-launched exclusively on bottegaveneta.com, building desirability before the global launch of the Fall 2020 collection in early September.

During the summer, Bottega Veneta experienced a significant sales rebound, proving that it has entered a new phase of dynamic consolidation of its new creative and business strategies.

Bottega Veneta decided not to present its new collection during the Spring 2021 fashion weeks, exploring a more intimate concept with an immersive preview of the Spring 2021 collection named *Salon 01 London* at Sadler's Wells later in October. With a view to redefining the way the House engages with its audience, Daniel Lee explored the idea of a more personal approach, presenting his new collection at an intimate event in the city. Documented in a film, the experience became part of the final volume of a series of three books exploring inspiration, creative processes and the relationship with clothes.

In parallel, Dover Street Market London hosted a special installation marking the arrival of the Fall 2020 collection. Meanwhile, in Seoul, the brand's innovative Inflatable Store pop-up concept entertained the Korean audience inside an inflated and sensorial cube at Seoul Hyundai Card Music Library.

In November 2020, Bottega Veneta introduced *Wardrobe 01* – marking a new naming convention for pre-collections. As an exploration of silhouettes, the collection comprised easy-to-wear staples interjected with high-impact seasonal pieces.

In terms of distribution, Bottega Veneta focused on reinforcing its existing retail network throughout 2020. Continuing to enhance its boutiques, the brand aims to offer an unparalleled and elevated customer experience.

In 2021, the House will continue to explore opportunities for new strategic openings while enriching the existing store network through refurbishments, relocations and expansions to ensure the best client experience. Next Spring, the brand will celebrate the opening of a new flagship store in Tokyo Omotesando located on the first three floors of the Kering building alongside a new opening in Rome on Via Condotti.

Bottega Veneta will focus on local initiatives, meeting its audience wherever they are by leveraging first and foremost brand moments. *Salon 02*, the Fall 2021 collection will be presented at the end of March outside of Italy in a new city that has yet to be announced. Innovative pop-up concepts will take place in China, Korea, Taiwan and in the US to consolidate brand momentum globally.

A new fully internalized e-commerce site will also be launched in 2021. It will offer a personalized, seamless experience and leverage a strong acceleration in the digital and e-commerce development.

The brand will continue building on the foundations for long-term growth by exploring new partnerships and opportunities. With regard to products, Bottega Veneta plans to further develop its Men's categories.

Other Houses

2020 key figures

€2,282 million

in revenue

€180 million

in recurring operating income

6,913

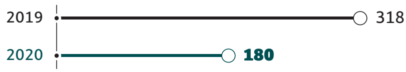
average number of employees
(full time equivalent)

450

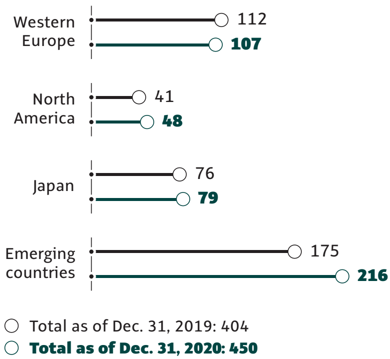
directly operated stores

Revenue
(in € millions)

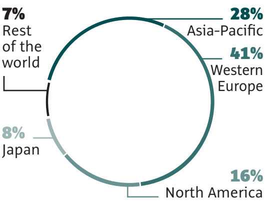
Recurring operating income
(in € millions)



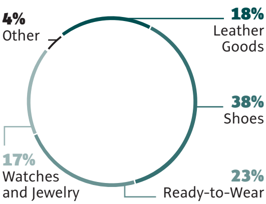
Number of directly operated stores by region



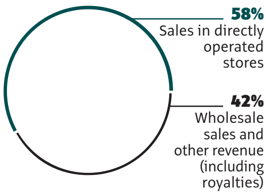
Breakdown of revenue by region



Breakdown of revenue by product category



Breakdown of revenue by distribution channel



Alexander McQUEEN

Founded in 1992 by Lee Alexander McQueen, the Alexander McQueen brand quickly gained a reputation for uncompromising creativity and forged a strong identity, which led to a partnership with Kering in 2001. Since 2010, the House has been fully owned by Kering.

Alexander McQueen is renowned for innovation grounded in craftsmanship and the House today has become synonymous with modern British couture. In December 2016, Alexander McQueen was awarded British Brand of the Year by the British Fashion Council (BFC).

Since her appointment as Creative Director in 2010, Sarah Burton has produced critically acclaimed collections with a focus on storytelling, experimentation and traditional artisanal techniques. Her ability to develop the design codes of the House with lightness and a distinctive, authentic touch has ushered in a new aesthetic that is being translated throughout the Company's culture, establishing a blueprint for the future.

The House's strength lies in the cohesive presence of a distinctive silhouette that informs designs across all product categories. Alexander McQueen has recently enjoyed strong growth in shoes and leather goods with collections built around iconic products that embody the brand's codes, while consolidating its worldwide authority in ready-to-wear.

After the successful launch, in partnership with Coty Prestige, of the inaugural fragrance from Alexander McQueen in 2016, a fragrance for women, *Eau Blanche*, was launched in 2017, followed by an exclusive *McQueen* fragrance collection in 2018.

As of 2020, the Alexander McQueen brand was sold in over 50 countries worldwide, through a network of 80 directly operated boutiques, a limited number of franchises and select department and specialty stores. The network was recently reinforced with several openings, culminating in the relocation of the London flagship store. With nearly 11,000 square feet, the Old Bond Street store unveils a new retail concept developed by Sarah Burton in collaboration with the architect Smiljan Radic, which translates the brand's powerful storytelling into a unique customer journey through a physical space.

At the same time, the House continues to enhance its visibility and reach with strategic openings in key cities (Tokyo Omotesando, New York SoHo, Miami Design District, Singapore ION), shop-in-shops in high traffic locations, direct entry in new, high potential markets (such as Australia, Malaysia, Thailand and Kuwait) and by further developing its online presence. The Alexander McQueen e-commerce store has been the brand's number one store in terms of revenue contribution since 2018. Online operations were fully internalized in 2020, offering a personalized, seamless client experience. Directly operated concessions with Tmall Luxury Pavilion and Farfetch have extended the Company's footprint in the digital eco-system.

The Alexander McQueen brand has a strong social media presence, with over 10 million followers on Instagram and approximately 2 million followers on Twitter and Facebook as of the end of 2020. To increase direct connections with its clients and build a true sense of community, Alexander McQueen continues to invest in digital communication, including through heightened engagement across Chinese social media such as Weibo and WeChat.

Alexander McQueen's social media channels are integrated into the larger brand communications strategy and fully aligned on key themes and stories.

The company has also successfully developed McQ, which was re-launched as an in-house brand in 2011 and is today well established in the popular contemporary market. The McQ brand is currently distributed in many countries, primarily as an international wholesale business across a total of more than 500 doors. Franchises also represent an important part of McQ's business. In 2020, following the radical evolution of the contemporary market, McQ transitioned towards a new aesthetic, with a reshuffling of its distribution model and a more direct–to-consumer approach. The new McQ is an innovative and collaborative platform, integrating fashion and technology. McQ is now a global creative collective, working with credited collaborators and using a unique blockchain that registers each item, allowing consumers to interact and engage with the platform via an NFC chip, located in each garment. McQ has also launched MYMCQ, a peer-to-peer platform that combines social media and resale capabilities, bringing the brand into a circular economy model.

In 2020, Alexander McQueen pursued its growth strategy through increased investment in communications, further penetration in accessories with the launch of elevated new leather goods lines and strong developments in footwear, and an acceleration in the expansion of the retail network. The roll-out of the new store concept gained momentum during the year with the opening of key flagships stores in Miami, Tokyo, New York, Singapore and Milan.

Sarah Burton has also continued to develop her vision of open access installations and collaborative education at Alexander McQueen. The opening of the Old Bond Street store established the beginning of an extensive program devoted to sharing the history and skills of the House via guided tours, which are available to every visitor. The dedicated floor attracted an audience of students invited from across the United Kingdom. Through the staging and curation of thematic installations, Sarah Burton's purpose is to open up in-depth perspectives on the thinking, research and expertise that bridges the House's archive and its unique working processes, an idea that will be further nourished and developed in 2021.

A new digital initiative to inspire creativity from home – McQueen Creators – was also launched in 2020, generating a huge digital following and a positive global response, especially during the lockdown months.

The roll-out of the new store concept will continue in 2021, with several additional projects in the pipeline.

BALENCIAGA

Founded in 1917 by Cristóbal Balenciaga, the House of Balenciaga was established in Paris in 1937, where it defined many of the greatest trends in fashion from the 1930s to the 1960s. Balenciaga's exquisite technique, masterful cut and constant innovation in its use of fabrics has helped it carve out a special place in the hearts and minds of its clients.

From the 1990s to the early 2000s, the brand experienced a re-birth, renewing its relationship with the world of fashion and extending its product universe beyond its core ready-to-wear segment to include handbags and the development of new lines of shoes and accessories. Balenciaga also significantly expanded its retail network, helping to bolster brand awareness around the globe.

Demna Gvasalia was appointed Artistic Director of Balenciaga in October 2015. His mastery of techniques and use of volumes, combined with his innovative approach, make him a powerful force in today's creative world. As Artistic Director, Demna Gvasalia has begun writing a new chapter in Balenciaga's history and consolidated the House's status as a fashion authority. Demna Gvasalia has embraced Balenciaga's values and is developing them in harmony with contemporary trends.

Balenciaga has been developing men and women's eyewear collections with Kering Eyewear, sold worldwide through its network of directly operated stores and specialty third-party retailers, since 2018.

In recent years, Balenciaga has been consolidating its directly operated store network worldwide. As of end–2020, the House has a network of 182 stores in both mature markets (Western Europe, the United States and Japan) and Asia (China and South Korea). It is also distributed through franchises, such as those opened in Brazil and Turkey this year, and leading multi-brand stores.

In 2020, Balenciaga pursued its retail expansion strategy, opening several new stores in the United States and Asia and doubling the retail area of its Aoyama flagship store in Tokyo. During the year, several stores were also renovated in line with the new concept developed by Demna Gvasalia. The brand also extended its retail presence in upscale department stores, with the opening of new shop-in-shops in Europe, Canada, Japan and Asia.

The online store Balenciaga.com confirmed its position in 2020 as one of the brand's top-performing directly operated stores, and traffic continued to increase strongly. All regions are enjoying outstanding results and the web experience is perfectly in line with the brand's audience and their shopping preferences. Mobile continues to be the preferred method for both browsing and shopping. Today there are nine local versions of Balenciaga.com, in different languages, including Chinese, Korean and Russian, and the Balenciaga website is e-commerce enabled in nearly 100 markets.

On social media, as of December 2020, Balenciaga had more than 1.9 million fans on Facebook. It saw strong take-up on TikTok and is increasingly popular on Instagram with over 11.5 million followers. This reflects growing interest for the collections and a remarkable gain in brand awareness and visibility. This year, the brand also expanded its presence on Chinese platforms and was able to present its collections online, impressing clients and boosting their engagement.

In 2021, the brand will continue to benefit from the momentum generated by Demna Gvasalia's creative vision and new product launches, particularly the new lines of leather goods. While wholesale distribution will remain an important contributor to the brand's activity, retail and e-commerce development will continue to be the priority. To this end, new store openings are planned during the year in strategic locations both in mature markets and in Asia. In its roadmap for 2021, Balenciaga also plans to further develop its men's collection, with dedicated spaces in the new stores, and to continue to enlarge its online product and services offering, forming part of the overall omni-channel strategy. All e-commerce operations will therefore be migrated during the year to the platform directly managed by the brand, with the Group's support.

Brioni was founded in Rome in 1945 by Italian tailor Nazareno Fonticoli and entrepreneur Gaetano Savini. Revolutionary since the beginning, in 1952 Brioni was the first men's luxury House to stage a fashion show and to introduce bright colors and new fabrics to its tailoring collections, pushing the boundaries and interpretations of traditional menswear.

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

Part of Kering since 2012, Brioni develops and manufactures men's apparel, leather goods and shoes. The company's identity is founded on its bespoke service, which provides entirely custom-made garments with an unparalleled level of craftsmanship.

All the brand's products are handmade by expert artisans and the majority of the production is carried out in-house at Brioni's ateliers in Penne, a small town in the Abruzzo region with a rich, long-standing tailoring tradition.

Wholesale represents an important distribution channel and, in recent years, Brioni has aimed to optimize and consolidate its distribution and franchise network.

In retail, Brioni had 29 directly operated stores as of the end of 2020, mainly located in Western Europe, North America, Japan and, to a lesser extent, Asia.

2020 marked the 75th anniversary of the House and the launch of the two advertising campaigns featuring newly appointed brand ambassador Brad Pitt. The campaigns were deployed on social media and in business newspapers and magazines, as well as outdoor and airport billboards in major cities across the world.

Despite the pandemic, the campaign was very well received, leading to increasing brand awareness and strengthened brand equity. Key wholesale clients also returned to the brand for the Fall/Winter 2020 collection, validating the style direction of Norbert Stumpfl.

The brand further enhanced its retail network in the second half of the year with the refurbishment of the Bal Harbour store (US) and several relocation projects are planned for 2021.

In 2021, the retail network will be expanded with the opening of a directly operated store in Chengdu (China) and the introduction of a new retail format, *Brioni Atelier*, in Frankfurt (Germany). This experiment aims to reinforce the exclusive experience sought by Brioni clients. The launch of a new fragrance in 2021, the fully revamped e-commerce offering, as well as the second year of Brad Pitt's ambassadorship, will further anchor Brioni among the most desirable and leading brands in luxury menswear.

BOUCHERON
PARIS

Founded in Paris in 1858 by Frédéric Boucheron, the eponymous House was built up by four generations of the founder's direct descendants and soon became renowned for its expertise in precious stones and its *savoir-faire* in creating innovative jewelry. Thanks to its founder's intuition, Boucheron was the first major contemporary jeweler to open a boutique on Paris' prestigious Place Vendôme, in 1893. Since its creation, the House has been closely associated with the idea of freedom, not only in terms of its aesthetic, creative and technical approach but also the freedom to wear jewelry, independently from traditional codes and conventions. For 162 years, Boucheron has been synonymous with creativity and style in jewelry and high jewelry.

The brand is focusing its expansion through its 44 directly operated stores (at the end of 2020) and 11 franchises in key locations worldwide.

Despite the international health crisis, the House had quite an eventful year.

In January, a new high jewelry collection was presented to clients and the media at the Boucheron apartment, number 26, place Vendôme, Paris. The collection focuses on the iconic *Point d'Interrogation* necklace, created by Frédéric Boucheron in 1879 and re–imagined in 2020 through the creative lens of Claire Choisne, with the aim of establishing the piece as one of the House's *Signatures*.

Several of the House's stores had to temporarily close their doors in March, as a result of the pandemic and associated restrictions. However, Boucheron's employees reacted with determination and strong spirits, launching new projects, including a podcast using the voice of French actor Guillaume Gallienne. Boucheron also supported French jewelry workshops that are members of the UFBJOP (*Union française de la Bijouterie, Joaillerie, Orfèvrerie, des Pierres et des Perles*) professional association by paying for accountants to help them with the documentation needed to receive government assistance.

The House held an original event in Pangyo, South Korea between May 13 and 31. The "*La Maison*" immersive experience gave visitors the opportunity to discover Boucheron's four pillars, with spaces dedicated to heritage, innovation, style and the French art of living. Illustrating the latter, a real French *jardin d'hiver*, or winter garden, was created for visitors to enjoy a cup of tea and *pâtisseries* created by a French pastry chef.

In July, Boucheron presented its new high jewelry collection *Contemplation* during Paris Haute Couture Week. The collection is made up of 67 pieces created using an extremely sensory and innovative approach. It was later unveiled in Cannes and Monaco during the summer, and presented in Taiwan in September 2020.

In August, the focus shifted to the *Quatre* collection, with two new additions. Firstly, in jewelry, denim blue joined the signature colors of the *Quatre* ring. In high jewelry, Boucheron reinforced its image of a jewelry style leader with an innovative capsule collection. Creative Director Claire Choisne chose to pair denim, a universal material, with precious diamonds, resulting in two unique pieces: a high jewelry ring and cuff bracelet made of white gold, diamonds and denim.

In September 2020, the House reached a new milestone in its development plan for China, opening its fourth store in the country in one of the most luxurious department stores in the world: Beijing's SKP. Boucheron chose a strategic location with access to an outdoor terrace, allowing the House to open its own tea salon. Inspired by the *Jardin d'Hiver* at 26 Place Vendôme, the new boutique echoes the Parisian space, embarking clients on a journey through the French art of living. More than just a boutique, visitors to the SKP space can also taste or take away *pâtisseries* created by a French pastry chef.

To celebrate this cross-cultural bridge between Paris and Beijing, the House unveiled its *From Paris to Beijing* campaign in October 2020, in collaboration with Chinese illustrator Leo K. The campaign features Wladimir, Boucheron's iconic cat, and the talented Chinese actress Zhou Dongyu, an ambassador for the House since 2018.

The high jewelry collection *Contemplation* traveled to Beijing for the opening of the new Boucheron boutique at SKP. The creations then continued their world tour, presented at events organized in Shanghai, Tokyo and Hong Kong in October, before returning home at 26 Place Vendôme in Paris.

On November 6, 2020, Boucheron revealed the six faces of its year-end campaign *Sharing Holiday Emotions*, ending the year on a woman-empowered, emotional note. In line with the House's ambition to develop its brand awareness on the international markets, especially in the Asia-Pacific region, actresses Dongyu Zhou and Jung Eun-Chae, model and designer Alexa Chung, model and social influencer Rola and entrepreneurs Nour Arida and Hannah Quinlivan came together to portray the six faces of Boucheron's femininity. These six women are all unique – yet have plenty in common: with their elegance and attitude, their careers and their life choices, they are the epitome of Boucheron style.

In January 2021, the House presented a new high jewelry collection, *Histoire de style, Art Déco*, in honor of the period that had such a great influence on artistic movements. In creating this new collection, Claire Choisne was inspired by Boucheron's vast archives, while adding a pure and contemporary spin.

Boucheron will launch its new e-commerce site in March, starting in France and Japan. The website has been completely redesigned to include numerous new features and services, giving internet users the opportunity to share and enjoy the Boucheron experience.

Six "*La Maison*" events will be organized worldwide between April and October 2021. Visitors in Beijing, Tokyo, Osaka, Taiwan, Shanghai and the Middle East will be able to experience a personalized "phygital" tour, built around Boucheron's four pillars: heritage, innovation, style and the French art of living.

Boucheron will continue to expand its store network between April and September 2021, with new openings in China, Japan and New York. A fully renovated Boucheron shop-in-shop will also be revealed in June at Harrods in London.

The House will present its new high jewelry collection *Carte Blanche* during Haute Couture week in July 2021, once again drawing on the studio's creativity and innovation to express emotion. The collection will be presented in Paris, before traveling to Taiwan in September and Japan in October 2021.

Known to the international jewelry scene for its creativity and distinctive character, Pomellato, established in 1967, was the first to introduce the *prêt-à-porter* philosophy to the world of jewelry.

Pomellato's voluminous creations are unique in their blend of colorful stones, Milanese craftsmanship, stone-cutting techniques and jewel-setting know-how. The brand's designs are immediately recognizable for their consistent, iconic style. Jewels are handcrafted by expert goldsmiths on site at Casa Pomellato, the brand's Milan headquarters, where the artisans transform the spirit of the brand into extraordinary designs.

The *Nudo*, *Iconica*, *Tango* and *Sabbia* collections are Pomellato's product pillars. Each fully embodies the message of the brand: "The first global luxury Italian fashion fine jeweler, unconventional and colorful, The New Precious". *Nudo*, launched in 2001, continues to be a Pomellato signature collection, and is constantly expanding with new designs. The golden *Iconica* collection, launched in 2017 for the brand's 50th anniversary, is confirming its ongoing success by crossing over into daywear jewelry, while including more precious pieces.

2020 marked a very special milestone in Pomellato's history, with the successful launch of its first high jewelry collection, *La Gioia*. During the year, Pomellato kept boosting brand recognition with targeted digital, public relations and product activities. As part of its digital approach, the brand sought greater visibility with its fashion-oriented core target market, as well as with millennials. This was achieved by increasing its social media presence. Pomellato also continued to invest in the #PomellatoForWomen platform, featuring real-world, strong-willed, independent women of all ages and from all walks of life. Its 360° communication platform encompasses digital, social media, public relations and events, and celebrates the diversity and authenticity of womanhood. In March, alarmed by the upsurge of domestic violence during lockdown, Pomellato leveraged the Pomellato for Women platform to launch an awareness and crowdfunding campaign to help anti-domestic violence centers in Italy.

Pomellato also introduced *Fantina*, a brand-new collection leveraging the brand's goldsmithing expertise and consolidating the architecture of its products by upscaling its pillar collections, investing in the gold segment and increasing stackability.

With an eye towards the future, Pomellato has further invested in sustainability and social responsibility. Since 2018, the brand has achieved 100% responsible gold sourcing. Pomellato also continued its partnership with the Galdus Goldsmith Academy, established in 2018. Known as *Pomellato Virtuosi*, it provides programs, seminars and apprenticeships to promising young local artisans in Milan with the aim of safeguarding craftsmanship.

In 2021, Pomellato plans to boost its presence and visibility in China and other Asian markets. In addition, the House will further invest in brand communications, especially by reaching out globally toward a wider audience of younger clients with digital media. As for products, the brand will continue to roll out its pillar strategy, celebrate the 20th anniversary of *Nudo*, its most iconic collection, and build on the success of *La Gioia*.

Following its international expansion, at the end of 2020, Pomellato had a distribution network spanning 52 directly operated stores, 11 franchise boutiques and approximately 500 wholesale doors.

DoDo
CHARMING JEWELRY SINCE 1994

DoDo is an Italian fine jewelry House founded in 1994 by renowned Milan-based goldsmith Pomellato. The House takes its name from the legendary bird of Mauritius. A symbol of precious moments, DoDo loves Mother Nature, promotes inclusivity and celebrates self-expression.

DoDo is the jeweler for the modern girl, offering charming collections of delicate and small handmade creations that match her cool chic style. Its composable jewelry is designed to be mixed and matched, multiplied and played with.

In 2020, DoDo started its evolution from its very successful niche position in the charms business to a broader positioning as the leader of charming jewelry.

The launch of the new *Bollicine* collection in January marked this important milestone.

In terms of communication and product launches, in 2020, DoDo focused on its core values, with a strong commitment to sustainability in particular. In March, the brand introduced its new *Bee* charm to celebrate World Bee Day in May. In June, in line with its commitment to the environment, DoDo launched a partnership with Tenaka to restore 1,000 sq.m of coral reef in Malaysia along with a limited-edition bracelet made in recycled plastic, which became the symbol of this project and quickly sold out.

The brand also invested in a special project, *Italian Pride*, to show heart and pride towards Italy during the difficult months of the COVID-19 crisis. As part of this project, DoDo launched four iconic charms with the colors of the Italian flag and a communication campaign using the voices of a nurse, a teacher, a chef and personalities from the art and music industry united in a message of solidarity.

In 2020, DoDo also enriched its iconic collection *Granelli* with a new delicate design, confirming the line's success, and launched a new collection, *Pepita*, in November, taking inspiration from an iconic DoDo component and turning it into a complete jewelry line.

In 2021, DoDo will continue to build on its new brand positioning by rolling out a fully refreshed customer journey. It will include a new store environment, in retail and wholesale, a new advertising campaign, a new website and a 360° communication platform aimed at encouraging people to share common values in DoDo communities, from the DoDo Planet community, to LGBTQ+ and *Italian Pride*. The brand will establish four product pillars, *Granelli, Nodo, Stellina* and *Bollicine*, and will leverage them to reach new audiences with new, modern, ready-to-wear and personalizable jewelry. The charms' novelty will sustain the brand's storytelling, focusing on key DoDo themes, and limited edition pieces. This omni-channel approach will enhance brand awareness and presence in Europe while maintaining a leading position in Italy.

At the end of 2020, the DoDo distribution network included 24 directly operated stores, 26 franchise boutiques and 526 authorized dealers.

qeelin

Qeelin fine jewelry is a playful fusion of Chinese symbolism and modernity. Since the brand's creation in 2004, every piece of jewelry has carried rich cultural connotations, reinterpreting traditional symbols with stylish designs that infuse new life and contemporary meaning into Chinese heritage.

Named after the *Qilin*, an auspicious Chinese mythical animal and icon of love, Qeelin fuses unbridled creativity with excellence in craftsmanship, bringing a touch of playfulness and surprise into the world of fine jewelry.

The brand's iconic *Wulu* collection revisits the legendary Chinese gourd, an auspicious symbol of good fortune and positive energy in the country's traditional culture. Its contemporary lines echo the curves of the cherished number 8.

Qeelin's other two pillar collections are *Yu Yi* and *Bo Bo*. *Yu Yi* is inspired by the *ruyi* lock, or lock of good wishes, a traditional Chinese symbol of protection and spiritual potency representing a modern fulfiller of dreams. Inspired by the panda, China's national treasure, Qeelin's *Bo Bo* has many endearing expressions. Named after the Chinese word *bao* meaning "precious", *Bo Bo* conveys the priceless value of childhood innocence and curiosity.

Perpetuating Chinese culture is Qeelin's most distinctive ambition, through exquisite jewelry intended for daily wear, embracing the fashion trends of new generations and shining a light on Chinese culture in the world of luxury.

At the end of 2020, Qeelin had a distribution network of 31 boutiques and store-in-store points of sale globally, of which 28 located in Greater China and 20 in Mainland China. The brand expanded its presence in Mainland China during the year, with the opening of three new directly operated stores, in Shanghai Sogo, Wuxi Centre 66 and Nanjing Deji, as well as new wholesale points of sale in Shanghai New World, Fuzhou Taihe and Zhengzhou David Mall.

In terms of communications, 2020 was marked by the appointment of two new ambassadors for the brand: the top-tier award-winning Chinese actress Liu Shishi as the new brand ambassador and young Chinese actor Chen Feiyu as the millennial ambassador. Liu Shishi is widely recognized among mainland Chinese and regional consumers and has helped to increase both the awareness and prestige of Qeelin. Chen Feiyu has helped to strengthen Qeelin's visibility among the important millennial and gen-Z consumer bases and convey a message of youthful vitality and playful spirit.

In August, Qeelin launched a very well-received *Powerful Love* communications campaign as part of the Qixi festival. This campaign included digital assets and setting up pop-up installations in three key locations in China: Sanya Haitang Bay International Shopping Complex, Guangzhou Taikoo Hui Mall and Chengdu IFS Mall.

In 2020, the brand also launched new products across its three key collections *Wulu*, *Yu Yi* and *Bo Bo*.

Qeelin expanded its *Wulu* collection, with new *Wulu* rings in a variety of striking colors and a new *Double Wulu* collection, as well as launching the brand-new *Yu Yi* collection featuring a modern outline design with elegant diamond edging. Two new products were also added to the *Bo Bo* family this year, emphasizing Qeelin's unique micro-craftsmanship. The *Bo Bo Mouse* holding a spinning Chinese coin brought a message of prosperity for the Chinese New Year and the Christmas *Guimi Bo Bo* is a tribute to the positive energy of friendship.

In 2021, Qeelin will continue to accelerate the expansion of its footprint in Greater China, as well as develop new collaborations to increase brand awareness and promote its commitments to corporate social responsibility.

GIRARD-PERREGAUX

Girard-Perregaux traces its origins back to 1791, spanning 230 years of watchmaking history. The brand is one of the oldest Swiss watch Manufactures still in operation today, distinguished by legendary watches that bridge technical mastery and iconic design, such as the renowned *Tourbillon with Three Gold Bridges*. The latter won a gold medal at the Paris Universal Exhibition and has featured in the brand's catalogue ever since.

Girard-Perregaux has been part of Kering since 2011.

True to its roots, the Girard-Perregaux Manufacture remains in La Chaux-de-Fonds, in Western Switzerland, a UNESCO World Heritage site. The brand has proudly retained its Manufacture status by mastering all the required horological skills in-house. From design and development to production, finishing and assembling, the brand's comprehensive expertise reflects generations of relentless effort in the pursuit of technical mastery and iconic artistry.

Today, Girard-Perregaux is a brand with unique appeal to true watch connoisseurs. Innovation remains a hallmark of the Swiss Manufacture, as Girard–Perregaux continuously reinvents its icons, as shown by its launches throughout 2020. At the start of the year, the brand presented a new interpretation of its *Tourbillon with Three Gold Bridges*, the *Quasar Light*. This masterpiece features gleaming aerial views of the Manufacture's most iconic movement, encased in Swiss-made sapphire, exclusively available in just 18 pieces.

Later in 2020, Girard-Perregaux took over the city on the occasion of the Geneva Watch Days. Several luxury brands also took part in this initiative, which aimed to showcase the City of Geneva and also highlight the art of watchmaking on which its reputation is founded. This was the only multi-brand industry gathering to take place in 2020, as Baselworld and Watches & Wonders Geneva were both cancelled. Over the course of the four-day event, Girard-Perregaux unveiled its latest collection in a pop-up boutique, created with the theme of "Infinity" in mind. This space featured a deep black background marked by rose gold touches with angular blade shaped elements throughout, abstractly refencing the brand's contemporary visual universe, which is echoed across the *Infinity* collection timepieces.

Girard-Perregaux timepieces are distributed through an exclusive but global distribution network. In 2020, Girard-Perregaux reinforced its relationship with key commercial partners by deploying a new retail concept, brand ambassador program and an enhanced phygital customer experience. To that end, the brand also introduced a new website and product campaign to support two of its key pillars, the *Bridges* and *Laureato* collections.

Founded in 1846, Ulysse Nardin is a pioneering Swiss watch manufacturer renowned for shaking up aesthetic and technical codes with its creativity and flair for innovation. The House has written some of the finest chapters in the history of *Haute Horlogerie*, from its first marine chronometer designed for sailors around the world in 1876, to the launch of the *Freak* in 2001. Ulysse Nardin has been part of Kering since 2014.

A pioneer of cutting-edge technologies and the innovative use of materials like silicon, Ulysse Nardin is one of the few Swiss watchmakers with the in-house expertise to produce its own high-precision components and movements. This exceptional level of watchmaking excellence has earned the House membership of the most exclusive circle of Swiss watchmakers, the *Fondation de la Haute Horlogerie*. Today, from its manufacturing sites in Le Locle and La Chaux-de-Fonds in Switzerland, the brand's continuing quest for horological perfection centers around two pillars: the collections dedicated to the marine world (*Marine* and *Diver*) and the singular, disruptive *X* collections (*Executive* and *Freak*).

In January 2019, Ulysse Nardin launched the *Freak X* and *Skeleton X* watches, once again breaking traditional watchmaking codes. The *X* collections reveal the inner design and mechanics of the watches, with a price positioning accessible to a younger client base, especially in China. The X factor stands for disruption and addresses those who dare to be different. In 2020, the X saga continued with the launch of the *Blast*, an automatic tourbillon skeleton model with the X code integrated in its design. The *Blast* is set to be as iconic as the *Freak*. The House will celebrate its 175th anniversary in 2021 with new releases as well as limited editions in its *Marine* collection, honoring its marine heritage.

During the year, Ulysse Nardin pursued its retail expansion strategy, opening new stores in Dubai, Shanghai and Chengdu, all with the same bright and airy architectural design based on a metaphorical representation of the sea, the horizon and the sky. Renovations are planned at the Moscow flagship store in early 2021.

The evolution of its physical network was matched with a digital transformation. Ulysse Nardin accelerated the deployment of its e-commerce site during the first wave of the pandemic, with a strategy focused on a strong social media presence and personalized client engagement initiatives.

At the end of 2020, Ulysse Nardin showed its support for the sailors participating in the Vendée Globe as the race's official timekeeper. This solo, non-stop, unassisted sailing race around the world is the height of adventure, bravery and the desire to explore – just like for Ulysses in the legend. Closely followed by the world's media, the sailors – three of whom are wearing *Diver* watches – set off at the start of November and arrived in early 2021.

Kering Eyewear

Launched in 2014 by Kering and a group of managers led by Roberto Vedovotto, Kering Eyewear was created to develop in-house eyewear expertise for the Group's brands.

Eyewear is a strategic product category and the rationale behind the creation of Kering Eyewear was to help the Houses reach their growth potential in this business segment while leveraging each brand's unique appeal, through:

- the development of a product fully reflecting each brand's identity and trends;
- an unparalleled level of quality provided by a network of industry-leading suppliers recognized for their technical expertise and craftmanship;
- a distribution in line with each brand's image and positioning, by serving only the best doors worldwide.

In order to establish eyewear as a core category, Kering decided to internalize the entire value chain, marking a significant change to the industry's typical business model. Thanks to a strong group of talented and skilled people, Kering Eyewear directly manages design and product development, supply chain, commercial and distribution strategies, as well as sales and marketing, thus allowing tight control over the whole value chain.

Kering Eyewear's first collection was unveiled on June 30, 2015, for 11 of Kering's Houses and, since then, more brands have been added to the portfolio, starting with Gucci, for which the first collection was presented in October 2016.

In March 2017, Kering and Richemont announced a partnership agreement for the development, manufacturing and worldwide distribution of the Maison Cartier and Alaïa eyewear categories, resulting in Richemont becoming a shareholder of Kering Eyewear.

In January 2019, the Company added to its portfolio Montblanc and Balenciaga – the last Kering brand at the time with an eyewear category not managed by Kering Eyewear.

In summer 2020, Kering Eyewear announced two new partnership agreements, starting from January 2021, for the development of the Chloé and Dunhill eyewear categories, consolidating its leadership in the high–end segment and reinforcing its partnership with the Richemont Group. As a result, Kering Eyewear now designs, develops and distributes a complete and well–balanced portfolio of 15 brands.

Since its creation, Kering Eyewear has been a telling example of disruption in a historically consolidated industry. It is now a fully established and recognized eyewear company with a unique approach, a strong reputation in the market and a commitment to creating long-lasting and valuable partnerships with brands, suppliers and clients.

As the leading luxury company in eyewear, Kering Eyewear has built an innovative business model that is able to anticipate and embrace all the challenges of this relevant and growing industry.

The Company relies on a fast and agile decision–making process as well as a close collaboration with the brands to create synergies and generate incremental business growth in "shared channels", such as brand boutiques, travel retail, department stores, multi-brand fashion specialists and e-tailers.

Kering Eyewear works together with the Creative Directors of each brand in order to preserve the DNA and aesthetic code of each individual House when developing its eyewear, while maintaining a focus on innovation in terms of design and materials. As a result, the eyewear collections are always fully in line with the Houses' calendars and needs.

Along with design, strong attention is also paid to sustainability: through the research and development of increasingly sustainable materials, Kering Eyewear is committed to reducing its environmental footprint and has published its Environmental Profit & Loss (EP&L) since 2017.

From a manufacturing standpoint, Kering Eyewear's strategy is based on production flexibility working only with the best manufacturers in the world and selecting production capabilities globally, guaranteeing product excellence and the highest quality standards in the industry. The Company has thus been able to establish strong relationships with a selected number of suppliers located mainly in Italy, France, Japan and the Far East.

Under the deal with Maison Cartier, the production plant Manufacture Kering Eyewear, previously known as Manufacture Cartier Lunettes, located in Sucy–en–Brie (France), was included in and contributed to Kering Eyewear. This one-of-a-kind plant is equipped with best-in-class technologies and machinery as well as undisputed expertise in solid gold, horn and wood manufacturing.

In March 2019, Kering Eyewear acquired a minority stake in one of its most valuable partners, Trenti S.p.A., as part of its industrial strategy to further increase control of its supply chain through strategic partnerships with key players in the industry.

Communications and marketing are coherent with the brands' strategies, generating synergies among advertising purchasing, event organization, celebrity seeding, public relations and media access.

Kering Eyewear has built an extensive distribution network serving more than 20,000 clients and over 35,000 doors worldwide in around 115 countries, directly operating in more than 28 markets through 16 subsidiaries (France, the UK, Germany, Spain, the US, Hong Kong, Japan, Singapore, Taiwan, China, Korea, Australia, India, Malaysia, the Middle East and Southeast Europe), and a network of carefully selected distributors.

Widespread distribution, together with a qualitative commercial approach, provides the Houses with broad market coverage, in line with their positioning and desired visibility.

In order to guarantee the highest level of service to its clients, in 2019 Kering Eyewear started to operate from its own logistics hub, a newly built, fully automated center allowing the Company to secure end-to-end control over the entire logistics process.

In 2020, following the outbreak of the COVID-19 pandemic, Kering Eyewear proved its resilience by maintaining business continuity, while preserving the safety of its people and clients. The Company accelerated its digital journey by focusing on the development and integration of additional digital capabilities within the business and hosted its fully digital sales events on a dedicated interactive platform to present its newest collections and engage with its clients, overcoming the cancellation of major international eyewear trade fairs and the travel bans.

In the coming years, Kering Eyewear will be committed to exploiting the full potential of all its brands, in both the sun and optical segments, as well as to expanding its presence in new channels, leveraging its expertise and unique positioning.

Thanks to its innovative business model and value–oriented approach, Kering Eyewear will continue to establish itself as the most relevant player in Luxury and high-end eyewear.

CHAPTER 3
Financial information

1 - ACTIVITY REPORT

Introduction – Impact of the COVID-19 pandemic on the consolidated financial statements for the year ended December 31, 2020

Consolidated revenue for 2020 amounted to €13,100 million, a decline of 17.5% (16.4% on a comparable basis). The downturn was felt particularly in the first half (down 30.1% on a comparable basis), with the majority of the Group's stores gradually forced to close owing to the health crisis and lockdown measures (on average, 12% of stores were closed in the first quarter and 42% in the second). This has significantly impacted the Group's second-quarter performance (down 43.7% on a comparable basis) and to some extent on its performance for the first quarter (down 16.4% on a comparable basis), despite a strong start to the year. The decline was limited in the second half (down 3.2% on a comparable basis), despite further restrictions and store closures during the fourth quarter.

Recurring operating income for 2020 came in at €3,135 million, down 34.4% year on year. Once again, the picture was very different in the first and second halves of the year, with recurring operating income retreating 57.7% in the first half but only 13.5% in the second. Recurring operating margin for the year was 23.9%. The dilution in the recurring operating margin compared to the previous year was limited to 6.2 percentage points. The Group has put in place cost-saving measures to safeguard its profitability while continuing to invest in its Houses.

For more details concerning the impact of the COVID–19 crisis on the market as a whole and on the Group's businesses, along with the measures and initiatives taken by the Group to mitigate the various impacts of the crisis, see Chapter 1 (section 6 – Impacts of the COVID-19 crisis) and Chapter 2 (section 3 – Our markets).

Other than the items mentioned below – which were accounted for as non-recurring operating expenses – all of the impacts arising from the COVID-19 pandemic described in the paragraphs above have been recognized in the income statement for 2020 and essentially affect recurring operating income.

In particular, the costs related to health measures put in place (purchases of hand sanitizer and face masks, exceptional measures for regularly disinfecting premises, etc.) have been accounted for as recurring operating expenses.

The rent concessions negotiated with landlords due to the consequences of the COVID-19 pandemic were immediately recognized within recurring operating income as negative variable lease payments rather than as an amendment to the associated leases. This accounting method complies with the practical expedient provided for in the Amendment to IFRS 16 – *Leases*, issued by the IASB on May 28, 2020 and adopted by the European Union on October 9, 2020.

Impairment losses on current assets (inventories and trade receivables) – caused indirectly by the pandemic due to slow-moving inventory items, primarily from the Spring/Summer collections, and the difficulties suffered by many wholesale accounts – have been recognized as recurring operating expenses.

Excluding the impact of the gain on the disposal of an additional 5.83% stake in PUMA in October 2020, other non-recurring operating income and expenses represented a €542 million net expense (versus a €168 million net expense for 2019). The COVID-19 impact recognized as non-recurring expenses therefore amounted to €390 million, essentially breaking down as €15 million in exceptional donations to support various organizations in their fight against the pandemic and €368 million in asset impairment losses. The asset impairment losses were recognized following impairment tests performed by estimating the recoverable amount of the Houses' assets that had already been written down in 2019. The Houses concerned were Brioni and the watches brands (Girard-Perregaux and Ulysse Nardin), which were hit particularly hard by the pandemic while in the midst of an ambitious but demanding transformation project. Impairment losses recognized in 2020 mainly related to brands (€328 million) and a lease right-of-use asset (€30 million).

To date, the Group considers that the contraction in business in 2020 and the outlook for the luxury goods market are not sufficient indicators that the recoverable amount of the assets of the Group's other brands may be impaired, except those mentioned in the above paragraph (see Note 9 – Other non-recurring operating income and expenses, and Note 15 – Cash–generating units and impairment tests, to the consolidated financial statements).

The impacts of the COVID-19 pandemic have also been taken into consideration for calculating the Group's corporate income tax. The global decrease in profits for the vast majority of multinationals has raised the question of how profits and losses should be allocated by country. In connection with this, on December 18, 2020 the OECD published guidance on the transfer pricing implications of the pandemic, offering a wide range of different proposals. Based on this guidance, Kering considered it was reasonable to keep the main principles of its current transfer pricing policy, but to adapt some of its aspects where necessary to the particular conditions caused by the pandemic. The Group is confident that its estimates at December 31, 2020 are fair and prudent (See Note 11 – Income taxes, to the consolidated financial statements).

Lastly, the Group has analyzed its exposure to the financial risks set out in its Universal Registration Document.

In particular, it found no significant escalation of credit risk across the Group. In fact, as it has a large number of clients in a wide range of business segments and realizes a significant portion of its sales directly with the end customer, direct sales do not expose the Group to any credit risk. For sales through wholesalers, there is no strong dependency or concentration whereby the loss of one or more wholesalers could significantly affect the Group's earnings. Credit risk with respect to wholesalers is also minimized by taking out credit insurance and implementing an appropriate and prudent credit risk strategy managed Group-wide by a dedicated team.

Concerning liquidity risk, the Group took action very early on in the pandemic, when countries started going into lockdown after China. In order to ensure liquidity, the Group now has €4,365 million in total confirmed credit lines (versus €3,035 million as of December 31, 2019), of which €4,365 million is undrawn. As of December 31, 2020, the Group had €3,443 million in available cash. In addition, in order to pro-actively manage the Group's liquidity, in the first half of 2020 Kering carried out a €1.2 billion dual–tranche bond issue comprising (i) a €600 million tranche with a three-year maturity and a 0.25% coupon, and (ii) a €600 million tranche with an eight–year maturity and a 0.75% coupon (See Note 23 – Net debt, to the consolidated financial statements).

Significant events of 2020 related to the COVID-19 pandemic

The significant events below have already been disclosed by the Group in press releases related to regulated information. Most significant events took place in the first half of the year.

Postponement of the Annual General Meeting to June 16, 2020

In view of the circumstances, on March 30, 2020, Kering's Board of Directors decided to postpone the 2020 Annual General Meeting initially scheduled for Thursday April 23, 2020. On April 21, 2020, the Board set the new Meeting date as June 16, 2020.

Revised dividend per share for 2019

In light of the COVID-19 pandemic and its impact on business activity, on April 21, 2020 the Board of Directors decided to revise the amount allocated to the 2019 dividend payment and to recommend to shareholders at Kering SA's Annual General Meeting on June 16, 2020 that the total dividend payout should amount to €1,010 million, corresponding to €8 per share. This is €442 million lower than the amount announced when the Group released its 2019 results on February 12, 2020 (€1,452 million, or €11.50 per share).

Reduction in remuneration for 2020 for Kering's executive corporate officers

In light of the COVID-19 pandemic and its impact on business activity, François-Henri Pinault, Chairman and CEO of Kering, decided to reduce the fixed portion of his salary from April 1, until the end of 2020. In addition, François-Henri Pinault and Jean-François Palus, Group Managing Director, decided to waive the entirety of the variable portions of their annual remuneration for 2020. These decisions were approved by Kering's Board of Directors on April 21, 2020. The Board therefore submitted a revised 2020 remuneration policy to the vote of the shareholders at the Annual General Meeting held on June 16, 2020.

Support given by the Group to help the fight against COVID-19

Kering has contributed to the fight against COVID-19 in France, Italy, China and the United States.

In France, Kering purchased 3 million surgical masks from China, which it supplied to the French health service. At the same time, the Balenciaga and Yves Saint Laurent workshops began manufacturing officially approved face masks. Kering also made a financial donation to the Institut Pasteur for its research into COVID-19, and to Cochin hospital in Paris for its "3D COVID" project to purchase 60 3D printers in order to rapidly produce large quantities of medical equipment. In Italy, Kering and its Houses made donations to four major hospital foundations in Lombardy, Veneto, Tuscany and Lazio. Gucci responded to the appeal launched to the fashion industry by the Tuscany regional authorities, supplying 1.1 million surgical masks and 55,000 medical overalls to health workers. In China, as early as the end of January, Kering and its Houses announced a donation to the Hubei Red Cross Foundation to help fight the spread of the virus. In the United States, Kering and its Houses entered into a partnership with the CDC Foundation, giving a $1 million donation to provide personal protection equipment and other essential supplies to health workers. This donation helped support front-line health workers in the United States – and particularly the hardest hit States such as New York, New Jersey, California and Florida – as well as in a number of regions in Latin America.

Pro-active management of the Group's liquidity – a new bond issue and extension of syndicated loan facilities

In May 2020, Kering carried out a €1.2 billion dual–tranche bond issue comprising (i) a €600 million tranche with a three–year maturity and a 0.25% coupon, and (ii) a €600 million tranche with an eight–year maturity and a 0.75% coupon. In line with the Group's pro-active liquidity management approach, this issue enables Kering to diversify its sources of financing and enhance its funding flexibility through refinancing of existing debt and extending the maturity of its financing facilities. Investors' high take-up rate of the issue confirmed the market's confidence in the Group's creditworthiness. Kering's long-term debt is rated "A-" with a stable outlook by Standard & Poor's.

The Group also extended its credit facilities from its banks in an aggregate amount of €1,330 million, giving it €4,365 million in total confirmed credit lines as of December 31, 2020, versus €3,035 million as of December 31, 2019 (see Note 23 – Net debt, to the consolidated financial statements).

Other significant events of 2020

Sale of an additional 5.83% stake in PUMA

On October 8, 2020, the Group further reduced its investment in PUMA by selling a 5.83% stake through an accelerated bookbuilding process with qualified investors at a price of €74.50 per share, corresponding to a total amount of €656 million. Following this transaction, Kering retains a 9.87% interest in PUMA.

(See Note 9 – Other non-recurring operating income and expenses, Note 18 – Investments in equity–accounted companies and Note 19 – Financial assets, to the consolidated financial statements).

1.1 2020 business review

Key figures

Condensed consolidated income statement

(in € millions)	2020	2019	Change
Revenue	13,100.2	15,883.5	-17.5%
Recurring operating income	3,135.2	4,778.3	-34.4%
as a % of revenue	*23.9%*	*30.1%*	*-6.2 pts*
EBITDA	4,574.2	6,023.6	-24.1%
as a % of revenue	*34.9%*	*37.9%*	*-3.0 pts*
Other recurring operating income and expenses	163.0	(168.5)	+196.7%
Financial result	(341.7)	(309.5)	-10.4%
Income tax expense	(759.2)	(2,133.7)	+64.4%
Share in earnings (losses) of equity-accounted companies	(7.6)	41.8	-118.2%
Net income from continuing operations	2,189.7	2,208.4	-0.8%
o/w attributable to the Group	*2,160.2*	*2,166.9*	*-0.3%*
o/w attributable to minority interests	*29.5*	*41.5*	*-28.9%*
Net income (loss) from discontinued operations	(9.8)	125.4	-107.8%
Net income attributable to the Group	2,150.4	2,308.6	-6.9%
Net income from continuing operations (excluding non–recurring items) attributable to the Group	1,972.2	3,211.5	-38.6%

Earnings per share

	2020	2019	Change
Basic earnings per share *(in €)*	17.20	18.40	-6.5%
Basic earnings per share from continuing operations excluding non-recurring items *(in €)*	15.78	25.59	-38.4%

Operating investments

(in € millions)	2020	2019	Change
Acquisitions of property, plant and equipment and intangible assets	786.9	955.8	-17.7%

Free cash flow from operations

(in € millions)	2020	2019	Change
Free cash flow from operations	2,104.6	1,520.7	+38.4%

Revenue

(in € millions)	2020	%	2019	%	Reported change	Comparable change[1]
Total Luxury Houses	12,676.6	97%	15,382.6	97%	-17.6%	-16.5%
Corporate and other	*423.6*	*3%*	*500.9*	*3%*	*-15.4%*	*-14.6%*
Total revenue	**13,100.2**	**100%**	**15,883.5**	**100%**	**-17.5%**	**-16.4%**

(1) On a comparable scope and exchange rate basis. Comparable revenue is defined on page 97.

Exchange rate fluctuations had a €213 million negative impact on revenue during the year, related mainly to the US dollar (€63 million), South Korean won (€33 million) and Chinese yuan (€33 million).

Revenue by region

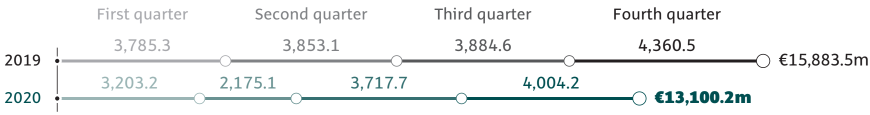
(in € millions)	2020	%	2019	%	Reported change	Comparable change[1]
Asia-Pacific (excluding Japan)	4,975.7	38%	5,421.6	34%	-8.2%	-6.5%
Western Europe	3,657.1	28%	5,120.2	33%	-28.6%	-28.5%
North America	2,742.4	21%	3,039.7	19%	-9.8%	-7.9%
Japan	931.1	7%	1,309.8	8%	-28.9%	-29.0%
Rest of the world	793.9	6%	992.2	6%	-20.0%	-16.1%
Total revenue	**13,100.2**	**100%**	**15,883.5**	**100%**	**-17.5%**	**-16.4%**

(1) On a comparable scope and exchange rate basis. Comparable revenue is defined on page 97.

Revenue generated outside the eurozone represented 82% of the consolidated total in 2020.

Quarterly revenue data

Consolidated revenue by quarter



Quarterly revenue by activity

(in € millions)	First quarter	Second quarter	Third quarter	Fourth quarter	2020
Gucci	1,804.1	1,268.1	2,087.8	2,280.6	7,440.6
Yves Saint Laurent	434.6	246.5	510.7	552.6	1,744.4
Bottega Veneta	273.7	229.4	332.5	374.7	1,210.3
Other Houses	553.3	365.8	669.1	693.1	2,281.3
Total Luxury Houses	**3,065.7**	**2,109.8**	**3,600.1**	**3,901.0**	**12,676.6**
Corporate and other	*137.5*	*65.3*	*117.6*	*103.2*	*423.6*
Total revenue	**3,203.2**	**2,175.1**	**3,717.7**	**4,004.2**	**13,100.2**

(in € millions)	First quarter	Second quarter	Third quarter	Fourth quarter	2019
Gucci	2,325.6	2,291.5	2,374.7	2,636.6	9,628.4
Yves Saint Laurent	497.5	475.5	506.5	569.6	2,049.1
Bottega Veneta	248.1	300.9	284.3	334.3	1,167.6
Other Houses	576.9	648.4	612.3	699.9	2,537.5
Total Luxury Houses	**3,648.1**	**3,716.3**	**3,777.8**	**4,240.4**	**15,382.6**
Corporate and other	*137.2*	*136.8*	*106.8*	*120.1*	*500.9*
Total revenue	**3,785.3**	**3,853.1**	**3,884.6**	**4,360.5**	**15,883.5**

(comparable change[1])	First quarter change	Second quarter change	Third quarter change	Fourth quarter change	2020
Gucci	-23.2%	-44.7%	-8.9%	-10.3%	-21.5%
Yves Saint Laurent	-13.8%	-48.4%	+3.9%	+0.5%	-13.8%
Bottega Veneta	+8.5%	-24.4%	+20.7%	+15.7%	+4.8%
Other Houses	-5.4%	-44.0%	+11.7%	+1.7%	-9.4%
Total Luxury Houses	**-16.9%**	**-43.4%**	**-1.6%**	**-4.8%**	**-16.5%**
Corporate and other	*-1.3%*	*-52.5%*	*+13.8%*	*-11.0%*	*-14.6%*
Total revenue	**-16.4%**	**-43.7%**	**-1.2%**	**-5.0%**	**-16.4%**

(1) On a comparable scope and exchange rate basis. Comparable revenue is defined on page 97.

Recurring operating income

The Group's gross margin for 2020 amounted to €9,509 million, down €2,266 million or 19.2% on 2019. Recurring operating expenses fell by 8.9% year on year.

(in € millions)	2020	2019	Change
Total Luxury Houses	3,367.1	5,042.0	-33.2%
Corporate and other	*(231.9)*	*(263.7)*	*+12.1%*
Recurring operating income	**3,135.2**	**4,778.3**	**-34.4%**

For the purposes of comparison and pursuant to IAS 17, which was superseded by IFRS 16 as from January 1, 2019, recurring operating income for 2020 (adjusted for IAS 17) would have totaled €3,059 million (€4,724 million in 2019), down 35.2% year on year (data adjusted for IAS 17). Recurring operating margin would thus have narrowed by 6.3 percentage points to 23.4% for the Group as a whole (versus 29.7% in 2019).

Recurring operating income and recurring operating margin (adjusted for IAS 17) are defined on page 97.

EBITDA

(in € millions)	2020	2019	Change
Recurring operating income	**3,135.2**	**4,778.3**	**-34.4%**
Net recurring charges to depreciation, amortization and provisions on non-current operating assets	1,439.0	1,245.3	+15.6%
o/w depreciation of lease right-of-use assets	*839.4*	*736.7*	*+13.9%*
EBITDA	**4,574.2**	**6,023.6**	**-24.1%**

(in € millions)	2020	2019	Change
Total Luxury Houses	4,605.6	6,121.6	-24.8%
Corporate and other	*(31.4)*	*(98.0)*	*+68.0%*
EBITDA	**4,574.2**	**6,023.6**	**-24.1%**

EBITDA margin narrowed by 3.0 percentage points compared with 2019, coming in at 34.9% (37.9% in 2019).

For the purposes of comparison and pursuant to IAS 17, which was superseded by IFRS 16 as from January 1, 2019, EBITDA margin for 2020 (adjusted for IAS 17) would have narrowed by 5.0 percentage points year on year (data adjusted for IAS 17) to 28.1% (33.1% in 2019).

EBITDA and EBITDA margin (adjusted for IAS 17) are defined on page 97.

Other non-recurring operating income and expenses

(in € millions)	2020	2019	Change
Impairment of goodwill, brands and other non-current assets	(446.6)	(94.9)	-370.6%
Capital gain on PUMA shares	704.6	-	N/A
Other non-recurring operating income and expenses	(95.0)	(73.6)	-29.1%
Other non-recurring operating income and expenses	**163.0**	**(168.5)**	**+196.7%**

The Group continued to reduce its investment in PUMA, selling a 5.83% stake at a price of €74.50 per share on October 8, 2020. As a result, it booked a capital gain on the sale of its 5.83% interest and on the remeasured value of its remaining 9.87% shareholding. At the date of the sale, the Group's residual interest in PUMA was reclassified in the balance sheet from "Investments in equity-accounted companies" to "Non-consolidated investments" within "Non-current financial assets".

(See Note 9 – Other non-recurring operating income and expenses and Note 15 – Cash-generating units and impairment tests, to the consolidated financial statements).

Financial result

(in € millions)	2020	2019	Change
Cost of net debt[(1)]	(43.3)	(52.3)	-17.2%
Other financial income and expenses	(185.5)	(147.6)	+25.7%
Total financial result (excluding leases)	**(228.8)**	**(199.9)**	**+14.5%**
Interest expense on lease liabilities	(112.9)	(109.6)	+3.0%
Financial result	**(341.7)**	**(309.5)**	**+10.4%**

(1) Net debt is defined on page 97.

In 2020, the 17.2% decrease in the cost of net debt compared to 2019 reflects the decrease in the average coupon paid on bond debt (from 1.85% to 1.25%), which largely offset the €819 million increase in average outstanding bond debt during the period.

Other financial income and expenses rose by 25.7%, due primarily to the negative impact of the increase in PUMA's share price on the derivative embedded in the convertible bond amounting to €33 million.

(See Note 10 – Financial result, to the consolidated financial statements).

Income tax

(in € millions)	2020	2019	Change
Income before tax	**2,956.5**	**4,300.3**	**-31.2%**
Current tax expense	(657.0)	(2,597.9)	+74.7%
o/w tax expense excluding the tax settlement in Italy	*(657.0)*	*(1,693.9)*	*+61.2%*
o/w tax expense relating to the tax settlement in Italy	*N/A*	*(904.0)*	*N/A*
Deferred tax income (expense)	(102.2)	464.2	-122.0%
Income tax expense	**(759.2)**	**(2,133.7)**	**+64.4%**
Effective tax rate	**25.7%**	**49.6%**	**-23.9 pts**

(in € millions)	2020	2019	Change
Other non-recurring operating income and expenses	163.0	(168.5)	+196.7%
Recurring income before tax	**2,793.5**	**4,468.8**	**-37.5%**
Income tax on other non-recurring operating income and expenses	25.0	27.9	-10.4%
Tax expense relating to the tax settlement in Italy	N/A	(904.0)	N/A
Tax expense on recurring income	**(784.2)**	**(1,257.6)**	**+37.6%**
Effective tax rate on recurring income	**28.1%**	**28.1%**	**+0.0 pt**

The effective tax rate on recurring income is defined on page 97.

(See Note 11 – Income taxes, to the consolidated financial statements).

1.2 Operating performance

Luxury Houses

(in € millions)	2020	2019	Change
Revenue	**12,676.6**	**15,382.6**	**-17.6%**
Recurring operating income	**3,367.1**	**5,042.0**	**-33.2%**
as a % of revenue	***26.6%***	***32.8%***	***-6.2 pts***
EBITDA	4,605.6	6,121.6	-24.8%
as a % of revenue	*36.3%*	*39.8%*	*-3.5 pts*
Acquisitions of property, plant and equipment and intangible assets	460.6	651.9	-29.3%
Average FTE headcount	32,507	30,956	+5.0%

The main trends affecting the worldwide personal luxury goods market and the operations of the Group's Houses are described in the introductory section above, which sets out the impacts of the COVID-19 pandemic on the Group's business and its financial statements as of December 31, 2020. The presentation of the personal luxury goods market (page 33) also provides an analysis of trends and developments in the industry based on region, distribution channel and product category.

Regarding the impact of exchange rates on the Group's performance during the year, the euro's strong appreciation against the world's other major currencies, primarily as from the end of the second quarter, weighed on reported growth for markets outside the eurozone. Overall, the Luxury Houses' performance was 110 basis points better at constant exchange rates than as reported. This difference was as high as 310 basis points in the second half of the year, after the first six-month period when the average euro exchange rate was conversely very slightly weaker than in 2019. In absolute value terms, the figure at constant exchange rates was approximately €208 million better than on a reported basis. Apart from the yen, which remained very stable against the euro, fluctuations in all of the world's other major currencies – particularly the US dollar, the Chinese yuan and the Korean won – contributed to this difference.

Revenue

Total revenue generated by the Group's Luxury Houses came to €12,677 million in 2020, down 16.5% year on year based on a comparable scope and exchange rates (down 17.6% as reported). The revenue decline was particularly marked in the first half (30.2%), as the COVID-19 pandemic and lockdown measures significantly impacted performance, not just in the second quarter (which saw a 43.4% revenue drop) but also in the first three months of 2020 (down 16.9%), despite a very good start to the year. In the second half, sales retreated by just 3.3%. The recovery in revenue seen during the summer (with a contraction of just 1.6% in the third quarter) continued in some regions in the fourth quarter, but new COVID-19 restrictions – particularly in Europe – weighed on performance in the markets concerned. Consequently, revenue declined 4.8% in the fourth quarter.

Sales in directly operated stores and online sales amounted to €9,927 million in 2020, down 15.9% year on year, despite an almost stable performance in the second half when they edged down just 1.5%. The pandemic drove huge growth in e-commerce, which surged 67.5% for the Group's brands and accounted for around 13% of the Luxury Houses' total direct sales.

Directly operated stores accounted for 78.3% of total revenue generated by the Luxury Houses in 2020, versus 78.0% in 2019. This apparent year-on-year stability is a direct consequence of the unprecedented conditions that affected the Houses' operations in 2020 and does not reflect the long-term strategy implemented by all of the brands, which is aimed at more effectively controlling their distribution, including online, and strengthening their exclusivity while prudently managing the expansion of the directly operated store network and the related investments.

Wholesale sales retreated 17.4% over the full year based on comparable data, reflecting the Group's strategy of continuing to focus the wholesale business of the Couture and Leather Goods Houses on the highest-quality distributors. The decrease was a steep 33.4% at Gucci, which was the Group's first brand to embark on the process of radically streamlining its distribution network. Yves Saint Laurent and Balenciaga also took a very selective approach to distribution in 2020, only working with key wholesalers. Alexander McQueen and Bottega Veneta – which was buoyed by its new creative direction – saw an increase in their wholesale business as a result of market share gains, while remaining highly selective in their choice of distributors. Another contributing factor to the overall decline in wholesale sales was the financial difficulties suffered by department stores in North America.

Revenue by region

Revenue trends by region were particularly mixed during the year in view of how the COVID-19 pandemic spread across the world, initially hitting Asia in the first quarter before being more or less controlled there as it spread across the other continents without ever really being curbed, except during the summer. These trends were exacerbated by the lack of tourism, which penalized markets in Western Europe but benefited China in view of demand being repatriated to the local market. As a result, revenue decreased 7.4% in emerging markets, whereas it fell 22.5% in mature markets.

In the Asia-Pacific region (which accounts for the bulk of the Luxury Houses' sales in emerging markets), the year-on-year revenue contraction was 6.1%. Revenue generated in Mainland China rose sharply, especially as from the second quarter, partly to the detriment of other Asian markets. Hong Kong and Macao experienced particularly marked declines, although the fourth quarter saw an improvement helped by favorable bases of comparison. South Korea – the region's second-largest market – saw excellent sales momentum with local clients but this barely offset the revenue losses triggered by the lack of Chinese clients, particularly for Gucci, whose South Korean duty free business is based on a retail model.

In Western Europe, sales were 29.2% lower than in 2019, dragged down by the lack of tourists as of mid–February, the national lockdowns in the spring, and further closures towards the end of the year (affecting around a quarter of the region's network in the fourth quarter). Targeted clienteling initiatives, together with distance selling techniques and numerous in-store events nevertheless helped to shore up revenue streams with local clients throughout the year.

In Japan, revenue was also hit hard by the COVID-19 crisis (down 28.9%), reflecting the lack of Chinese tourists and an eroded local consumer environment, although the picture began to brighten towards the end of the year.

In North America, the Luxury Houses fared better, with revenue down by just 8.3% overall. Following a sharp 34.1% drop in the first half of the year, sales picked up as soon as stores re-opened and even advanced strongly in the third quarter. Growth remained solid in the fourth quarter but gradually returned to more normal levels, particularly after the presidential elections in the United States. 2020 also saw further growth for e-commerce, despite the fact that the region's markets are very mature. Revenue from online sales almost doubled during the year and represented around 24% of sales generated directly by the brands.

Revenue by product category

All of the main product categories registered revenue decreases in 2020. However, the quality of the Group's brand portfolio and the effective strategies put in place by the Houses helped contain the declines across the different product categories.

The revenue contraction for the leather goods category was generally in phase with market trends, despite very high bases of comparison and an operating context in which the brands privileged healthy inventory management, which meant they were especially vigilant about the number of product references and pieces available in stores.

Contrary to market trends, ready-to-wear sales decreased in proportions comparable to the other categories thanks to the appeal of the Houses' offerings.

Sales of shoes were lifted by a rebound in purchases of luxury products in the second half of the year, after a first half that followed the same trends as in the other market segments.

In addition, in line with the favorable trends seen in 2019, jewelry sales held firm overall, thanks to strong market momentum in Asia and Qeelin's successful business development in China. High jewelry suffered more though from the travel restrictions and store closures in Western Europe.

Lastly, for both Girard-Perregaux and Ulysse Nardin, sales were heavily impacted by the COVID-19 pandemic, as was the case for the watchmaking industry as a whole.

Royalties and other revenues dived by 29.3%, weighed down by a much lower performance from Gucci's fragrances and cosmetics license. The decrease in royalties received by Kering Eyewear remained very contained, however.

Recurring operating income

Recurring operating income for the Group's Luxury Houses totaled €3,367 million in 2020, down €1,675 million on 2019 (of which €1,307 million in the first half alone). Recurring operating margin came to 26.6%, 6.2 points lower than in 2019 for the year as a whole but only 2.6 points for the second half. This downturn in profitability was due to an adverse operating leverage effect after several fiscal years when it was very favorable. Rather than the contraction in gross margin, the dilution in recurring operating margin was more a reflection of the sharp fall in sales, which led to lower absorption of fixed costs (despite lower expenditure). The dilution was relatively even across the main brands (between 4 and 6 points in general). Among the other Houses, Balenciaga – and to a lesser degree Alexander McQueen – were able to increase their recurring operating margins, whereas other brands in the segment that are closer to break-even recorded higher margin declines, which is logical.

EBITDA for 2020 amounted to €4,605 million versus €6,122 million in 2019. At 36.3%, EBITDA margin was still at a very high level, and was just 3.5 points lower than the previous year.

The combined effect of exchange rate fluctuations and currency hedges was slightly favorable for both recurring operating income and recurring operating margin.

Store network and operating investments

The Luxury Houses' operating investments – which do not include the vast majority of investments in logistics and information systems centralized by the Corporate entity for all of the brands – totaled €461 million in 2020, 29.3% lower than in 2019. As a proportion of revenue, gross operating investments represented 3.6% in 2020. This slight decrease compared to the 4.2% figure for 2019 reflects the Houses' ability to adapt by allocating their resources to the highest priority and most strategic projects. Some 56% of the investments made in 2020 were incurred in the second half of the year – a slightly less marked seasonal difference than in 2019 thanks to tight management of investment needs and pace.

As of December 31, 2020, the Group's Luxury Houses had a network of 1,433 directly operated stores, including 770 (54%) in mature markets and 663 in emerging markets. Net store additions during 2020 totaled 52, representing a 3.8% increase, which is one of the lowest growth figures reported for years. This reflects the brands' prudent approach in 2020 in view of the pandemic and the maturity of their networks in mature markets. Most new store openings during the year were in Asia, mainly in Greater China and South Korea (accounting for almost three-quarters of net openings), and the vast majority of the overall year–on–year increase was due to the scheduled expansion of the Yves Saint Laurent, Balenciaga and Alexander McQueen networks.

Gucci

(in € millions)	2020	2019	Change
Revenue	**7,440.6**	**9,628.4**	**-22.7%**
Recurring operating income	**2,614.5**	**3,946.9**	**-33.8%**
as a % of revenue	***35.1%***	***41.0%***	***-5.9 pts***
EBITDA	3,224.9	4,463.6	-27.8%
as a % of revenue	*43.3%*	*46.4%*	*-3.1 pts*
Acquisitions of property, plant and equipment and intangible assets	205.8	337.3	-39.0%
Average FTE headcount	17,953	17,157	+4.6%

2020 was obviously an unprecedented year which coincided with a consolidation phase of the brand's growth that began in 2019 after several years of exceptional performance.

Gucci methodically pursued – and at times accelerated – its strategy of sustaining growth, especially regarding the exclusivity of its distribution network. The brand continued to roll out its most recent store concept as far as it was able to, stabilized its network of points of sale by concentrating store openings in growth markets, and took the deliberate measure of drastically reducing the proportion of the wholesale distribution channel. 2020 was a very good year for the expansion of e-commerce managed directly by Gucci – a distribution channel that is beginning to account for a significant weighting of the brand's revenue (just over 12% of overall sales in 2020). As a result, Gucci was able to capitalize on its recognized digital expertise and the quality of its online stores. It also stepped up the development of new sales channels and client touchpoints, notably through the Gucci 9 service center, which allows the brand to manage client expectations and requests remotely (by phone and online).

With the Group's support, Gucci pursued its plan for modernizing and optimizing its supply chain, logistics, and information systems to make them more agile, responsive and capable of absorbing rising demand over the long term and endorsing the omni-channel model. However, the COVID-19 pandemic and resulting health measures weighed on the supply chain's responsiveness during the year. Gucci supported its suppliers and Italy's general economy as much as it could by paying particular attention to order levels and payment conditions.

On the eve of its 100th anniversary, which it will celebrate in 2021, Gucci continued to shape and change its creative offerings. The number of collections shown formally was reduced to two in 2020, but the launch of new lines and the regular reinvention of iconic pieces will help fuel in-store sales throughout the coming year. The brand's aesthetic is evolving subtly to meet customer expectations and respond to changing attitudes. It is leveraging Gucci's unique heritage while remaining resolutely contemporary and modern. The brand's creative and merchandising teams work ceaselessly to achieve this balance, with an ongoing focus on maximizing the growth potential of each product category by constantly honing the overall offering to engage with the widest possible range of clients, and optimizing the mix between carryovers and novelty.

Gucci's communications are designed to sustain the brand's desirability and raise the engagement levels of existing and future clients of all ages and nationalities. Digital communication is particularly effective for creating a brand universe that is both unique and inclusive. In 2020, Gucci once again proved its ability to innovate in this field. One example of this is GucciFest, the digital festival hosted by the brand in November during which it unveiled *Ouverture of Something That Never Ended*, a seven–episode mini–series directed by Gus Van Sant presenting the House's new creations.

Revenue

Gucci posted €7,441 million in revenue in 2020, down 21.5% year on year at comparable exchange rates (down 22.7% as reported). This performance obviously needs to be assessed in light of the global impact that the COVID-19 pandemic has had on the luxury industry, as well as the high basis of comparison resulting from the very strong growth delivered by the brand since the start of its rejuvenation in mid-2016. Despite the revenue contraction during the year, Gucci's overall growth between 2017 and 2020 exceeded 20%.

In the first half of 2020, sales fell 33.8%, reflecting the significant impact of store closures and the lack of tourists, but in the second half, the year-on-year decrease was only 9.6%.

Retail sales generated in directly operated stores retreated 19.5% at constant exchange rates for 2020 as a whole and by just 5.9% in the second half. This revenue performance – which was achieved on a practically same-store basis – reflects the slump in sales to tourists (who accounted for slightly over one third of the brand's global revenue in 2019). Excluding the impact of the store closures resulting from COVID–19 prevention measures, Gucci recovered a robust and encouraging sales momentum with local clients in its principal markets, especially in Mainland China, which benefited from the repatriation of demand to the local market. In addition, while Gucci was already one of the sector's front-running brands in terms of e-commerce development, growth in online sales was particularly robust during the year, approaching +70%. E-commerce directly managed by the brand, or operated under concession agreements, grew in all regions.

Sales generated in the wholesale network contracted 33.4% on a comparable basis. This year-on-year contraction was partly due to a lower number of orders from key accounts, particularly in the United States, but it also stems from the brand's decision to embark on a new phase in the transformation of its distribution network with a view to making it more exclusive. Revenue generated with wholesalers is expected to contract further in 2021 (by around 30%), with a reduction in the number of active accounts and volumes delivered.

Revenue by region

In view of the proportion of Gucci's sales that are generated in directly operated stores (87.4% in 2020), the following revenue analysis by region only concerns the retail business.

In mature markets, revenue decreased 27.6% year on year. Western Europe was the most affected region, with 46.7% negative revenue growth. Sales suffered due to the lack of tourists, a long period of store closures in the second quarter, and then more sporadic closures in the fourth quarter. The consumer environment was morose overall in the region, even if Gucci successfully stepped up its investments and action plans to increase sales with local clients. In Japan, sales fell 31.9%, and consumer trends were fairly similar to those in Europe: tourist numbers plummeted (albeit with less of an impact than in Western Europe because local sales represented the vast majority of Gucci's 2019 revenue in Japan) and local consumer demand was sluggish for part of 2020 before picking up right at the end of the year. In North America, revenue was stable, edging up 0.1%. This performance – which was achieved despite a very negative contribution from Hawaii – reflects the range of measures taken by Gucci since the last quarter of 2019 to boost its US sales as well as very robust online sales, which surged 91.3% year on year. Growth was particularly strong in the third quarter after lockdown measures were lifted, and remained very solid in the fourth quarter.

In emerging markets, revenue declined 10.1% at constant exchange rates. Gucci's sales in the Asia–Pacific region retreated 8.1% for the year as a whole but climbed 9.3% in the second half. In Mainland China – the region's largest market – growth was strong from mid-April onwards as lockdowns were eased. The brand doubled its online sales in this country compared with 2019 without cannibalizing in-store sales, which benefited from demand being repatriated to the local market. South Korea is also a very dynamic market for Gucci's stores, except for duty free points of sale, which the brand integrates into its network of directly operated stores and whose sales decreased sharply due to the lack of Chinese tourists. This falloff in tourist numbers in the Asia-Pacific area also significantly impacted performance in the vast majority of the region's markets. For example, revenue generated in Hong Kong fell sharply year on year, although the decrease was less marked in the fourth quarter due to more favorable bases of comparison.

Revenue by product category

All of the brand's main product categories registered sales decreases in directly operated stores during 2020. The proportion of carryovers – which had been kept stable for several quarters at the target level set by Gucci for all of its product categories – increased slightly over the year due to a more restricted offering of new products. Apart from the effects of the COVID–19 crisis, the trends for the brand's main product categories are encouraging, illustrating a very favorable reception from clients for the latest collections. For some categories, sales even increased in the second half of the year.

Royalties were much lower than in 2019, primarily due to the weak sales recorded in connection with the license granted to Coty for fragrances and cosmetics.

Recurring operating income

Gucci's recurring operating income amounted to €2,615 million for 2020, down 33.8% on 2019. Recurring operating margin narrowed by 5.9 points but still came in at 35.1%, representing a remarkably high level in a year of sales contractions. In the second half, it even reached 38.6% and was only 2.7 points lower than in the same period of 2019.

The dilution of recurring operating margin was attributable to a leverage effect that was logically unfavorable as a result of the year-on-year revenue decline. Gross margin narrowed slightly in light of inventory writedowns, temporarily higher unit production costs, and a product mix effect. At the same time, the cost base was considerably reduced due to the automatic decrease in variable costs combined with systematic optimization of fixed costs. This agile cost management enabled Gucci to continue making the investments required to drive the expected upturn going forward by reallocating resources to clienteling activities, in-store events, targeted communications actions and upgrading information systems in line with the sector's fast-paced digital transformation.

Gucci's EBITDA for 2020 stood at €3,225 million, with an EBITDA margin of 43.3%, down 3.1 points. This resilience in terms of EBITDA – which fared better than EBIT – is due to the high amount of depreciation related to the operating investments made during the expansion phase of the brand's store network.

Store network and operating investments

As of December 31, 2020, Gucci operated 483 stores directly, including 212 in emerging markets. A net 4 new stores were closed during the year. The brand now has an overall network that is adapted to its operations in terms of store numbers but it is continuing to identify opportunities for improving its distribution in certain regions and sales channels. To this end, in 2020 it very slightly extended its store network in Asia and reduced its exposure in mature markets. Gucci's priority remains organic growth, especially as it prepares for a revenue recovery in the short- and mid-term. It therefore pursued its refurbishment program for existing stores in 2020, although this had to be partly put on hold during the year due to the COVID-19 lockdowns. As of December 31, 2020, around 60% of the store network had adopted the new concept, below the original target.

Gucci's gross operating investments amounted to €206 million in 2020, 39.0% lower than in 2019. Although this decrease reflects the constraints resulting from the pandemic, which led to some projects being postponed, it was above all due to the brand's ability to agilely and rigorously adapt its investment plan to the changes in its revenue levels.

Yves Saint Laurent

(in € millions)	**2020**	**2019**	**Change**
Revenue	**1,744.4**	**2,049.1**	**-14.9%**
Recurring operating income	**400.0**	**562.2**	**-28.9%**
as a % of revenue	***22.9%***	***27.4%***	***-4.5 pts***
EBITDA	589.9	733.7	-19.6%
as a % of revenue	*33.8%*	*35.8%*	*-2.0 pts*
Acquisitions of property, plant and equipment and intangible assets	52.7	98.0	-46.2%
Average FTE headcount	3,810	3,606	+5.7%

The unprecedented crisis caused in the luxury industry by the COVID-19 pandemic has obviously affected Yves Saint Laurent, which, in 2020, saw its sales fall back to their 2018 level. However, thanks to its heritage, its indisputable position as a flagship brand in the world of fashion and Luxury, and its successful business development over the past few years, the House's potential for further growth remains intact.

In fact, 2020 gave the brand the opportunity to accelerate the implementation of its long-term strategy.

In terms of distribution, for example, Yves Saint Laurent continued to expand its store network in the regions where its penetration could be improved, and to boost its e-commerce activities by internalizing them following the end of the partnership set up in 2012 with Yoox Net-A-Porter. In line with the Group's overall distribution strategy, the brand applied a highly selective approach during the year in its choice of wholesalers and determining delivery volumes.

Also in 2020, Yves Saint Laurent intensified its efforts and investments concerning innovation and the digitalization of its operations. This reflects its firm belief that digital solutions – including e-commerce – offer new opportunities in the areas of creation (virtual fashion shows and events), communication, and customer relationship management. These new solutions particularly proved their relevance in 2020, when the pandemic meant it was vital to have a targeted, personalized and virtual relationship not only with existing clients but with all stakeholders in general.

All the conditions are therefore in place to ensure the success of Yves Saint Laurent's future collections, with a constant focus on maintaining a balance between the modernity brought by Antony Vaccarello and the House's rich heritage.

Revenue

Yves Saint Laurent's sales amounted to €1,744 million in 2020, down 13.8% year on year at constant exchange rates. After a 30.6% contraction in the first half of the year, revenue advanced 2.1% in the second half.

Revenue from directly operated stores, which accounted for almost 70% of the total, retreated 13.4% year on year. This decrease stemmed from lower in-store footfall, directly impacted by the forced closures in the store network, and could not be fully offset by the near-80% jump in online sales. The development of Yves Saint Laurent's e-commerce was spurred by the launch of an online store in China in June, and then in the fourth quarter, the internalization of operations that were previously managed by the joint venture with Yoox.

Sales generated in the wholesale network were down 13.7% year on year on a comparable basis. The majority of the revenue loss was concentrated in (i) the United States, reflecting the financial difficulties faced by US wholesalers, and (ii) South Korea, due to the sharp decline in footfall for duty free points of sale.

Revenue by region

In view of the proportion of Yves Saint Laurent's sales that are generated in directly operated stores, the following revenue analysis by region only concerns the retail business.

In line with the situation for the luxury industry as a whole, Yves Saint Laurent's performance was mixed across its different geographic regions, with stable sales in emerging markets and steep revenue falls in mature markets.

Revenue in the brand's heritage markets fell 21.2%. In North America, the House's penetration in the United States and its buoyant online sales enabled it to contain the region's sales decline, with revenue decreasing by just 2.4% for the year as a whole, and a particularly solid recovery in the second half. In Western Europe, revenue fell 33.8%, as the good performance generated from local clients, who continued to demonstrate loyalty to the brand, was not sufficient to offset the impact of the collapse in tourism. In Japan, sales dropped 23.7% due to a poor first half and despite improved trends in the last quarter.

In emerging markets, sales generated in directly operated stores edged up 0.4% compared with 2019. In the Asia-Pacific region, which accounted for the bulk of the brand's sales in emerging markets, momentum was very strong in Mainland China, Taiwan and South Korea. However, the store network in Mainland China is still being expanded and its size does not yet match the renown that Yves Saint Laurent enjoys in this country. This meant that the brand was not able to fully capitalize on the repatriation of Chinese spending to the local market. Performance in the region's other major countries, such as Hong Kong and Singapore, was weighed down by travel restrictions and the resulting very low tourist numbers.

Revenue by product category

Given the unprecedented situation in 2020, all of Yves Saint Laurent's product categories recorded negative performances.

Leather goods was once again the brand's leading category and was the most resilient. This reflects the initiatives taken by Yves Saint Laurent over the last several years to constantly renew and refresh its leather goods offering, with a specially dedicated creative team, which has helped it to both attract new clients and retain existing clients on all its markets.

Ready-to-wear and shoes saw fairly similar revenue trends during the year. However, following the change in the brand's merchandising strategy implemented over the past few quarters with the aim of making its offerings and price architecture for these categories more relevant, the new collections have been extremely well received by clients, and fourth quarter trends were very promising, especially in Asia.

Royalties received from Kering Eyewear were lower year on year but the decrease was contained. The market was less buoyant overall for fragrances and cosmetics, and as a result the contraction in L'Oréal's royalties was more marked.

Recurring operating income

Yves Saint Laurent ended 2020 with recurring operating income of €400 million, versus €562 million in 2019, representing a year-on-year decrease of 28.9%.

Recurring operating margin narrowed by 4.5 points to 22.9% for the full year. It picked up significantly in the second half, however, coming in at 28.0%, just 0.9 points lower than in the same period of 2019.

As was the case for the Group's other brands, the cost base was reduced throughout the year in order to limit the dilution in profitability without too drastically cutting the operating expenses needed to pursue Yves Saint Laurent's business development in the medium term.

EBITDA retreated by €144 million, coming in at €590 million, with almost all of the decrease concentrated in the first half of the year. EBITDA margin was 33.8%, versus 35.8% as reported in 2019.

Store network and operating investments

As of December 31, 2020, Yves Saint Laurent directly operated 239 stores, including 113 in emerging markets. There were 17 net store openings during the year, reflecting the brand's store network expansion plan implemented over the past few years and taking into account the restrictions on construction work and store openings caused by lockdown measures. More than half of the openings were in Greater China or South Korea – regions where the brand's distribution network does not yet match its potential.

The House's investments were particularly well managed, with prudent choices made in terms of prioritizing capital expenditure projects. Altogether, they totaled €53 million, down €45 million (46.2%) on 2019.

Bottega Veneta

(in € millions)	2020	2019	Change
Revenue	**1,210.3**	**1,167.6**	**+3.7%**
Recurring operating income	**172.0**	**215.2**	**-20.1%**
as a % of revenue	***14.2%***	***18.4%***	***-4.2 pts***
EBITDA	333.6	374.3	-10.9%
as a % of revenue	*27.6%*	*32.1%*	*-4.5 pts*
Acquisitions of property, plant and equipment and intangible assets	48.4	57.8	-16.3%
Average FTE headcount	3,831	3,754	+2.1%

Since the appointment of Daniel Lee as Creative Director in June 2018 and then Bartolomeo Rongone as Chief Executive Officer from September 1, 2019, Bottega Veneta has embarked on a new chapter in its history, launching a radical transformation process.

This process intensified in 2019 and again in 2020, with major investments undertaken to action measures aimed at developing Bottega Veneta's offerings in all product categories, rejuvenating and broadening its client base, raising brand awareness – especially in mature markets – and enhancing clients' instore experience.

The brand's strategy began to pay off in 2019, enabling it to not only come through the crisis year of 2020 with impressive resilience but also to increase its revenue. Having already won over clientele in mature markets, the House's new aesthetic has now been taken up by clients within the main Asian markets. In line with its growing momentum, throughout the year the brand stepped up its initiatives in terms of communication and engagement with clients and all those interested in Bottega Veneta. The brand's digital footprint broadened considerably in 2020, propelled by its e-commerce activities (whose revenue increased 2.5-fold year on year).

Revenue

Bottega Veneta generated revenue of €1,210 million in 2020, up 4.8% based on comparable data and 3.7% as reported. After retreating 9.5% in the first half of the year as a logical consequence of the lockdown measures imposed in the brand's main markets, revenue swung back up in the second half, advancing 18.0% at constant exchange rates.

With the aim of preserving its high-end positioning and exclusivity, Bottega Veneta's preferred distribution channel is its directly operated stores. However, as was the case in 2019, in 2020, the brand's growing appeal among wholesale buyers enabled Bottega Veneta to regain market share with wholesalers.

Directly operated stores accounted for 73.2% of the brand's total sales in 2020 and their revenue contracted by 5.3% for the year as a whole. However, it advanced 7.2% in the second half, driven by strong sales momentum in the Asia-Pacific region and e–commerce.

Wholesale sales jumped 48.5%, testifying to the brand's renewed appeal with professional buyers and market share gains among key accounts in Western Europe and North America. This excellent performance benefited from the actions taken over the past several years to reorganize the wholesale distribution channel. The underlying aim of these measures, which are set to accelerate, is to only work with best-in-class partners and avoid the risk of saturation at points of sale.

Revenue by region

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

Bottega Veneta's appeal grew considerably stronger in Asia during 2020 after clients took up the creative aesthetic of its new collections in most of its mature markets in 2019.

In emerging markets, the brand's sales advanced 17.5% year on year, based on comparable data, with particularly strong growth in Mainland China and South Korea, its two main markets in the Asia-Pacific region.

In mature markets, revenue retreated 22.9%. In North America, the House contained its sales decrease to 8.9%, with modest growth in the United States and Canada despite lockdown-related store closures, but with a sharp drop in Hawaii. In Western Europe, revenue generated with local clients increased significantly but overall performance in this market was down 28.6%, hampered by the near-total collapse of tourism in the region. In Japan, sales contracted 24.1%, but trends in the fourth quarter showed a marked improvement, with Bottega Veneta's new artistic direction resonating with clients.

Revenue by product category

The leather goods category – which is still Bottega Veneta's core business, accounting for almost 74% of its total sales, including to wholesalers – posted a slight revenue decrease for the year as a whole, mainly due to poor performance in the second quarter. In the second half of 2020, sales for this category picked up however. New lines registered very solid performances throughout the year, increasingly being used as carryovers, while the decline in sales of older lines became more pronounced.

Total revenue for all of the brand's other categories rose strongly in 2020, buoyed by the success of its Women's ready-to-wear and shoes collections, as well as much more favorable bases of comparison than for leather goods.

The outbreak of the COVID-19 pandemic forced Bottega Veneta to postpone the implementation of its planned measures to re-energize its Men's collections, whereas its Women's collections were the first to benefit from Daniel Lee's revamping of the brand's offering as from 2019. Year-end trends seem to show a clear upturn in revenue for the brand's Men's collections, which are still a growth driver for the medium term.

Recurring operating income

Bottega Veneta's recurring operating income for 2020 totaled €172 million, down €43 million (or 20.1%) compared with 2019.

Recurring operating margin narrowed by 4.2 points to 14.2% for the year as a whole, but picked up in the second half, coming in at 18.2% (0.2 points higher than in the same period of 2019).

The margin dilution was mainly attributable to a particularly unfavorable leverage effect in the first six months of the year due to the sales decline. Another contributing factor was an increase in operating expenses as the brand is still in the investment phase needed to make its revamp a lasting success. Certain expenses aimed at helping Bottega Veneta in its transformation and relaunch processes therefore continued to rise, whereas priorities were set and cost-saving plans launched for other types of expenditure as part of an overall financial discipline strategy. Going forward, the brand's profitability is expected to improve gradually, but in the medium term it will continue to be impacted by these investments, which are necessary and are being carefully controlled.

EBITDA totaled €333 million in 2020 and EBITDA margin narrowed by 4.5 points to 27.6%.

Store network and operating investments

As of December 31, 2020, Bottega Veneta had 261 directly operated stores, including 122 in emerging markets. There were 7 net store closures during the year. The brand focused its investment efforts on relocating and refurbishing its existing stores, while pursuing its strategy of gradual and targeted openings of new flagships (notably the Omotesando store in Tokyo).

In view of this measured store network management and the postponement of projects as a result of the lockdowns during the year, Bottega Veneta's operating investments amounted to €48 million in 2020, down €10 million (or 16.3%) on 2019.

Other Houses

(in € millions)	2020	2019	Change
Revenue	**2,281.3**	**2,537.5**	**-10.1%**
Recurring operating income	**180.6**	**317.7**	**-43.2%**
as a % of revenue	***7.9%***	***12.5%***	***-4.6 pts***
EBITDA	457.2	550.0	-16.9%
as a % of revenue	*20.0%*	*21.7%*	*-1.7 pts*
Acquisitions of property, plant and equipment and intangible assets	153.7	158.8	-3.2%
Average FTE headcount	6,913	6,439	+7.4%

The performances of Kering's Other Houses in 2020 were mixed depending on each brand's maturity, their exposure to certain types of clients, and their sales trajectories in recent years.

Despite their differing sizes, Balenciaga and Alexander McQueen recorded similar, very solid showings in 2020.

- Balenciaga's sales rose slightly at constant exchange rates – an impressive performance in a year marked by the COVID-19 pandemic and the implementation of the brand's strategy to streamline its wholesale distribution channel. Its sales generated in directly operated stores were very robust and felt the beneficial effects of few store openings and very strong growth for e–commerce. With revenue well above the €1 billion mark, the brand maintained a high level of profitability, even managing to improve on its 2019 figure. At the same time, it continued to invest in order to strengthen its organization and operating structures, with a view to sustainably positioning the House at the top of the ranks in terms of creativity, renown and distribution.
- 2020 was another year of growth for Alexander McQueen, which pursued its strategy of enhancing its collections in all of its product categories. During the year, it drew on the success of its sneakers to extend its offering to cover all segments in the shoes category and continued to expand its ready–to–wear offering, which remains central to the brand's identity and famous creative edge. The House also enlarged its store network, developed its online sales and improved its profitability in 2020.

Performances for the jewelry brands were particularly mixed in 2020. Boucheron, Pomellato and DoDo entered into new phases in their projects to structure their product offerings, adapt their distribution, especially in the Asia-Pacific region, and deploy more ambitious communication plans. However, their revenue in Western Europe was heavily impacted by pandemic-related travel restrictions, which weighed both on the purchasing behavior of major clients and on tourist numbers. In Asia, the jewelry Houses saw strong sales growth thanks to investments made in recent years and a more favorable economic and health situation. This was notably the case for Qeelin, which is mainly distributed in Greater China and has a design aesthetic directly influenced by Chinese culture. Qeelin delivered the best revenue growth out of the entire Group in 2020.

Brioni and the watches brands (Girard-Perregaux and Ulysse Nardin) were hit hard by the impacts of the pandemic. These impacts particularly affected the markets (Western Europe) and segments (formal wear) to which these Houses are the most exposed, and also contributed to further polarizing the global watches sector. The difficult situation was exacerbated for these brands in that they had already launched major transformation and restructuring programs. However, the results for 2020 – both for Brioni and the watches brands – do not alter their strategic directions, as there were encouraging signs in late 2019 and the second half of 2020 that they are on the right track.

Revenue

Overall revenue generated by the Other Houses contracted 9.4% on a comparable basis (exchange rates and scope) in 2020, coming in at €2,282 million. After a first half that was obviously impacted by the lockdown measures (with revenue down 25.8%), performance improved in the second half with growth of 6.4%.

Following on from their excellent performances in 2019, Balenciaga and Alexander McQueen held firm in 2020 and both recorded slight sales increases. Qeelin was the only Group brand to report high revenue growth, buoyed by a sales recovery in China. Boucheron posted a very solid performance in Asia but suffered from its exposure to the Japanese market – in spite of a sharp upswing in the fourth quarter – and, like Pomellato, from its extensive, long-standing presence in Western Europe. Sales for the Houses that have launched in-depth transformation processes – such as Brioni and the watches brands – were heavily impacted by the COVID-19 crisis.

Revenue generated in stores directly operated by the Other Houses retreated 4.9%. However, despite the numerous store closures throughout the year, the proportion of sales contributed by this distribution channel rose from 56% to 58%. This increase was to a large extent due to the brands' strategy of increasing exclusive distribution, which led them to open new stores during previous quarters. The rapid growth in online sales during the COVID-19 pandemic was also a contributing factor.

Sales in the wholesale network retreated 13.0% on a comparable basis versus 2019, reflecting the combined effect of the difficulties suffered by distributors in North America and the impacts of the pandemic on franchisees and the distributors of the watches and jewelry brands in Europe and the Middle East. The decline in wholesale sales also stemmed from the distribution strategy currently being implemented by the main brands, which is aimed at concentrating the wholesale business on a restricted number of top quality partners.

Revenue by region

As was the case for all of the Group's Houses, revenue for the Other Houses was hindered by performances in mature markets, where sales fell by 15.3%. The bearish consumer environment and lack of tourists weighed on sales in Western Europe, which were down 18.7% year on year. The watches and jewelry brands were the worst affected, whereas Balenciaga and Alexander McQueen proved more resilient, although still reported negative growth. Despite markedly improved trends in the fourth quarter, revenue in Japan contracted 24.7% for the year as a whole. In North America, sales rebounded in the second half, which enabled the region to end the year up 1.8% on 2019.

Growth in emerging markets (4.1%) was closely correlated to the trends observed in the Asia-Pacific region, particularly in Mainland China, where revenue for the Other Houses almost doubled between 2019 and 2020.

Revenue by product category

Over the past year, the shoes and ready-to-wear categories were once again the most dynamic categories, driven by the appeal of the Balenciaga and Alexander McQueen collections, especially in the second half.

Sales of leather goods held up remarkably well, in both the first and second halves of the year. This performance was closely related to the growing appeal of Balenciaga's offering in the handbags segment.

Performances for the jewelry brands were mixed across the various regions. Good momentum in emerging markets, combined with the development of e-commerce (which is still marginal for these brands) was not sufficient to offset the revenue falls in Boucheron and Pomellato's historical markets.

The revenue decline for the watches brands was very significant during the period.

Recurring operating income

Recurring operating income for the Other Houses amounted to €180 million in 2020, representing a 43.2% decrease compared with the €318 million recorded in 2019. Recurring operating margin narrowed by 4.6 points to 7.9%. This dilution was in line with that of the Group's other Houses and was contained overall thanks to a good second-half performance (when recurring operating margin rose by 0.4 points year on year to 14.1%), following on from a €12 million recurring operating loss in the first six months.

For 2020 as a whole, the impact of the revenue decline took a particularly heavy toll on the profitability of certain brands that had neared break-even in 2019 and are exposed to regions where fixed costs represent a high proportion of the overall cost base. The size of Balenciaga and Alexander McQueen, however, meant that these two brands were able to adjust the amount of their operating costs and, thanks to their sales growth, were able to increase their profitability. Conversely, Brioni and the watches brands saw their losses worsen during the year despite the cost-saving measures put in place.

EBITDA came in at €457 million, down just €93 million on 2019, while EBITDA margin narrowed by 1.7 points to 20.0%.

Store network and operating investments

The Other Houses directly operated 450 stores as of December 31, 2020, or 46 units more than at December 31, 2019. As of the end of 2020, the network comprised 234 stores in mature markets and 216 in emerging markets. Three quarters of the net store openings during the year were in the Asia-Pacific region, mostly in Mainland China and South Korea. The new openings mainly concerned Balenciaga and Alexander McQueen, which pursued their respective growth and exclusive distribution strategies, while adapting them to the changing circumstances.

Operating investments for the Other Houses totaled €154 million, down 3.2% on 2019. Many projects that had been launched in the last few months of 2019 were not actually affected in 2020, particularly because they were largely concentrated in Asia, where market momentum for the Other Houses is strong. The investment program for the second half of the year was revised in order to allocate resources to the most strategic projects and to enable the brands – whose growth potential is still intact – to roll out the expansion plans for their store networks.

Corporate and other

(in € millions)	2020	2019	Change
Revenue	**423.6**	**500.9**	**-15.4%**
Recurring operating income (loss) (excluding corporate long-term incentive plans)	(184.6)	(195.5)	+5.6%
Cost of corporate long-term incentive plans	(47.3)	(68.2)	+30.6%
Recurring operating income (loss)	**(231.9)**	**(263.7)**	**+12.1%**
Acquisitions of property, plant and equipment and intangible assets	326.3	303.9	+7.4%
Average FTE headcount	4,139	3,946	+4.9%

The "Corporate and other" segment comprises (i) Kering's corporate departments and headquarters teams, (ii) Shared Services, which provide a range of services to the brands, (iii) the Kering Sustainability Department, and (iv) the Kering Sourcing Department (KGS), a profit center for services that it provides on behalf of non-Group brands, such as the companies making up the former Redcats group.

In addition, since January 1, 2017, Kering Eyewear's results have been reported within the "Corporate and other" segment.

Kering Eyewear posted sales of €487 million in 2020, down 17.6% year on year at constant exchange rates. After a slight 1.5% decrease in the first quarter – reflecting a year-on-year high comparison base due to the launch of the Balenciaga and Montblanc licenses in early 2019 – in the second quarter Kering Eyewear's business was heavily impacted (down 49.3%) by the brands' store closures, the virtual shutdown of travel retail, and distributors' prudent buying behavior. Revenue picked up in the second half of the year despite the operating environment remaining very uncertain for the segment, particularly due to the ongoing decline in orders in the travel retail channel. The contraction in sales during those six months was a contained 8.6%, thanks to the dedicated, high-quality work of Kering Eyewear's teams.

Excluding sales to major international distributors and stores operated by the Group's brands, EMEA was once again Kering Eyewear's main market, followed by the Americas. The proportion of revenue generated in the Asia-Pacific region (including Japan) narrowed slightly in 2020 due to the strong weighting of travel retail in that region. In terms of distribution channels, local chains and the three "Os" (Opticians, Optometrists and Ophthalmologists) constitute the main sales channel for Kering Eyewear (representing over 50% of total sales in 2020). This channel was the most resilient during the year, with revenue more or less stable – a performance that testifies to the effectiveness of Kering Eyewear's commercial set-up.

Kering Eyewear's contribution to consolidated revenue for 2020 totaled €399 million (after eliminating intra–group sales and royalties paid to the Group's brands), representing a 15.0% year-on-year decrease at constant exchange rates.

Despite lower sales volumes and the amortization expense recognized on the portion of the compensation paid to Safilo for the early termination of the Gucci license (which was capitalized in the Group's balance sheet in an amount of €14 million as of December 31, 2019 to be amortized in 2020), Kering Eyewear ended 2020 with slightly higher recurring operating income thanks to the agility and rigor of its management processes.

Overall, net costs recorded by the "Corporate and other" segment for 2020 came to approximately €232 million, €32 million lower than in 2019.

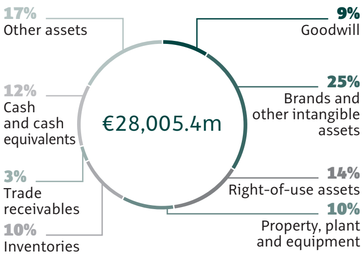
The cost of long-term incentive plans, including those of corporate officers, decreased by €21 million to €47 million, in line with the movement in Kering's share price and the number of KMUs awarded.

Excluding the effect of long-term incentive plans, the segment's recurring operating income rose by 5.1%, reflecting (i) slightly higher positive contributions from KGS and Kering Eyewear, and (ii) the measures taken to contain Corporate organization costs despite the Group stepping up its digital and innovation initiatives.

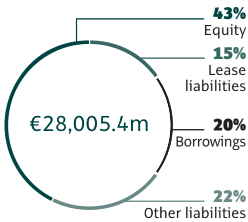
Gross operating investments amounted to €326 million, up €22 million on 2019 due to the acceleration of projects to upgrade all of the Group's information systems and, above all, the logistics operations managed by the Corporate teams on behalf of the Group's brands. These investments, which are of strategic importance to the Group, were maintained despite the COVID-19 pandemic.

1.3 Balance sheet as of December 31, 2020

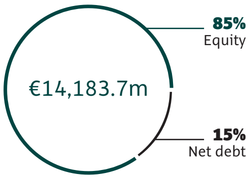
Assets



Equity and liabilities



Capital employed



Condensed balance sheet

(in € millions)	**Dec. 31, 2020**	**Dec. 31, 2019**	**Change**
Goodwill	2,452.2	2,525.9	-2.9%
Brands and other intangible assets	6,985.8	7,260.5	-3.8%
Lease right-of-use assets	3,956.8	4,246.7	-6.8%
Property, plant and equipment	2,670.2	2,619.3	+1.9%
Investments in equity-accounted companies	36.2	1,105.3	-96.7%
Other non-current assets	2,883.4	1,844.8	+56.3%
Non-current assets	**18,984.6**	**19,602.5**	**-3.2%**
Inventories	2,845.5	2,959.2	-3.8%
Trade receivables	824.2	996.0	-17.2%
Cash and cash equivalents	3,442.8	2,285.9	+50.6%
Other current assets	1,907.6	1,298.5	+46.9%
Current assets	**9,020.1**	**7,539.6**	**+19.6%**
Assets held for sale	**0.7**	**6.1**	**-88.5%**
TOTAL ASSETS	28,005.4	27,148.2	+3.2%
Equity attributable to the Group	11,820.9	10,278.1	+15.0%
Equity attributable to minority interests	214.1	160.5	+33.4%
Total equity	**12,035.0**	**10,438.6**	**+15.3%**
Non-current borrowings	3,815.3	3,122.2	+22.2%
Non-current lease liabilities	3,545.8	3,598.6	-1.5%
Other non-current liabilities	1,874.6	1,841.3	+1.8%
Non-current liabilities	**9,235.7**	**8,562.1**	**+7.9%**
Current borrowings	1,776.2	1,975.9	-10.1%
Current lease liabilities	538.0	720.0	-25.3%
Other current liabilities	4,420.4	5,450.8	-18.9%
Current liabilities	**6,734.6**	**8,146.7**	**-17.3%**
Liabilities associated with assets held for sale	**0.1**	**0.8**	**-87.5%**
TOTAL EQUITY AND LIABILITIES	28,005.4	27,148.2	+3.2%

Net debt

(in € millions)	Dec. 31, 2020	Dec. 31, 2019	Change
Borrowings	5,591.5	5,098.1	+9.7%
Cash and cash equivalents	(3,442.8)	(2,285.9)	-50.6%
Net debt	**2,148.7**	**2,812.2**	**-23.6%**

Capital employed

(in € millions)	Dec. 31, 2020	Dec. 31, 2019	Change
Total equity	12,035.0	10,438.6	+15.3%
Net debt	2,148.7	2,812.2	-23.6%
Capital employed	**14,183.7**	**13,250.8**	**+7.0%**

Goodwill and brands

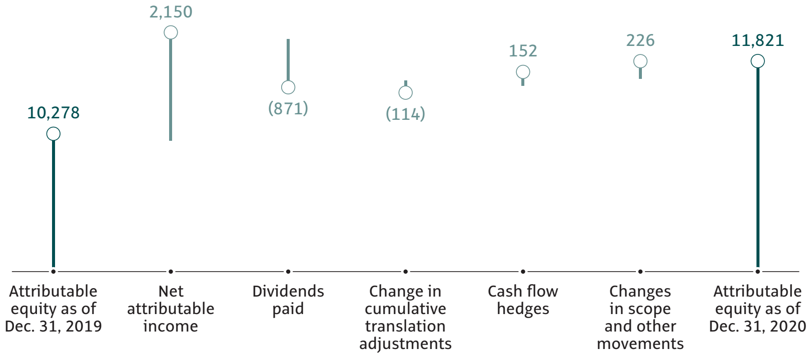
As of December 31, 2020, brands net of deferred tax liabilities amounted to €4,947 million, compared with €5,226 million as of December 31, 2019.

Current operating assets and liabilities

(in € millions)	Dec. 31, 2020	Dec. 31, 2019	Cash flow statement	Foreign exchange differences	Other movements
Inventories	2,845.5	2,959.2	(48.6)	(86.5)	21.4
Trade receivables	824.2	996.0	(151.9)	(28.4)	8.5
Trade payables	(666.0)	(808.7)	150.2	6.5	(14.0)
Other current assets (liabilities), net	(1,141.3)	(1,573.1)	374.3	28.4	29.1
Net current tax receivables (payables)	(300.8)	(1,080.8)	779.0	0.4	0.6
Current operating assets (liabilities), net	**1,561.6**	**492.6**	**1,103.0**	**(79.6)**	**45.6**

Changes in the value of net non-current assets reflect the contraction in business in 2020 as a direct result of the COVID-19 pandemic.

Change in equity attributable to the Group



As of December 31, 2020, Kering SA's share capital amounted to €500,071,664, comprising 125,017,916 fully paid-up shares with a par value of €4 each. This represents a year-on-year decrease of €5,045,624, reflecting the cancellation of 1,261,406 shares under the stock repurchase program. Excluding the 95,000 Kering treasury shares, there were 124,922,916 shares issued and outstanding as of that date.

(See Note 22 – Equity, to the consolidated financial statements.)

1.4 Comments on movements in net debt

(in € millions)	**Dec. 31, 2020**	**Dec. 31, 2019**	**Change**
Bonds	3,836.8	3,147.8	+21.9%
Other bank borrowings	284.8	211.6	+34.6%
Commercial paper	552.2	804.6	-31.4%
Other borrowings	917.7	934.1	-1.8%
o/w Put options granted to minority interests	*411.3*	*444.6*	*-7.5%*
Total borrowings	**5,591.5**	**5,098.1**	**+9.7%**
Cash and cash equivalents	(3,442.8)	(2,285.9)	-50.6%
Net debt	**2,148.7**	**2,812.2**	**-23.6%**

Net debt is defined on page 97.

Lease liabilities represented a total of €4,084 million at December 31, 2020 (€4,319 million at December 31, 2019).

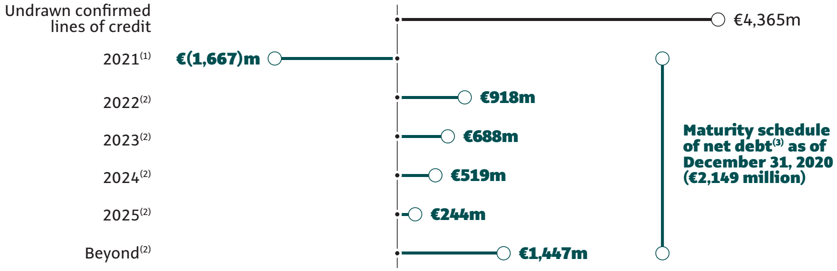
Solvency

The Group has a very sound financial structure and since April 18, 2019 has had a long-term A- rating with a stable outlook with Standard & Poor's.

Liquidity

As of December 31, 2020, the Group had cash and cash equivalents totaling €3,443 million (€2,286 million as of December 31, 2019) as well as confirmed lines of credit amounting to €4,365 million (€3,035 million as of December 31, 2019). The balance of confirmed undrawn lines of credit was €4,365 million at the end of 2020, 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 97.

The portion of the Group's borrowings maturing within one year corresponded to 31.8% as of December 31, 2020 (38.8% as of December 31, 2019). 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 Note 23 – Net debt, to the consolidated financial statements).

Changes in net debt

(in € millions)	2020	2019	Change
Net debt as of January 1	**2,812.2**	**1,711.4**	
First-time application of IFRS 16	-	(78.7)	N/A
Free cash flow from operations	(2,104.6)	(1,520.7)	-38.4%
Dividends paid	1,009.4	1,342.1	-24.8%
Net interest paid and dividends received	167.2	161.2	+0.6%
Acquisitions of Kering shares	54.1	402.1	-86.5%
Repayment of lease liabilities[1]	900.2	749.6	+20.1%
Disposal of a 5.83% stake in PUMA	(655.6)	-	N/A
Other acquisitions and disposals	75.1	323.2	-76.8%
Other movements	(109.3)	(278.0)	+62.5%
Net debt as of December 31	**2,148.7**	**2,812.2**	**-23.6%**

(1) Repayments of principal for €787.3 million (€639.6 million in 2019) and of interest for €112.9 million (€109.6 million in 2019) relating to capitalized fixed lease payments.

Free cash flow from operations

Cash flow received from operating activities

(in € millions)	2020	2019	Change
Cash flow received from operating activities before tax, dividends and interest	**4,280.3**	**5,936.3**	**-27.9%**
Change in working capital requirement	44.4	(557.5)	+108.0%
Income tax paid	(1,436.1)	(2,903.5)	+50.5%
Net cash received from operating activities	**2,888.6**	**2,475.3**	**+16.7%**

Operating investments

(in € millions)	2020	2019	Change
Net cash received from operating activities	**2,888.6**	**2,475.3**	**+16.7%**
Acquisitions of property, plant and equipment and intangible assets	(786.9)	(955.8)	+17.7%
Disposals of property, plant and equipment and intangible assets	2.9	1.2	+141.7%
Free cash flow from operations	**2,104.6**	**1,520.7**	**+38.4%**

Gross operating investments by activity

(in € millions)	2020	2019	Change
Total Luxury Houses	460.6	651.9	-29.3%
Corporate and other	*326.3*	*303.9*	*+7.4%*
Acquisitions of property, plant and equipment and intangible assets	**786.9**	**955.8**	**-17.7%**

In 2020, 50% of the Group's gross operating investments concerned the store network (versus 59% in 2019). 48% of these investments related to store opening programs and 52% to store conversions and refurbishments.

Available cash flow from operations and available cash flow

(in € millions)	2020	2019	Change
Free cash flow from operations	**2,104.6**	**1,520.7**	**+38.4%**
Repayment of lease liabilities	(787.3)	(639.6)	-23.1%
Interest paid on leases	(112.9)	(109.6)	-3.0%
Available cash flow from operations	**1,204.4**	**771.5**	**+56.1%**
Interest and dividends received	6.9	19.1	-63.9%
Interest paid and equivalent (excluding leases)	(174.1)	(180.3)	+3.4%
Available cash flow	**1,037.2**	**610.3**	**+69.9%**

Available cash from operations and available cash flow are defined on page 97.

Dividends paid

The cash dividend paid by Kering SA to its own shareholders in 2020 amounted to €1,000 million (€1,320 million in 2019), including the €438 million interim dividend paid on January 16, 2020.

Dividends paid in 2020 also included €9 million paid to minority interests in consolidated subsidiaries (€22 million in 2019).

Other movements

This item includes the €110 million negative impact of fluctuations in exchange rates in 2020 (€105 million negative impact in 2019).

1.5 Parent company net income

The parent company ended 2020 with net income of €2,080 million, compared with €918 million in 2019. The 2020 figure includes €1,631 million in dividends received from subsidiaries (versus €930 million in 2019).

1.6 Transactions with related parties

Transactions with related parties in 2020 are described in Note 34 – Transactions with related parties, to the consolidated financial statements.

1.7 Subsequent events

No significant events occurred between December 31, 2020 and February 16, 2021 – the date on which the Board of Directors authorized the consolidated financial statements for issue.

1.8 Outlook

Positioned in structurally fast-growing markets, Kering enjoys very solid fundamentals and a balanced portfolio of complementary, high-potential brands with clearly focused priorities. The Group's strategy is focused on achieving same-store revenue growth while ensuring the targeted and selective expansion of the store network in order to sustainably grow its Houses, strengthen the exclusivity of their distribution and consolidate their profitability profiles. The Group is also proactively investing to develop cross-business growth platforms in the areas of e-commerce, omni–channel distribution, logistics and technological infrastructure, expertise, and innovative digital tools.

The health and subsequent economic crises caused by the COVID-19 pandemic in 2020 have had major consequences on consumption trends, tourism flows and global economic growth. Along with the luxury sector, the Group was deeply impacted by the effects of the pandemic on its customers and its business operations, primarily in the first six months of the year. More favorable trends emerged in the second half, although these remain closely linked to developments in the health situation and associated restrictions across countries and regions.

Against this backdrop, Kering has taken all necessary measures to adapt its cost base, limit the decline in its profitability and preserve its cash flow generation, while maintaining the expenditure and investments required to protect its Houses' market positions and ensure their potential to bounce back. Kering also continues to resolutely pursue its strategy and will continue to manage and allocate its resources in order to support its operating performance, maintain high cash flow generation and optimize return on capital employed.

Thanks to its strong business model and structure, along with its robust financial position, Kering remains confident in its growth potential for the medium and long term. While the current environment remains subject to a number of uncertainties, the crisis has not called into question the structural growth drivers of the worldwide luxury market, fully validating the pertinence of Kering's strategy and enabling the Group to emerge stronger from the crisis.

1.9 Definitions of non-IFRS financial indicators

"Reported" and "comparable" revenue

The Group's "reported" revenue corresponds to published revenue. The Group also uses "comparable" data to measure organic growth. "Comparable" revenue refers to 2019 revenue adjusted as follows by:

- neutralizing the portion of revenue corresponding to entities divested in 2019;
- including the portion of revenue corresponding to entities acquired in 2020;
- remeasuring 2019 revenue at 2020 exchange rates.

These adjustments give rise to comparative data at constant scope and exchange rates, which serve to measure organic growth.

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 Group structure, 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 a major indicator for the Group, defined as the difference between operating income and other non-recurring operating income and expenses. This intermediate line item 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. This indicator is presented in a manner that is consistent and stable over the long term in order to ensure the continuity and relevance of financial information.

EBITDA

The Group uses EBITDA 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. Consequently, 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.

Borrowings include put options granted to minority interests.

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.

IAS 17-adjusted financial indicators

Certain key indicators such as recurring operating income and EBITDA may be presented on an adjusted IAS 17 basis, i.e., as if IAS 17 had been applied instead of IFRS 16. In such cases, the indicator will be followed by the phrase "(adjusted for IAS 17)".

2 - CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2020

Audited data, report pending.

2.1 Consolidated income statement

(in € millions)	Notes	2020	2019
CONTINUING OPERATIONS			
Revenue	**6**	**13,100.2**	**15,883.5**
Cost of sales		(3,590.6)	(4,108.5)
Gross margin		**9,509.6**	**11,775.0**
Personnel expenses	7	(2,070.0)	(2,290.8)
Other recurring operating income and expenses		(4,304.4)	(4,705.9)
Recurring operating income		**3,135.2**	**4,778.3**
Other non-recurring operating income and expenses	9	163.0	(168.5)
Operating income		**3,298.2**	**4,609.8**
Financial result	10	(341.7)	(309.5)
Income before tax		**2,956.5**	**4,300.3**
Income tax expense	11	(759.2)	(2,133.7)
Share in earnings (losses) of equity-accounted companies		(7.6)	41.8
Net income from continuing operations		**2,189.7**	**2,208.4**
o/w attributable to the Group		*2,160.2*	*2,166.9*
o/w attributable to minority interests		*29.5*	*41.5*
DISCONTINUED OPERATIONS			
Net income from discontinued operations		**(9.8)**	**125.4**
o/w attributable to the Group		*(9.8)*	*141.7*
o/w attributable to minority interests		*-*	*(16.3)*
TOTAL GROUP			
Net income of consolidated companies		**2,179.9**	**2,333.8**
o/w attributable to the Group		*2,150.4*	*2,308.6*
o/w attributable to minority interests		*29.5*	*25.2*

(in € millions)	Notes	2020	2019
Net income attributable to the Group		**2,150.4**	**2,308.6**
Basic earnings per share *(in €)*	12.1	17.20	18.40
Diluted earnings per share *(in €)*	12.1	17.20	18.40
Net income from continuing operations attributable to the Group		**2,160.2**	**2,166.9**
Basic earnings per share *(in €)*	12.1	17.28	17.27
Diluted earnings per share *(in €)*	12.1	17.28	17.27
Net income from continuing operations (excluding non-recurring items) attributable to the Group		**1,972.2**	**3,211.5**
Basic earnings per share *(in €)*	12.2	15.78	25.59
Diluted earnings per share *(in €)*	12.2	15.78	25.59

2.2 Consolidated statement of comprehensive income

(in € millions)	Notes	2020	2019
Net income		**2,179.9**	**2,333.8**
o/w attributable to the Group		*2,150.4*	*2,308.6*
o/w attributable to minority interests		*29.5*	*25.2*
Change in currency translation adjustments relating to consolidated subsidiaries:		(124.7)	33.6
change in currency translation adjustments		*(124.7)*	*33.6*
amounts transferred to the income statement		*-*	*-*
Change in foreign currency cash flow hedges:	24.6	152.3	17.8
change in fair value		*222.0*	*(85.0)*
amounts transferred to the income statement		*(61.6)*	*103.8*
tax effects		*(8.1)*	*(1.0)*
Change in other comprehensive income (loss) of equity-accounted companies:	18	3.8	(7.0)
change in fair value		*2.1*	*(7.0)*
amounts transferred to the income statement		*1.7*	*-*
Gains and losses recognized in equity, to be transferred to the income statement		**31.4**	**44.4**
Change in provisions for pensions and other post-employment benefits:	26	1.3	(16.1)
change in actuarial gains and losses		*1.3*	*(19.9)*
tax effects		*-*	*3.8*
Change in financial assets measured at fair value:	19.2	290.1	(0.1)
change in fair value		*295.8*	*(0.1)*
tax effects		*(5.7)*	*-*
Gains and losses recognized in equity, not to be transferred to the income statement		**291.4**	**(16.2)**
Total gains and losses recognized in equity		**322.8**	**28.2**
o/w attributable to the Group		*333.3*	*26.8*
o/w attributable to minority interests		*(10.5)*	*1.4*
COMPREHENSIVE INCOME		2,502.7	2,362.0
o/w attributable to the Group		*2,483.7*	*2,335.4*
o/w attributable to minority interests		*19.0*	*26.6*

2.3 Consolidated balance sheet

Assets

(in € millions)	Notes	Dec. 31, 2020	Dec. 31, 2019
Goodwill	13, 15	2,452.2	2,525.9
Brands and other intangible assets	14, 15	6,985.8	7,260.5
Lease right-of-use assets	16.1	3,956.8	4,246.7
Property, plant and equipment	17	2,670.2	2,619.3
Investments in equity-accounted companies	18	36.2	1,105.3
Non-current financial assets	19	1,688.6	458.4
Deferred tax assets	11.3	1,177.4	1,367.6
Other non-current assets		17.4	18.8
Non-current assets		**18,984.6**	**19,602.5**
Inventories	20	2,845.5	2,959.2
Trade receivables	21	824.2	996.0
Current tax receivables		600.5	280.7
Current financial assets	19	158.0	38.4
Other current assets		1,149.1	979.4
Cash and cash equivalents	23.1	3,442.8	2,285.9
Current assets		**9,020.1**	**7,539.6**
Assets held for sale		**0.7**	**6.1**
TOTAL ASSETS		28,005.4	27,148.2

Equity and liabilities

(in € millions)	Notes	Dec. 31, 2020	Dec. 31, 2019
Equity attributable to the Group		11,820.9	10,278.1
Equity attributable to minority interests		214.1	160.5
Equity	**22**	**12,035.0**	**10,438.6**
Non-current borrowings	23	3,815.3	3,122.2
Non-current lease liabilities	16.2	3,545.8	3,598.6
Non-current financial liabilities	25	80.0	47.9
Non-current provisions for pensions and other post-employment benefits	26	107.5	106.5
Non-current provisions	27	18.4	15.1
Deferred tax liabilities	11.3	1,485.1	1,530.4
Other non-current liabilities		183.6	141.4
Non-current liabilities		**9,235.7**	**8,562.1**
Current borrowings	23	1,776.2	1,975.9
Current lease liabilities	16.2	538.0	720.0
Current financial liabilities	25	338.1	503.2
Trade payables		666.0	808.7
Current provisions for pensions and other post-employment benefits	26	12.2	8.9
Current provisions	27	212.4	216.0
Current tax liabilities		901.3	1,361.5
Other current liabilities		2,290.4	2,552.5
Current liabilities		**6,734.6**	**8,146.7**
Liabilities associated with assets held for sale		**0.1**	**0.8**
TOTAL EQUITY AND LIABILITIES		28,005.4	27,148.2

2.4 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	Remeasu-rement of financial instruments	Other reserves and net income	Group	Minority interests	TOTAL
As of January 1, 2019		**125,850,305**	**505.1**	**2,428.4**	**(168.3)**	**(206.7)**	**(97.8)**	**7,445.2**	**9,905.9**	**155.7**	**10,061.6**
Net income								2,308.6	2,308.6	25.2	2,333.8
Total gains and losses recognized in equity						32.2	17.7	(23.1)	26.8	1.4	28.2
Comprehensive income						**32.2**	**17.7**	**2,285.5**	**2,335.4**	**26.6**	**2,362.0**
Distribution of dividends	22.2							(1,320.1)	(1,320.1)	(21.9)	(1,342.0)
Change in equity of subsidiaries									-	0.9	0.9
(Acquisitions) disposals of Kering treasury shares(1)	22.1	(832,389)			(402.5)			(2.8)	(405.3)		(405.3)
First-time application of IFRIC 23								(166.0)	(166.0)		(166.0)
OTHER CHANGES(2)								(71.8)	(71.8)	(0.8)	(72.6)
As of December 31, 2019		**125,017,916**	**505.1**	**2,428.4**	**(570.8)**	**(174.5)**	**(80.1)**	**8,170.0**	**10,278.1**	**160.5**	**10,438.6**
Net income								2,150.4	2,150.4	29.5	2,179.9
Total gains and losses recognized in equity						(113.7)	442.4	4.6	333.3	(10.5)	322.8
Comprehensive income						**(113.7)**	**442.4**	**2,155.0**	**2,483.7**	**19.0**	**2,502.7**
Change in equity of Kering SA									-		-
Change in equity of subsidiaries									-	25.4	25.4
Expense related to share-based payments	8							9.0	9.0		9.0
Cancellation of Kering treasury shares	22.1		(5.0)	(565.8)	570.8				-		-
(Acquisitions) disposals of Kering treasury shares(1)	22.1	(95,000)			(53.9)			(0.2)	(54.1)		(54.1)
Distribution of dividends	22.2							(870.7)	(870.7)	(10.1)	(880.8)
Other changes(2)								(25.1)	(25.1)	19.3	(5.8)
As of December 31, 2020		**124,922,916**	**500.1**	**1,862.6**	**(53.9)**	**(288.2)**	**362.3**	**9,438.0**	**11,820.9**	**214.1**	**12,035.0**

(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 Group structure and transactions with minority interests.

2.5 Consolidated cash flow statement

(in € millions)	Notes	2020	2019
Net income from continuing operations		**2,189.7**	**2,208.4**
Net recurring charges to depreciation, amortization and provisions on non-current operating assets	5.1	1,439.0	1,245.3
Other non-cash (income) expenses	29	(282.8)	(392.4)
Cash flow received from operating activities	**29**	**3,345.9**	**3,061.3**
Interest paid (received)		277.4	277.1
Dividends received		-	-
Current tax expense	11.1	657.0	2,597.9
Cash flow received from operating activities before tax, dividends and interest		**4,280.3**	**5,936.3**
Change in working capital requirement	30	44.4	(557.5)
Income tax paid		(1,436.1)	(2,903.5)
Net cash received from operating activities		**2,888.6**	**2,475.3**
Acquisitions of property, plant and equipment and intangible assets	31	(786.9)	(955.8)
Disposals of property, plant and equipment and intangible assets		2.9	1.2
Acquisitions of subsidiaries and associates, net of cash acquired		6.2	(42.4)
Disposals of subsidiaries and associates, net of cash transferred	9	656.3	0.8
Acquisitions of other financial assets		(267.9)	(285.6)
Disposals of other financial assets		186.0	76.6
Interest and dividends received		6.9	19.1
Net cash received from (used in) investing activities		**(196.5)**	**(1,186.1)**
Dividends paid to shareholders of Kering SA	22.2	(1,000.1)	(1,320.1)
Dividends paid to minority interests in consolidated subsidiaries		(9.3)	(21.9)
Transactions with minority interests		(27.5)	(19.2)
(Acquisitions) disposals of Kering treasury shares	22.1	(54.1)	(402.1)
Issuance of bonds and bank debt	23.4	1,443.1	644.6
Redemption of bonds and bank debt	23.4	(642.3)	(287.6)
Issuance (redemption) of other borrowings		(258.6)	798.8
Repayment of lease liabilities	16.2	(787.3)	(639.6)
Interest paid and equivalent		(287.0)	(289.9)
Net cash received from (used in) financing activities	**32**	**(1,623.1)**	**(1,537.0)**
Net cash received from (used in) discontinued operations		**(4.3)**	**132.7**
Impact of exchange rates on cash and cash equivalents		97.8	116.4
Net increase (decrease) in cash and cash equivalents		**1,162.5**	**1.3**
Cash and cash equivalents at opening	**28**	**1,837.6**	**1,836.3**
Cash and cash equivalents at closing	**28**	**3,000.1**	**1,837.6**

Notes to the 2020 consolidated financial statements

PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – 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. It is registered with the Paris Trade and Companies Registry under reference 552 075 020 RCS Paris, and is listed on the Euronext Paris stock exchange.

On February 16, 2021, the Board of Directors approved the consolidated financial statements for the year ended December 31, 2020 and authorized their publication. These consolidated financial statements will only be considered as final after their adoption by the April 22, 2021 Annual General Meeting.

The consolidated financial statements for the year ended December 31, 2020 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 (IFRS) as published and adopted by the European Union and mandatorily applicable as of the reporting date.

The accounting policies and methods applied by the Group pursuant to international financial reporting standards are set out in Note 35 – Accounting policies and methods.

NOTE 2 – COVID-19 PANDEMIC

2.1 Impact of the COVID-19 pandemic on the consolidated financial statements for the year ended December 31, 2020

Consolidated revenue for 2020 amounted to €13,100 million, a decline of 17.5% (16.4% on a comparable basis). The downturn was felt particularly in the first half (down 30.1% on a comparable basis), with the majority of the Group's stores gradually forced to close owing to the health crisis and lockdown measures (on average, 12% of stores were closed in the first quarter and 42% in the second). This has significantly impacted the Group's second-quarter performance (down 43.7% on a comparable basis) and to some extent on its performance for the first quarter (down 16.4% on a comparable basis), despite a strong start to the year. The decline was limited in the second half (down 3.2% on a comparable basis), despite further restrictions and store closures during the fourth quarter.

Recurring operating income for 2020 came in at €3,135 million, down 34.4% year on year. Once again, the picture was very different in the first and second halves of the year, with recurring operating income retreating 57.7% in the first half but only 13.5% in the second. Recurring operating margin for the year was 23.9%. The dilution in the recurring operating margin compared to the previous year was limited to 6.2 percentage points. The Group has put in place cost-saving measures to safeguard its profitability while continuing to invest in its Houses.

Other than the items mentioned below – which were accounted for as non-recurring operating expenses – all of the impacts arising from the COVID-19 pandemic described in the paragraphs above have been recognized in the income statement for 2020 and essentially affect recurring operating income.

In particular, the costs related to health measures put in place (purchases of hand sanitizer and face masks, exceptional measures for regularly disinfecting premises, etc.) have been accounted for as recurring operating expenses.

The rent concessions negotiated with landlords due to the consequences of the COVID-19 pandemic were immediately recognized within recurring operating income as negative variable lease payments rather than as an amendment to the associated leases. This accounting method complies with the simplification measure provided for in the Amendment to IFRS 16 – *Leases*, issued by the IASB on May 28, 2020 and adopted by the European Union on October 9, 2020.

Impairment losses on current assets (inventories and trade receivables) – caused indirectly by the pandemic due to slow-moving inventory items from the Spring/Summer collections and the difficulties suffered by many wholesale accounts – have been recognized as recurring operating expenses.

Excluding the impact of the gain on the disposal of an additional 5.83% stake in PUMA in October 2020, other non-recurring operating income and expenses represented a €542 million net expense (versus a €168 million net expense for 2019). The COVID-19 impact recognized as non-recurring expenses therefore amounted to €390 million, essentially breaking down as €15 million in exceptional donations to support various organizations in their fight against the pandemic and €368 million in asset impairment losses. The asset impairment losses were recognized following impairment tests performed by estimating the recoverable amount of the Houses' assets that had already been written down in 2019. The Houses concerned were Brioni and the watches brands (Girard-Perregaux and Ulysse Nardin), which were hit particularly hard by the pandemic while in the midst of an ambitious but demanding transformation project. Impairment losses recognized in 2020 mainly related to brands (€328 million) and a lease right-of-use asset (€30 million).

To date, the Group considers that the contraction in business in 2020 and the outlook for the luxury goods market are not sufficient indicators that the recoverable amount of the assets of the Group's other brands may be impaired, except those mentioned in the above paragraph (see Notes 9 and 15).

The impacts of the COVID-19 pandemic have also been taken into consideration for calculating the Group's corporate income tax. The global decrease in profits for the vast majority of multinationals has raised the question of how profits and losses should be allocated by country. In connection with this, on December 18, 2020 the OECD published guidance on the transfer pricing implications of the pandemic, offering a wide range of different proposals. Based on this guidance, Kering considered it was reasonable to keep the main principles of its current transfer pricing policy, but to adapt some of its aspects where necessary to the particular conditions caused by the pandemic. The Group is confident that its estimates at December 31, 2020 are fair and prudent (see Note 11).

Lastly, the Group has analyzed its exposure to the financial risks set out in its Universal Registration Document.

In particular, it found no significant escalation of credit risk across the Group. In fact, as it has a large number of customers in a wide range of business segments and realizes a significant portion of its sales directly with the end customer, direct sales do not expose the Group to any credit risk. For sales through wholesalers, there is no strong dependency or concentration whereby the loss of one or more wholesalers could significantly affect the Group's earnings. Credit risk with respect to wholesalers is also minimized by taking out credit insurance and implementing an appropriate and prudent credit risk strategy managed Group-wide by a dedicated team.

Concerning liquidity risk, the Group took action very early on in the pandemic, when countries started going into lockdown after China. In order to ensure liquidity, the Group now has €4,365 million in total confirmed credit lines (versus €3,035 million as of December 31, 2019), of which €4,365 million is undrawn. As of December 31, 2020, the Group had €3,443 million in available cash. In addition, in order to pro-actively manage the Group's liquidity, in the first half of 2020 Kering carried out a €1.2 billion dual–tranche bond issue comprising (i) a €600 million tranche with a three-year maturity and a 0.25% coupon, and (ii) a €600 million tranche with an eight-year maturity and a 0.75% coupon (see Note 23).

2.2 Significant events of 2020 related to the COVID-19 pandemic

The significant events below have already been disclosed by the Group in press releases related to regulated information. Most significant events took place in the first half of the year.

Postponement of the Annual General Meeting to June 16, 2020

In view of the circumstances, on March 30, 2020, Kering's Board of Directors decided to postpone the 2020 Annual General Meeting initially scheduled for Thursday April 23, 2020. On April 21, 2020, the Board set the new Meeting date as June 16, 2020.

Revised dividend per share for 2019

In light of the COVID-19 pandemic and its impact on business activity, on April 21, 2020 the Board of Directors decided to revise the amount allocated to the 2019 dividend payment and to recommend to shareholders at Kering SA's Annual General Meeting on June 16, 2020 that the total dividend payout should amount to €1,010 million, corresponding to €8 per share. This is €442 million lower than the amount announced when the Group released its 2019 results on February 12, 2020 (€1,452 million, or €11.50 per share).

Reduction in remuneration for 2020 for Kering's executive corporate officers

In light of the COVID-19 pandemic and its impact on business activity, François-Henri Pinault, Chairman and CEO of Kering, decided to reduce the fixed portion of his salary from April 1, until the end of 2020. In addition, François-Henri Pinault and Jean-François Palus, Group Managing Director, decided to waive the entirety of the variable portions of their annual remuneration for 2020. These decisions were approved by Kering's Board of Directors on April 21, 2020. The Board therefore submitted a revised 2020 remuneration policy to the vote of the shareholders at the Annual General Meeting held on June 16, 2020.

Support given by the Group to help the fight against COVID-19

Kering has contributed to the fight against COVID-19 in France, Italy, China and the United States.

In France, Kering purchased 3 million surgical masks from China, which it supplied to the French health service. At the same time, the Balenciaga and Yves Saint Laurent workshops began manufacturing officially approved face masks. Kering also made a financial donation to the Institut Pasteur for its research into COVID-19, and to Cochin hospital in Paris for its "3D COVID" project to purchase 60 3D printers in order to rapidly produce large quantities of medical equipment. In Italy, Kering and its Houses made donations to four major hospital foundations in Lombardy, Veneto, Tuscany and Lazio. Gucci responded to the appeal launched to the fashion industry by the Tuscany regional authorities, supplying 1.1 million surgical masks and 55,000 medical overalls to health workers. In China, as early as the end of January, Kering and its Houses announced a donation to the Hubei Red Cross Foundation to help fight the spread of the virus. In the United States, Kering and its Houses entered into a partnership with the CDC Foundation, giving a $1 million donation to provide personal protection equipment and other essential supplies to health workers. This donation helped support front-line health workers in the United States – and particularly the hardest hit States such as New York, New Jersey, California and Florida – as well as in a number of regions in Latin America.

Pro-active management of the Group's liquidity – a new bond issue and extension of syndicated loan facilities

In May 2020, Kering carried out a €1.2 billion dual–tranche bond issue comprising (i) a €600 million tranche with a three-year maturity and a 0.25% coupon, and (ii) a €600 million tranche with an eight–year maturity and a 0.75% coupon. In line with the Group's pro-active liquidity management approach, this issue enables Kering to diversify its sources of financing and enhance its funding flexibility through refinancing of existing debt and extending the maturity of its financing facilities. Investors' high take-up rate of the issue confirmed the market's confidence in the Group's creditworthiness. Kering's long-term debt is rated "A-" with a stable outlook by Standard & Poor's.

The Group also extended its credit facilities from its banks in an aggregate amount of €1,330 million, giving it €4,365 million in total confirmed credit lines as of December 31, 2020, versus €3,035 million as of December 31, 2019 (see Note 23).

NOTE 3 – OTHER SIGNIFICANT EVENTS OF 2020

Sale of an additional 5.83% stake in PUMA

On October 8, 2020, the Group further reduced its investment in PUMA by selling a 5.83% stake through an accelerated bookbuilding process with qualified investors at a price of €74.50 per share, corresponding to a total amount of €656 million. Following the transaction, Kering retains a 9.87% interest in PUMA (see Notes 9, 18 and 19).

NOTE 4 – SUBSEQUENT EVENTS

No significant events occurred between December 31, 2020 and February 16, 2021 – the date on which the Board of Directors authorized the consolidated financial statements for issue.

NOTE 5 – OPERATING SEGMENTS

The policies applied to determine the operating segments presented are set out in Note 35.4.

5.1 Information by operating segment

(in € millions)	Gucci	Yves Saint Laurent	Bottega Veneta	Other Houses	Total Luxury Houses	Corporate and other	Total
2020							
Revenue[1]	**7,440.6**	**1,744.4**	**1,210.3**	**2,281.3**	**12,676.6**	**423.6**	**13,100.2**
Recurring operating income (loss)	**2,614.5**	**400.0**	**172.0**	**180.6**	**3,367.1**	**(231.9)**	**3,135.2**
Net recurring charges to depreciation, amortization and provisions on non-current operating assets	610.4	189.9	161.6	276.6	1,238.5	200.5	1,439.0
EBITDA	**3,224.9**	**589.9**	**333.6**	**457.2**	**4,605.6**	**(31.4)**	**4,574.2**
Other non-cash recurring operating income and expenses	(259.0)	(64.2)	(31.0)	(62.8)	(417.0)	227.1	(189.9)
Acquisitions of property, plant and equipment and intangible assets	205.8	52.7	48.4	153.7	460.6	326.3	786.9
Segment assets as of December 31, 2020	**11,110.4**	**2,405.4**	**1,623.9**	**3,384.8**	**18,524.5**	**2,376.7**	**20,901.2**
Segment liabilities as of December 31, 2020	**3,978.5**	**1,109.0**	**845.4**	**1,421.5**	**7,354.4**	**1,141.3**	**8,495.7**
2019							
Revenue[1]	**9,628.4**	**2,049.1**	**1,167.6**	**2,537.5**	**15,382.6**	**500.9**	**15,883.5**
Recurring operating income (loss)	**3,946.9**	**562.2**	**215.2**	**317.7**	**5,042.0**	**(263.7)**	**4,778.3**
Net recurring charges to depreciation, amortization and provisions on non-current operating assets	516.7	171.5	159.1	232.3	1,079.6	165.7	1,245.3
EBITDA	**4,463.6**	**733.7**	**374.3**	**550.0**	**6,121.6**	**(98.0)**	**6,023.6**
Other non-cash recurring operating income and expenses	(155.2)	(29.2)	(16.7)	0.8	(200.3)	300.5	100.2
Acquisitions of property, plant and equipment and intangible assets	337.3	98.0	57.8	158.8	651.9	303.9	955.8
Segment assets as of December 31, 2019	**11,619.8**	**2,523.4**	**1,614.1**	**3,842.9**	**19,600.2**	**2,005.6**	**21,605.8**
Segment liabilities as of December 31, 2019	**4,380.6**	**1,245.9**	**925.1**	**1,550.4**	**8,102.0**	**1,081.3**	**9,183.3**

(1) Excluding intra-group revenue.

5.2 Revenue by geographic area

(in € millions)	Notes	2020	2019
Asia-Pacific (excluding Japan)		4,975.7	5,421.6
Western Europe		3,657.1	5,120.2
North America		2,742.4	3,039.7
Japan		931.1	1,309.8
Rest of the world		793.9	992.2
TOTAL	6	13,100.2	15,883.5

5.3 Reconciliation of segment assets and liabilities

(in € millions)	Notes	Dec. 31, 2020	Dec. 31, 2019
Goodwill		2,452.2	2,525.9
Brands and other intangible assets		6,985.8	7,260.5
Lease right-of-use assets		3,956.8	4,246.7
Property, plant and equipment		2,670.2	2,619.3
Other non-current assets		17.4	18.8
Non-current segment assets		**16,082.4**	**16,671.2**
Inventories		2,845.5	2,959.2
Trade receivables		824.2	996.0
Other current assets		1,149.1	979.4
Segment assets		**20,901.2**	**21,605.8**
Investments in equity-accounted companies		36.2	1,105.3
Financial assets		1,846.6	496.8
Deferred tax assets		1,177.4	1,367.6
Current tax receivables		600.5	280.7
Cash and cash equivalents		3,442.8	2,285.9
Assets held for sale		0.7	6.1
TOTAL ASSETS		28,005.4	27,148.2

(in € millions)	Notes	Dec. 31, 2020	Dec. 31, 2019
Deferred tax liabilities on brands		1,455.5	1,503.5
Lease liabilities		4,083.8	4,318.6
Trade payables		666.0	808.7
Other liabilities		2,290.4	2,552.5
Segment liabilities		**8,495.7**	**9,183.3**
Total equity		12,035.0	10,438.6
Borrowings		5,591.5	5,098.1
Financial liabilities		418.1	551.1
Other liabilities		183.6	141.4
Provisions for pensions and other post-employment benefits		119.7	115.4
Provisions		230.8	231.1
Other deferred tax liabilities		29.6	26.9
Current tax liabilities		901.3	1,361.5
Liabilities associated with assets held for sale		0.1	0.8
TOTAL EQUITY AND LIABILITIES		28,005.4	27,148.2

NOTES ON THE CONSOLIDATED INCOME STATEMENT

NOTE 6 – REVENUE

The accounting policies and methods applied in respect of revenue are set out in Note 35.5.

(in € millions)	Notes	2020	2019
Sales from directly operated stores		9,926.8	11,991.2
Wholesale sales, royalties and other revenue		3,173.4	3,892.3
TOTAL		13,100.2	15,883.5

NOTE 7 – PERSONNEL EXPENSES AND HEADCOUNT

7.1 Personnel expenses by type

(in € millions)	Notes	2020	2019
Wages, salaries and payroll taxes		(1,818.4)	(1,899.5)
Expenses related to pensions and other post-employment benefits under defined benefit plans	26	(7.9)	(4.0)
Expense related to share-based payments	8	(58.3)	(155.2)
Other personnel expenses		(185.4)	(232.1)
TOTAL		(2,070.0)	(2,290.8)

See Note 35.6 for a breakdown of personnel expenses.

7.2 Average headcount on a full-time equivalent basis by region

	Notes	2020	2019
Asia-Pacific (excluding Japan)		9,701	9,234
Western Europe		17,569	17,024
North America		3,704	3,674
Japan		2,755	2,666
Rest of the world		2,917	2,304
TOTAL		36,646	34,902

7.3 Headcount on the payroll at year-end by region

	Notes	2020	2019
Asia-Pacific (excluding Japan)		10,247	9,971
Western Europe		18,607	18,760
North America		3,816	3,841
Japan		2,864	2,940
Rest of the world		3,019	2,556
TOTAL		38,553	38,068

NOTE 8 – SHARE-BASED PAYMENT

The accounting policies and methods applied in respect of share-based payments are set out in Note 35.7.

8.1 Cash-settled plans

From 2013 to 2019, the Group granted certain employees Kering Monetary Units (KMUs), namely long–term incentive plans based on synthetic shares that are systematically settled in cash. The Group recognizes its obligation as services are rendered by the beneficiaries, over the period from the grant date to the vesting date:

- the grant date is the date on which the plans were individually approved by the relevant decision–making body (Board of Directors or other) and corresponds to the initial measurement date of the plans;
- as from the grant date, the rights vesting period is the so-called "lock-in" period during which the specified vesting conditions are to be satisfied (service conditions for all beneficiaries, plus performance conditions for executive corporate officers);
- 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 intrinsic movements in the Kering share and in comparison with the average increase in a basket of seven stocks from the luxury industry.

Year granted	**2016**	**2017**	**2018**	**2019**
Vesting period	3 years	3 years	3 years[(1)]	3 years
Exercise period	2 years	2 years	2 years	2 years
Number of beneficiaries	323	319	331	345
Number initially granted	126,974	111,000	64,281	38,205
Balance as of December 31, 2019	**4,926**	**85,416**	**52,114**	**37,352**
Number granted				
Number forfeited	(323)	(2,589)	(2,419)	(1,961)
Number exercised	(4,603)	(81,365)	(8,000)	
Balance as of December 31, 2020	**-**	**1,462**	**41,695**	**35,391**
o/w exercisable as of December 31, 2020		*1,462*	*N/A[(1)]*	*N/A*
Unit fair value at grant date *(in €)*	166.0	249.0	581.0	753.0
Weighted average price per instrument paid *(in €)*	906.2	1,167.7	1,046.3	N/A

(1) The rights vesting period is three years, except for certain KMUs that were awarded in 2018 as exceptional remuneration in recognition of the successful transformation of the Group and the refocus on Luxury following the relinquishment of control of PUMA. These KMUs were mainly awarded to corporate officers. The vesting period of half of the rights was reduced to one year, and to two to three years for the other half. The corresponding expense was recognized within net income from discontinued operations under net gain on the disposal of PUMA.

8.2 Plans settled in Kering shares

At the Combined General Meeting of June 16, 2020, within the scope of the sixteenth resolution, the shareholders authorized the Board of Directors to purchase, retain or transfer Kering SA shares. In the seventeenth resolution, the shareholders also authorized the Board of Directors to make free grants of ordinary shares of Kering SA (existing or to be issued), subject, where applicable, to performance conditions, to beneficiaries or categories of beneficiaries among the employees and executive corporate officers of Kering SA and affiliated companies, entailing the waiver by shareholders of their pre-emptive subscription rights.

Free share and performance share plans

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

Year granted	**2020**
Vesting period	3 years
Number of beneficiaries	351
Number initially granted	46,596
Maximum grant	69,107
Minimum grant	24,086
Balance as of December 31, 2019	**-**
Number granted	46,596
Change related to performance	-
Number forfeited	(877)
Number delivered	-
Balance as of December 31, 2020	**45,719**
Unit fair value at grant date *(in €)*	542.6-608.7

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 Meeting of June 16, 2020.

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 was finalized in the second half of the year, amounting to €54.7 million.

NOTE 9 – OTHER NON-RECURRING OPERATING INCOME AND EXPENSES

See Note 35.1.3 for details of other non-recurring operating items shown within operating income.

(in € millions)	Notes	2020	2019
Non-recurring operating expenses		**(542.4)**	**(173.0)**
Impairment of goodwill, brands and other non-current assets	15	(446.6)	(94.9)
Impairment of goodwill		*(51.1)*	*(8.6)*
Impairment of brands		*(327.7)*	*(68.1)*
Impairment of other non-current assets		*(67.8)*	*(18.2)*
Other non-recurring operating expenses		(95.8)	(78.1)
Restructuring costs	*27*	*(41.3)*	*(28.5)*
Other		*(54.5)*	*(49.6)*
Non-recurring operating income		**705.4**	**4.5**
Capital gain on PUMA shares	18, 19	704.6	-
Other non-recurring operating income		0.8	4.5
TOTAL		163.0	(168.5)

Impairment of goodwill, brands and other non-current assets

In 2020, asset impairment represented €446.6 million (2019: €94.9 million) and chiefly concerned the Ulysse Nardin, Girard-Perregaux and Brioni brands (€327.7 million), particularly hard hit by the pandemic. Impairment totaling €80.0 million had already been recognized against the assets of these companies in 2019. Other impairment taken against non-current assets in 2020 includes mainly goodwill impairment for €51.1 million relating to industrial companies supplying tanned skins to Group and non-Group leather goods and watches companies, and impairment of a right-of-use asset under a lease held by Brioni for €30.0 million.

Other non-recurring operating expenses

Restructuring costs relate primarily to the watches brands amid a complete restructuring of their business models. Other non-recurring operating expenses include €14.8 million in donations made by Kering and by its Houses as part of efforts to combat the COVID-19 pandemic. The remaining balance of other non–recurring operating expenses essentially relates to expenses incurred in connection with disputes.

In 2019, restructuring costs related solely to the Group's logistics operations and the watches brands. Other non-recurring operating expenses related mainly to expenses incurred in connection with disputes.

Non-recurring operating income

The Group continued to reduce its investment in PUMA, selling a 5.83% stake at a price of €74.50 per share on October 8, 2020. As a result, it booked a capital gain on the sale of its 5.83% interest and on the remeasured value of its remaining 9.87% shareholding. At the date of the sale, the Group's residual interest in PUMA was reclassified in the balance sheet from "Investments in equity-accounted companies" (see Note 18) to "Non-consolidated investments" within "Non-current financial assets" (see Note 19).

NOTE 10 – FINANCIAL RESULT

(in € millions)	Notes	2020	2019
Cost of net debt[(1)]	**23**	**(43.3)**	**(52.3)**
Income from cash and cash equivalents		6.7	10.6
Finance costs at amortized cost		(50.0)	(63.7)
Net gains (losses) on cash flow hedging derivatives		-	0.8
Other financial income and expenses		**(185.5)**	**(147.6)**
Net gains (losses) on financial assets		11.9	(0.1)
Net foreign exchange gains (losses)		(32.2)	(10.9)
Ineffective portion of cash flow and fair value hedges	24	(114.4)	(133.5)
Net gains (losses) on derivative instruments not qualifying for hedge accounting	24	(32.1)	0.9
Impact of discounting assets and liabilities		(0.1)	(1.7)
Other finance costs		(18.6)	(2.3)
Total financial result (excluding leases)		**(228.8)**	**(199.9)**
Interest expense on lease liabilities	16.3	(112.9)	(109.6)
TOTAL		(341.7)	(309.5)

(1) The definition of net debt is set out in Note 35.1.3.

In 2020, the €9.0 million decrease in the cost of net debt compared to 2019 reflects the decrease in the average coupon paid on bond debt (from 1.85% to 1.25%), which largely offset the €819.0 million increase in average outstanding bond debt during the period.

Other financial income and expenses rose €37.9 million, due primarily to the negative impact of the increase in PUMA's share price on the derivative embedded in the convertible bond amounting to €33.0 million.

NOTE 11 – INCOME TAXES

The accounting policies and methods applied in respect of income taxes are set out in Note 35.8.

11.1 Income tax expense

(in € millions)	Notes	2020	2019
Current tax expense		(657.0)	(2,597.9)
o/w tax expense excluding the tax settlement in Italy		*(657.0)*	*(1,693.9)*
o/w tax expense relating to the tax settlement in Italy		*N/A*	*(904.0)*
Deferred tax income (expense)		(102.2)	464.2
TOTAL		(759.2)	(2,133.7)

11.2 Reconciliation of the effective tax rate

(in € millions)	Notes	2020	2019
Income before tax		2,956.5	4,300.3
Income tax expense		(759.2)	(2,133.7)
Effective tax rate		**25.7%**	**49.6%**
Other non-recurring operating income and expenses	9	163.0	(168.5)
Recurring income before tax		2,793.5	4,468.8
Income tax on other non-recurring operating income and expenses		25.0	27.9
Tax expense relating to the tax settlement in Italy		N/A	(904.0)
Tax expense on recurring income		(784.2)	(1,257.6)
Effective tax rate on recurring income		**28.1%**	**28.1%**

(as a % of pre-tax income)	Notes	2020	2019
Tax rate applicable in France		**32.0%**	**34.4%**
Differences in the tax rates applicable to foreign subsidiaries		-6.1%	-8.8%
Items taxed at reduced rates		0.0%	0.0%
Permanent differences		-0.9%	-1.6%
Unrecognized temporary differences		0.1%	0.1%
Unrecognized tax losses carried forward		0.3%	-3.4%
Change in tax rate		0.5%	-0.2%
Other differences		2.2%	7.6%
Effective tax rate on recurring income		**28.1%**	**28.1%**
Differences relating to other non-recurring operating income and expenses (permanent differences and differences in tax rates)		-2.4%	-0.2%
Tax settlement in Italy		N/A	21.7%
Effective tax rate		**25.7%**	**49.6%**

The income tax rate applicable in France in 2020 was the standard rate of 28.92%, plus a social surtax of 3.3%, bringing the overall rate to 32.02%.

"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. They reflect the Group's application of the latest OECD transfer pricing guidelines dated December 18, 2020, which take into account the impacts of the COVID-19 pandemic.

"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. A significant permanent difference arose in France in 2020 upon the sale of the Group's 5.83% stake in PUMA as a long-term equity investment, and was recognized within "Differences relating to other non-recurring operating income and expenses".

"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.

The Group's entities frequently undergo tax audits carried out by the tax authorities in the countries in which it does business. Uncertain tax positions are analyzed and reviewed internally in accordance with IAS 12 and IFRIC 23.

11.3 Deferred tax assets and liabilities

(in € millions)	Dec. 31, 2019	Income statement	Gains and losses recognized in equity	Other changes[1]	Dec. 31, 2020
Deferred tax assets	1,367.6	(158.9)	(5.6)	(25.7)	1,177.4
Deferred tax liabilities	(1,530.4)	53.8	(8.2)	(0.3)	(1,485.1)
Net deferred tax assets (liabilities)	**(162.8)**	**(105.1)**	**(13.8)**	**(26.0)**	**(307.7)**
Value of brands	(1,503.5)	48.1		(0.1)	(1,455.5)
Inventories: elimination of internal margins and impairment	803.8	(5.4)		(8.3)	790.1
Other adjustments	396.9	(82.9)	(13.8)	(15.9)	284.3
Tax loss carryforwards	140.0	(64.9)		(1.7)	73.4

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

11.4 Unrecognized deferred tax assets

(in € millions)	Notes	2020	2019
Deferred tax assets on tax loss carryforwards		288.5	356.7
Deferred tax assets on other temporary differences		35.6	34.6
Unrecognized deferred tax assets		**324.1**	**391.3**

(in € millions)	Notes	2020	2019
Unrecognized tax loss carryforwards expiring in *(tax base)*		825.5	902.2
less than five years		*420.4*	*418.2*
more than five years		*405.1*	*484.0*
Indefinite unrecognized tax loss carryforwards *(tax base)*		607.3	679.8
Total unrecognized tax loss carryforwards *(tax base)*		**1,432.8**	**1,582.0**

NOTE 12 – EARNINGS PER SHARE

The accounting policies and methods applied when calculating earnings per share are set out in Note 35.9.

12.1 Earnings per share

2020

(in € millions)	Consolidated Group	Continuing operations	Discontinued operations
Net income attributable to the Group	**2,150.4**	**2,160.2**	**(9.8)**
Weighted average number of ordinary shares outstanding	126,224,179	126,224,179	126,224,179
Weighted average number of Kering treasury shares	(1,212,234)	(1,212,234)	(1,212,234)
Weighted average number of ordinary shares	**125,011,945**	**125,011,945**	**125,011,945**
Basic earnings per share *(in €)*	**17.20**	**17.28**	**(0.08)**
Net income attributable to the Group	**2,150.4**	**2,160.2**	**(9.8)**
Convertible and exchangeable instruments	-	-	-
Diluted net income attributable to the Group	**2,150.4**	**2,160.2**	**(9.8)**
Weighted average number of ordinary shares	125,011,945	125,011,945	125,011,945
Potentially dilutive ordinary shares	-	-	-
Weighted average number of diluted ordinary shares	**125,011,945**	**125,011,945**	**125,011,945**
Diluted earnings per share *(in €)*	**17.20**	**17.28**	**(0.08)**

2019

(in € millions)	Consolidated Group	Continuing operations	Discontinued operations
Net income attributable to the Group	**2,308.6**	**2,166.9**	**141.7**
Weighted average number of ordinary shares outstanding	126,332,226	126,332,226	126,332,226
Weighted average number of Kering treasury shares	(833,460)	(833,460)	(833,460)
Weighted average number of ordinary shares	**125,498,766**	**125,498,766**	**125,498,766**
Basic earnings per share *(in €)*	**18.40**	**17.27**	**1.13**
Net income attributable to the Group	**2,308.6**	**2,166.9**	**141.7**
Convertible and exchangeable instruments	-	-	-
Diluted net income attributable to the Group	**2,308.6**	**2,166.9**	**141.7**
Weighted average number of ordinary shares	125,498,766	125,498,766	125,498,766
Potentially dilutive ordinary shares	-	-	-
Weighted average number of diluted ordinary shares	**125,498,766**	**125,498,766**	**125,498,766**
Diluted earnings per share *(in €)*	**18.40**	**17.27**	**1.13**

12.2 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 9), reported net of tax and minority interests.

(in € millions)	Notes	2020	2019
Net income from continuing operations attributable to the Group		**2,160.2**	**2,166.9**
Other non-recurring operating income and expenses	9	163.0	(168.5)
Income tax on other non-recurring operating income and expenses		25.0	27.9
Tax expense relating to the tax settlement in Italy		N/A	(904.0)
Net income from continuing operations (excluding non-recurring items) attributable to the Group		**1,972.2**	**3,211.5**
Weighted average number of ordinary shares outstanding		126,224,179	126,332,226
Weighted average number of Kering treasury shares		(1,212,234)	(833,460)
Weighted average number of ordinary shares		**125,011,945**	**125,498,766**
Basic earnings per share from continuing operations excluding non-recurring items *(in €)*		**15.78**	**25.59**
Net income from continuing operations (excluding non-recurring items) attributable to the Group		**1,972.2**	**3,211.5**
Convertible and exchangeable instruments		-	-
Diluted net income from continuing operations (excluding non-recurring items) attributable to the Group		**1,972.2**	**3,211.5**
Weighted average number of ordinary shares		125,011,945	125,498,766
Potentially dilutive ordinary shares		-	-
Weighted average number of diluted ordinary shares		**125,011,945**	**125,498,766**
Diluted earnings per share from continuing operations excluding non-recurring items *(in €)*		**15.78**	**25.59**

NOTES ON THE CONSOLIDATED BALANCE SHEET

NOTE 13 – GOODWILL

The accounting policies and methods applied in respect of goodwill are set out in Note 35.10.

(in € millions)	Notes	Gross	Impairment losses	2020 Net	2019 Net
As of January 1		**2,948.7**	**(422.8)**	**2,525.9**	**2,399.2**
Acquisitions		(14.7)		(14.7)	80.9
Impairment losses	9, 15		(51.1)	(51.1)	(8.6)
Changes in Group structure		-	-	-	-
Foreign exchange differences		(7.5)	(0.6)	(8.1)	4.9
Other movements		0.4	(0.2)	0.2	49.5
As of December 31		**2,926.9**	**(474.7)**	**2,452.2**	**2,525.9**

NOTE 14 – BRANDS AND OTHER INTANGIBLE ASSETS

The accounting policies and methods applied in respect of brands and other intangible assets are set out in Note 35.11.

(in € millions)	Notes	Gross	Amortization and impairment	Dec. 31, 2020 Net	Dec. 31, 2019 Net
Brands		6,940.1	(537.9)	6,402.2	6,729.9
Internally generated intangible assets		177.4	(34.9)	142.5	214.2
Other intangible assets		1,153.0	(711.9)	441.1	316.4
TOTAL		8,270.5	(1,284.7)	6,985.8	7,260.5

(in € millions)	Notes	Brands	Internally generated intangible assets	Other intangible assets	2020
Carrying amount as of January 1		**6,729.9**	**214.2**	**316.4**	**7,260.5**
Acquisitions			7.1	208.4	215.5
Amortization			(21.0)	(135.1)	(156.1)
Impairment losses	9, 15	(327.7)			(327.7)
Changes in Group structure					-
Foreign exchange differences		0.7	(0.1)	(2.5)	(1.9)
Other movements		(0.7)	(57.7)	53.9	(4.5)
Carrying amount as of December 31		**6,402.2**	**142.5**	**441.1**	**6,985.8**

(in € millions)	Notes	Brands	Internally generated intangible assets	Other intangible assets	2019
Carrying amount as of January 1		**6,789.8**	**121.8**	**482.0**	**7,393.6**
First-time application of IFRS 16				(144.7)	(144.7)
Acquisitions			87.9	135.3	223.2
Amortization			(11.6)	(110.3)	(121.9)
Impairment losses	9, 15	(68.1)			(68.1)
Changes in Group structure					-
Foreign exchange differences		12.7		1.4	14.1
Other movements		(4.5)	16.1	(47.3)	(35.7)
Carrying amount as of December 31		**6,729.9**	**214.2**	**316.4**	**7,260.5**

NOTE 15 – CASH-GENERATING UNITS AND IMPAIRMENT TESTS

The accounting policies and methods applied in respect of impairment tests on cash-generating units are set out in Note 35.12.

15.1 Main assumptions used for each cash-generating unit (CGU)

	Goodwill		Brands				
Dec. 31, 2020 *(in € millions)*	Net carrying amount	Discount rate (before tax)	Net carrying amount	Discount rate (before tax)	Royalty rate	Perpetual growth rate	Business plan time frame
Gucci CGU	1,630.4	10.9%	4,800.0	10.9%	15.0%	3.0%	5 years
Other CGUs	821.8	10.0%-13.2%	1,602.2	10.4%-12.7%	4.0%-10.0%	3.0%	5 or 10 years
TOTAL	2,452.2		6,402.2				

	Goodwill		Brands				
Dec. 31, 2019 *(in € millions)*	Net carrying amount	Discount rate (before tax)	Net carrying amount	Discount rate (before tax)	Royalty rate	Perpetual growth rate	Business plan time frame
Gucci CGU	1,647.4	9.9%	4,800.0	9.8%	15.0%	3.0%	5 years
Other CGUs	878.5	9.5%-11.8%	1,929.9	9.4%-11.6%	4.0%-10.0%	3.0%	5 or 10 years
TOTAL	2,525.9		6,729.9				

Sensitivity to changes in key assumptions is shown below:

Dec. 31, 2020 *(in € millions)*	**Value of net assets tested**	**Impairment loss due to:** 50 basis-point increase in post-tax discount rate	50 basis-point decrease in perpetual growth rate	50 basis-point decrease in cash flows
Total CGUs	18,021.0	(328.8)	(321.2)	(307.0)
o/w Gucci brand	4,800.0	N/A	N/A	N/A

15.2 Impairment losses recognized in the income statement

As a result of impairment tests, the Group recognized €408.8 million in impairment losses within other non–recurring operating income and expenses, relating to the Ulysse Nardin, Girard-Perregaux and Brioni brands (€327.7 million), goodwill (€51.1 million), and a right-of-use asset under a lease held by Brioni (€30.0 million) (see Note 9).

Based on events foreseeable within reason at the date of this report, the Group considers that any changes impacting the key assumptions described above would not lead to the recognition of material impairment loss against other CGUs.

NOTE 16 – LEASES

The accounting policies and methods applied in respect of leases are set out in Note 35.13.

16.1 Lease right-of-use assets

(in € millions)	**Notes**	**Gross**	**Depreciation and impairment**	**Dec. 31, 2020** Net	**Dec. 31, 2019** Net
Stores		4,247.3	(1,298.4)	2,948.9	3,250.5
Offices and other		1,134.8	(243.1)	891.7	882.9
Capitalized fixed lease payments		**5,382.1**	**(1,541.5)**	**3,840.6**	**4,133.4**
Lease rights		203.0	(86.8)	116.2	113.3
TOTAL		5,585.1	(1,628.3)	3,956.8	4,246.7

(in € millions)	Notes	Capitalized fixed lease payments Stores	Offices and other	Total	Lease rights	2020
Carrying amount as of January 1		**3,250.5**	**882.9**	**4,133.4**	**113.3**	**4,246.7**
New leases		527.6	140.3	667.9	13.6	681.5
Impact of changes in assumptions		132.4	53.5	185.9	-	185.9
Leases subject to termination or early termination		(74.1)	(31.5)	(105.6)	-	(105.6)
Depreciation		(704.8)	(128.0)	(832.8)	(6.6)	(839.4)
Impairment losses	9, 15	(29.9)	-	(29.9)	(1.0)	(30.9)
Changes in Group structure		(0.1)	(0.4)	(0.5)	-	(0.5)
Foreign exchange differences		(149.7)	(17.7)	(167.4)	(0.2)	(167.6)
Other movements		(3.0)	(7.4)	(10.4)	(2.9)	(13.3)
Carrying amount as of December 31		**2,948.9**	**891.7**	**3,840.6**	**116.2**	**3,956.8**

(in € millions)	Notes	Capitalized fixed lease payments Stores	Offices and other	Total	Lease rights	2019
Carrying amount as of January 1		**2,811.5**	**837.2**	**3,648.7**	**110.4**	**3,759.1**
New leases		881.4	181.2	1,062.6	16.0	1,078.6
Impact of changes in assumptions		163.5	(3.7)	159.8	-	159.8
Leases subject to termination or early termination		(26.0)	(2.4)	(28.4)	-	(28.4)
Depreciation		(622.9)	(106.5)	(729.4)	(7.3)	(736.7)
Impairment losses	9, 15	-	-	-	(6.1)	(6.1)
Changes in Group structure		-	(0.1)	(0.1)	(0.1)	(0.2)
Foreign exchange differences		53.5	5.4	58.9	0.4	59.3
Other movements		(10.5)	(28.2)	(38.7)	-	(38.7)
Carrying amount as of December 31		**3,250.5**	**882.9**	**4,133.4**	**113.3**	**4,246.7**

16.2 Lease liabilities

Maturity schedule of lease liabilities *(in € millions)*	Notes	Dec. 31, 2020	Dec. 31, 2019
Current lease liabilities		**538.0**	**720.0**
Y+2		635.5	642.0
Y+3		551.7	563.5
Y+4		458.5	475.2
Y+5 and beyond		1,900.1	1,917.9
Non-current lease liabilities		**3,545.8**	**3,598.6**
TOTAL		4,083.8	4,318.6

(in € millions)	Notes	Capitalized fixed lease payments Stores	 Offices and other	2020
Carrying amount as of January 1		**3,404.8**	**913.8**	**4,318.6**
New leases		513.6	137.2	650.8
Repayments		(762.1)	(138.1)	(900.2)
Change in interest expense	10	92.9	20.0	112.9
Impact of changes in assumptions		130.7	56.8	187.5
Leases subject to termination or early termination		(60.1)	(31.5)	(91.6)
Changes in Group structure		1.1	(0.4)	0.7
Foreign exchange differences		(163.8)	(18.0)	(181.8)
Other movements		(13.8)	0.7	(13.1)
Carrying amount as of December 31		**3,143.3**	**940.5**	**4,083.8**

(in € millions)	Notes	Capitalized fixed lease payments Stores	 Offices and other	2019
Carrying amount as of January 1		**2,905.9**	**824.2**	**3,730.1**
New leases		846.2	184.2	1,030.4
Repayments		(636.6)	(112.6)	(749.2)
Change in interest expense	10	91.8	17.8	109.6
Impact of changes in assumptions		168.4	(3.3)	165.1
Leases subject to termination or early termination		(26.0)	(2.2)	(28.2)
Changes in Group structure		-	(0.1)	(0.1)
Foreign exchange differences		54.6	5.8	60.4
Other movements		0.5	-	0.5
Carrying amount as of December 31		**3,404.8**	**913.8**	**4,318.6**

16.3 Impact of leases in the income statement

(in € millions)	Notes	2020	2019
Rental expense – Variable lease payments		(517.4)	(939.3)
Rental expense – Short-term leases		(57.5)	(44.6)
Rental expense – Leases with a low-value underlying asset		(6.5)	(9.5)
Sub-lease revenue		8.3	7.5
Depreciation of lease right-of-use assets	16.1	(839.4)	(736.7)
Impact on recurring operating income		**(1,412.5)**	**(1,722.6)**
Interest expense on lease liabilities	10, 16.2	(112.9)	(109.6)
Impact on financial result		**(112.9)**	**(109.6)**
Impairment of lease right-of-use assets	9, 15	(30.9)	(6.1)
Impact on other non-recurring operating income and expenses		**(30.9)**	**(6.1)**
TOTAL		(1,556.3)	(1,838.3)

16.4 Impact of leases in the cash flow statement

(in € millions)	Notes	2020	2019
Impact of leases in the income statement		**(1,556.3)**	**(1,838.3)**
Depreciation of lease right-of-use assets	16.1	839.4	736.7
Impairment of lease right-of-use assets	9, 15	30.9	6.1
Interest paid on leases	10, 16.2	112.9	109.6
Change in working capital requirement – leases		(3.8)	(20.6)
Impact on net cash received from (used in) operating activities		**(576.9)**	**(1,006.5)**
Lease set-up costs		(20.0)	(28.6)
Impact on net cash received from (used in) investing activities		**(20.0)**	**(28.6)**
Repayment of lease liabilities	16.2	(787.3)	(639.6)
Interest paid on leases	10, 16.2	(112.9)	(109.6)
Impact on net cash received from (used in) financing activities		**(900.2)**	**(749.2)**
TOTAL		(1,497.1)	(1,784.3)

16.5 Off-balance sheet commitments relating to leases

		Payments due by period				
(in € millions)	Notes	Less than one year	One to five years	More than five years	Dec. 31, 2020	Dec. 31, 2019
Leases signed but effective after December 31, 2020		58.7	74.3	167.0	300.0	464.6
Short-term leases		36.9	-	-	36.9	35.3
Leases with a low-value underlying asset		7.2	8.2	0.1	15.5	15.5
Lease commitments given		**102.8**	**82.5**	**167.1**	**352.4**	**515.4**

NOTE 17 – PROPERTY, PLANT AND EQUIPMENT

The accounting policies and methods applied in respect of property, plant and equipment are set out in Note 35.14.

				Dec. 31, 2020	Dec. 31, 2019
(in € millions)	Notes	Gross	Depreciation and impairment	Net	Net
Land and buildings		890.6	(204.9)	685.7	698.3
Plant and equipment		3,574.8	(1,954.3)	1,620.5	1,650.8
Other property, plant and equipment		411.2	(47.2)	364.0	270.2
TOTAL		4,876.6	(2,206.4)	2,670.2	2,619.3
Property, plant and equipment pledged to secure liabilities				32.4	32.2

(in € millions)	Notes	Land and buildings	Plant and equipment	Other PP&E	2020
Carrying amount as of January 1		**698.3**	**1,650.8**	**270.2**	**2,619.3**
Acquisitions		5.1	311.6	263.4	580.1
Disposals		(1.7)	-	(6.7)	(8.4)
Depreciation		(23.7)	(404.7)	(12.2)	(440.6)
Impairment losses	9	(14.0)	(3.1)	-	(17.1)
Changes in Group structure		13.6	6.2	0.7	20.5
Foreign exchange differences		(6.8)	(71.6)	(8.9)	(87.3)
Other movements		14.9	131.3	(142.5)	3.7
Carrying amount as of December 31		**685.7**	**1,620.5**	**364.0**	**2,670.2**

(in € millions)	Notes	Land and buildings	Plant and equipment	Other PP&E	2019
Carrying amount as of January 1		**713.3**	**1,391.9**	**123.3**	**2,228.5**
First-time application of IFRS 16		(65.4)	(54.8)	-	(120.2)
Acquisitions		17.2	526.8	248.5	792.5
Disposals		(1.7)	(8.9)	(0.8)	(11.4)
Depreciation		(23.0)	(356.0)	(8.1)	(387.1)
Impairment losses	9	(1.3)	(1.8)	-	(3.1)
Changes in Group structure		41.5	2.8	6.8	51.1
Foreign exchange differences		11.9	23.2	1.0	36.1
Other movements		5.8	127.6	(100.5)	32.9
Carrying amount as of December 31		**698.3**	**1,650.8**	**270.2**	**2,619.3**

NOTE 18 – INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES

The accounting policies and methods applied in respect of investments in equity-accounted companies are set out in Note 35.2.2.

(in € millions)	Notes	Dec. 31, 2020	Dec. 31, 2019
PUMA shares (15.70% as of December 31, 2019)	9, 19	-	1,071.2
Other investments		36.2	34.1
TOTAL		36.2	1,105.3

The Group continued to reduce its investment in PUMA, selling a 5.83% stake on October 8, 2020. The capital gain on the sale was recognized within other non-recurring operating income and expenses (see Note 9). The Group's residual 9.87% interest in PUMA was reclassified within other non-current financial assets as of the date of the sale in an amount of €1,109.0 million (see Note 19).

NOTE 19 – FINANCIAL ASSETS

The accounting policies and methods applied in respect of financial assets are set out in Notes 35.15 and 35.17.

19.1 Breakdown of financial assets

(in € millions)	Notes	Dec. 31, 2020	Dec. 31, 2019
Non-consolidated investments		1,381.1	21.2
o/w PUMA shares (9.87%)	*9, 18*	*1,377.8*	-
Derivative instruments	24.6	-	-
Loans and receivables		0.9	131.6
Deposits and guarantees		192.9	202.2
Other financial investments		113.7	103.4
Non-current financial assets		**1,688.6**	**458.4**
Derivative instruments	24.6	124.1	30.9
Loans and receivables		33.9	7.5
Current financial assets		**158.0**	**38.4**

19.2 Financial assets at fair value

(in € millions)	Notes	Dec. 31, 2020	Dec. 31, 2019
Non-consolidated investments		1,381.1	21.2
o/w changes in fair value recognized through equity		*1,380.4*	*20.4*
o/w changes in fair value recognized through the income statement		*0.7*	*0.8*
Derivative instruments	24.6	124.1	30.9
Other financial investments		113.7	103.4
o/w changes in fair value recognized through equity		*105.8*	*70.1*
o/w changes in fair value recognized through the income statement		*7.9*	*33.3*
Financial assets measured at fair value		**1,618.9**	**155.5**

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 24).

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 20 – INVENTORIES

The accounting policies and methods applied in respect of inventories are set out in Note 35.18.

(in € millions)	Notes	Dec. 31, 2020	Dec. 31, 2019
Commercial inventories		3,814.4	3,903.9
Industrial inventories		749.4	744.7
Gross value		**4,563.8**	**4,648.6**
Allowances		(1,718.3)	(1,689.4)
Carrying amount		**2,845.5**	**2,959.2**
Gross inventories pledged to secure liabilities		-	-

Movements in allowances *(in € millions)*	Notes	2020	2019
As of January 1		**(1,689.4)**	**(1,415.1)**
Additions		(178.7)	(282.2)
Reversals		107.3	64.1
Changes in Group structure		-	0.4
Foreign exchange differences		35.8	(18.0)
Other movements		6.7	(38.6)
As of December 31		**(1,718.3)**	**(1,689.4)**

Changes in gross inventories recognized under "Cost of sales" in 2020 represented income of €22.8 million (expense of €724.9 million in 2019).

NOTE 21 – TRADE RECEIVABLES

The accounting policies and methods applied in respect of trade receivables are set out in Note 35.15.1.

(in € millions)	Notes	Dec. 31, 2020	Dec. 31, 2019
Trade receivables		863.5	1,023.3
Allowances		(39.3)	(27.3)
Carrying amount		**824.2**	**996.0**
Trade receivables pledged to secure liabilities		-	-

Movements in allowances *(in € millions)*	Notes	2020	2019
As of January 1		**(27.3)**	**(27.9)**
Net (additions) reversals		(13.9)	2.3
Changes in Group structure		-	-
Foreign exchange differences		1.9	(0.5)
Other movements		-	(1.2)
As of December 31		**(39.3)**	**(27.3)**

Breakdown of trade receivables by age *(in € millions)*	**Notes**	**2020**	**2019**
Receivables not yet due		783.9	864.5
Past due receivables:		79.6	158.8
Less than one month		*62.7*	*99.0*
One to six months		*1.8*	*41.7*
More than six months		*15.1*	*18.1*
Allowances		(39.3)	(27.3)

Credit risk

In light of the Group's business model, with wholesale sales and royalties received from wholesalers representing only a small portion of 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 (see Note 6).

NOTE 22 – EQUITY

As of December 31, 2020, the share capital amounted to €500,071,664, comprising 125,017,916 fully paid-up shares with a par value of €4 each, a reduction of €5,045,624 further to the cancellation of 1,261,406 shares under the stock repurchase program (share capital of €505,117,288, comprising 126,279,322 shares as of December 31, 2019). Excluding the 95,000 Kering treasury shares, there were 124,922,916 shares issued and outstanding as of that date.

22.1 Kering treasury shares

The accounting policies and methods applied in respect of Kering treasury shares are set out in Note 35.20.

		Dec. 31, 2020		**Dec. 31, 2019**	
(in € millions)	**Notes**	**Number**	**Amount**	**Number**	**Amount**
Liquidity agreement		-	-	-	-
Stock repurchase program (for cancellation)		-	-	1,261,406	570.8
Share-based payment	8	95,000	53.9	N/A	N/A
Kering treasury shares		**95,000**	**53.9**	**1,261,406**	**570.8**

Change in Kering treasury shares *(in € millions)*	**Notes**	**Number**	**Amount**	**Impact on cash**
As of January 1, 2020		**1,261,406**	**570.8**	
Purchases under the liquidity agreement		104,728	59.1	(59.1)
Disposals under the liquidity agreement		(104,728)	(58.9)	58.9
Cancellations under the stock repurchase program		(1,261,406)	(570.8)	N/A
Purchases under share-based payment plans	8	95,000	53.9	(53.9)
Shares vested		-	-	N/A
Net capital gain (loss) on disposal			(0.2)	N/A
As of December 31, 2020		**95,000**	**53.9**	**(54.1)**

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. Kering therefore maintains a credit balance of €5.0 million in the liquidity account with the broker. The funds allocated to the liquidity agreement total €50.0 million.

Stock repurchase program

Pursuant to the stock repurchase program announced on October 29, 2018 covering up to 1.0% of the share capital over a 12-month period, Kering purchased 1,261,406 shares between October 29, 2018 and July 31, 2019. These shares were canceled on December 10, 2020.

Free share and performance share plans

Within the scope of the plan authorized at the Annual General Meeting of June 16, 2020 under the sixteenth and seventeenth resolutions, Kering instructed an investment services provider to purchase, by March 31, 2021 at the latest and depending on market conditions, up to 125,000 ordinary Kering shares, representing approximately 0.1% of the share capital. These shares were to be allocated to free share plans and other long-term incentive plans granted to employees and payable in Kering shares. The unit purchase price of the shares may not exceed the maximum price set at the Annual General Meeting on June 16, 2020 (see Note 8).

22.2 Dividends paid by Kering SA

(in € millions)	Notes	Dividend for 2020	Dividend for 2019
INTERIM DIVIDEND			
Amount per share		€2.50	€3.50
Payment date		Jan. 21, 2021	Jan. 16, 2020
Gross amount paid		312.5	437.6
BALANCE PAID THE FOLLOWING YEAR FURTHER TO THE AGM			
Amount per share		€5.50(1)	€4.50
Payment date		May 6, 2021	June 25, 2020
Gross amount paid		687.6(1)	562.5
TOTAL DIVIDEND			
Amount per share		€8.00(1)	€8.00
Total gross amount (excluding the impact of Kering treasury shares)		1,000.1(1)	1,000.1

(1) Based on a recommendation of Kering's Board of Directors of February 16, 2021, pending approval of the Annual General Meeting of April 22, 2021.

NOTE 23 – NET DEBT

(in € millions)	Notes	Dec. 31, 2020	Dec. 31, 2019
Borrowings	23.2-4	5,591.5	5,098.1
Cash and cash equivalents	23.1	(3,442.8)	(2,285.9)
TOTAL		2,148.7	2,812.2

23.1 Cash and cash equivalents

The accounting policies and methods applied in respect of cash and cash equivalents are set out in Note 35.19.

(in € millions)	Notes	Dec. 31, 2020	Dec. 31, 2019
Cash		2,570.7	2,233.8
Cash equivalents		872.1	52.1
TOTAL		3,442.8	2,285.9

23.2 Breakdown of borrowings by category and maturity

The accounting policies and methods applied in respect of borrowings and of put options granted to minority interests are set out in Notes 35.16 and 35.21, respectively.

(in € millions)	Notes	Dec. 31, 2020	Current	Y+2	Y+3	Y+4	Y+5	Beyond	Non-current
Bonds	23.4	3,836.8	467.2	828.1	600.2	501.7		1,439.6	3,369.6
Other bank borrowings	23.5	284.8	137.0	33.9	88.1	16.9	1.1	7.8	147.8
Bank overdrafts		442.7	442.7						
Commercial paper		552.2	552.2						
Other borrowings[1]		475.0	177.1	55.5			242.4		297.9
o/w Put options granted to minority interests		*411.3*	*113.4*	*55.5*			*242.4*		*297.9*
TOTAL		5,591.5	1,776.2	917.5	688.3	518.6	243.5	1,447.4	3,815.3
%		100.0%	31.8%	16.4%	12.3%	9.3%	4.4%	25.8%	68.2%

(1) Other borrowings include accrued interest.

(in € millions)	Notes	Dec. 31, 2019	Current	Y+2	Y+3	Y+4	Y+5	Beyond	Non-current
Bonds	23.4	3,147.8	493.3	477.8	824.6	-	507.7	844.4	2,654.5
Other bank borrowings	23.5	211.6	128.6	37.0	35.1	1.1	1.1	8.7	83.0
Bank overdrafts		448.3	448.3						
Commercial paper		804.6	804.6						
Other borrowings[1]		485.8	101.1	98.9	52.3	-	-	233.5	384.7
o/w Put options granted to minority interests		*444.6*	*60.0*	*98.8*	*52.3*	*-*	*-*	*233.5*	*384.6*
TOTAL		5,098.1	1,975.9	613.7	912.0	1.1	508.8	1,086.6	3,122.2
%		100.0%	38.8%	12.0%	17.9%	0.0%	10.0%	21.3%	61.2%

(1) Other borrowings include accrued interest

23.3 Breakdown of borrowings by repayment currency, after hedging

(in € millions)	Notes	Dec. 31, 2020	%	Dec. 31, 2019	%
EUR		4,860.6	86.9%	4,308.5	84.6%
JPY		519.3	9.3%	469.4	9.2%
USD		132.8	2.4%	277.0	5.4%
Other currencies		78.8	1.4%	43.2	0.8%
TOTAL		5,591.5	100.0%	5,098.1	100.0%

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

23.4 Bond debt

In May 2020, Kering carried out a €1.2 billion dual-tranche fixed-interest bond issue, consisting of a €600 million tranche redeemable in 2023 and another €600 million tranche redeemable in 2028.

During the year, Kering redeemed the $150 million USD bond issued in 2015 along with the bond issued in 2013 for €360 million.

The Group has a Euro Medium Term Notes (EMTN) program capped at €6 billion as of December 31, 2020, of which €3,292.2 million had been drawn as of that date.

The bonds issued between 2013 and 2017 within the scope of the EMTN program are all subject to change-of-control clauses entitling bondholders to request early redemption at par if Kering's rating is downgraded to non-investment grade following a change of control.

Par value *(in millions, local currency)*	**Currency**	**Issue interest rate**	**Issue date**	**Maturity**	**Dec. 31, 2020**	**Dec. 31, 2019**
360.0	EUR	2.50% fixed	07/15/2013	07/15/2020	-	359.8
500.0	EUR	2.75% fixed	04/08/2014 05/30/2014 06/26/2014 09/22/2015 11/05/2015	04/08/2024 04/08/2024 04/08/2024 04/08/2024 04/08/2024	507.3	507.6
345.0	EUR	1.375% fixed	10/01/2014	10/01/2021	344.7	344.4
150.0	USD	Floating 3-month USD Libor +0.73%	03/09/2015	03/09/2020	-	133.5
275.0	EUR	0.875% fixed	03/27/2015	03/28/2022	274.2	274.1
150.0	USD	2.887% fixed	06/09/2015	06/09/2021	122.2	133.5
50.0	EUR	1.60% fixed	04/16/2015	04/16/2035	49.6	49.6
500.0	EUR	1.25% fixed	05/10/2016	05/10/2026	497.2	497.0
300.0	EUR	1.50% fixed	04/05/2017	04/05/2027	297.9	297.8
550.0(1)	EUR	Zero coupon	09/30/2019	09/30/2022	550.3	550.5
600.0	EUR	0.25% fixed	05/13/2020	05/13/2023	598.4	
600.0	EUR	0.75% fixed	05/13/2020	05/13/2028	595.0	
TOTAL					3,836.8	3,147.8

(1) The issue price was set at 108.75%. The reference PUMA share price and the exchange price were set at €68.28 and €92.17 respectively. The bonds can be redeemed either in cash or PUMA shares, or a combination of cash and PUMA shares.

23.5 Other bank borrowings

The Group has floating-rate bank borrowings denominated in yen and totaling €253.7 million. These borrowings fall due within five years.

23.6 Undrawn confirmed lines of credit

As of December 31, 2020, the Group has undrawn confirmed lines of credit totaling €4,365.3 million (December 31, 2019: €3,035.0 million). These consisted of a syndicated facility for €2,215.3 million due in December 2025 and €2,150.0 million in bilateral credit lines due between one and three years.

NOTE 24 – DERIVATIVE INSTRUMENTS AND MANAGEMENT OF MARKET RISKS

The Group uses derivative hedging instruments to manage its exposure to market risks. The accounting policies and methods applied in respect of derivative instruments are set out in Note 35.17.

24.1 Exposure and sensitivity to interest rate risk

(in € millions)	Notes	Dec. 31, 2020	Impact of hedging	After hedging	Impact on income of a 1% change in interest rates
Fixed-rate		4,389.0	5.0	4,394.0	
Floating-rate		1,202.5	(5.0)	1,197.5	12.0
Borrowings		**5,591.5**			

(in € millions)	Notes	Dec. 31, 2020	Impact on income of a 1% change in interest rates
Floating-rate investments		**3,430.6**	**34.3**

24.2 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:

	Dec. 31, 2020					
	Par value[1]		Market value[2]			
(in € millions)	Less than one year	More than one year	Cash flow hedges	Fair value hedges	Unallocated	Total
Options purchased	**172.0**	**-**	**(5.0)**	**-**	**-**	**(5.0)**
USD put						
JPY put						
CNY put	172.0		(5.0)			(5.0)
Other						
Tunnels	**298.3**	**-**	**(11.0)**	**-**	**-**	**(11.0)**
USD seller	153.6		(7.5)			(7.5)
JPY seller	29.6		(0.7)			(0.7)
HKD seller	29.4		(1.3)			(1.3)
GBP seller	85.6		(1.5)			(1.5)
Forwards	**2,866.0**	**-**	**70.2**	**4.6**	**0.1**	**74.9**
USD	641.6		38.3	1.6	0.1	39.9
JPY	428.9		20.1	0.2		20.2
CNY	782.9		4.1	1.9		6.0
GBP	176.0		1.0	(0.2)		0.8
HKD	126.7		8.2	0.3		8.5
AUD	108.6		(3.7)	(0.2)		(3.9)
KRW	336.4		(1.4)	0.3		(1.2)
Other	264.8		3.7	0.9		4.6
Cross-currency swaps[3]	**1,670.5**	**-**	**5.6**	**2.0**	**2.4**	**10.0**
USD	457.5		4.4	1.4	3.2	9.0
GBP	194.7		0.3	0.1	0.6	1.0
JPY	78.5		0.5	2.3		2.8
CNY	214.8		(0.8)	(2.1)	(0.4)	(3.2)
Other	725.1		1.1	0.4	(1.0)	0.5
TOTAL	5,006.8	-	59.9	6.6	2.5	68.9

(1) Sale (purchase).
(2) Gain (loss).
(3) Excluding cross currency swaps match-funded to debt (€105.2 million).

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

Dec. 31, 2020 *(in € millions)*	**Monetary assets**	**Monetary liabilities**	**Net exposure in the balance sheet**	**Forecast exposure**	**Net exposure before hedging**	**Hedging instruments**	**Net exposure after hedging**	**Dec. 31, 2019**
USD	748.2	146.2	602.0	807.4	1,409.4	(1,252.7)	156.7	212.1
CNY	1,152.8	1.2	1,151.6	756.6	1,908.2	(1,169.7)	738.5	373.9
JPY	255.5	519.4	(263.9)	433.6	169.7	(642.2)	(472.5)	(395.4)
GBP	236.2	4.1	232.1	302.0	534.1	(456.3)	77.8	110.2
CHF	505.4	144.2	361.2	-	361.2	(320.2)	41.0	54.7
HKD	152.8	8.5	144.3	169.2	313.5	(234.6)	78.9	142.5
AUD	109.1	0.1	109.0	110.7	219.7	(159.7)	60.0	112.0
Other	849.3	62.3	787.0	513.1	1,300.1	(876.5)	423.6	539.8
TOTAL	4,009.3	886.0	3,123.3	3,092.6	6,215.9	(5,111.9)	1,104.0	1,149.8

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, or are converted into the Group's functional currency using foreign exchange derivatives in accordance with applicable procedures.

Analysis of sensitivity to foreign exchange risk

Based on market data as of December 31, 2020, 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:

As of December 31, 2020 *(in € millions)*	**Impact on equity**		**Impact on income**	
	10% increase	**10% decrease**	**10% increase**	**10% decrease**
USD	72.7	(84.4)	0.5	(0.6)
JPY	39.1	(47.4)		
CNY	66.1	(69.1)		

As of December 31, 2019 *(in € millions)*	**Impact on equity**		**Impact on income**	
	10% increase	**10% decrease**	**10% increase**	**10% decrease**
USD	120.5	(143.0)	0.6	(0.7)
JPY	45.5	(55.7)		
CNY	59.3	(61.7)		

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

The impact on equity recognized in the revaluation reserve 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.

24.3 Exposure to equity risk

The Group has significant exposure to equity risk through its stake in PUMA (9.87% as of December 31, 2020), the value of which depends on fluctuations in the PUMA share price (see Note 19.2).

The bonds issued in September 2019 and exchangeable for PUMA shares contain an equity component corresponding to an exchange option indexed to the PUMA share price. The redemption and/or exchange price of these bonds is therefore linked to changes in the PUMA share price. As of December 31, 2020 and at the issue date, the reference exchange price was set at €92.17.

Based on market data as of December 31, 2020, a 10% increase in PUMA's share price would have a positive €137 million impact on the total value of the PUMA shares in the consolidated balance sheet, but a negative €33 million impact on the Group's pre-tax consolidated income owing to the €33 million increase in the carrying amount of the equity component recognized as a derivative liability at fair value in the consolidated balance sheet. Conversely, a 10% decrease in PUMA's share price would have a negative €137 million impact on the total value of the PUMA shares in the consolidated balance sheet, but a positive €27 million impact on the Group's pre-tax consolidated income owing to the €27 million decrease in the carrying amount of the equity component recognized as a derivative liability at fair value in the consolidated balance sheet.

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

24.4 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 brands' activities in the Watches and Jewelry segments. Hedges may therefore be put in place by contracting derivative financial instruments to fix the production cost or by negotiating prices with refiners or manufacturers of semi-finished products.

As of December 31, 2020, these hedging transactions with a residual maturity of less than one year are treated as forward purchases for a notional amount of €9.4 million. Their market value is not material (notional amount of €6.3 million as of December 31, 2019).

A sudden 1% increase or decrease in precious metals prices would have a direct impact of €0.1 million (excluding the tax effect) on equity on the revaluation reserve line.

24.5 Exposure to counterparty risk

The Group trades derivatives over-the-counter in compliance with its internal control procedures. The trades are carried out with bluechip 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.

24.6 Measurement of derivative instruments

The different methods applied to measure derivative instruments are set out in Note 35.17.

(in € millions)	Notes	Dec. 31, 2020	Interest rate risk	Foreign exchange risk	Other market risks	Dec. 31, 2019
Non-current financial assets	**19**	**-**	**-**	**-**	**-**	**-**
Derivative instruments – at fair value through income		-				-
Derivative instruments – cash flow hedges		-				-
Derivative instruments – fair value hedges		-				-
Current financial assets	**19**	**124.1**	**-**	**124.1**	**-**	**30.9**
Derivative instruments – at fair value through income		4.8		4.8		2.9
Derivative instruments – cash flow hedges		109.1		109.1		23.2
Derivative instruments – fair value hedges		10.2		10.2		4.8
Non-current financial liabilities	**25**	**80.0**	**0.2**	**5.7**	**74.1**	**47.9**
Derivative instruments – at fair value through income(1)		79.8		5.7	74.1	47.6
Derivative instruments – cash flow hedges		0.2	0.2			0.3
Derivative instruments – fair value hedges		-				-
Current financial liabilities	**25**	**24.6**	**-**	**24.6**	**-**	**61.2**
Derivative instruments – at fair value through income		1.7		1.7		1.1
Derivative instruments – cash flow hedges		17.8		17.8		51.6
Derivative instruments – fair value hedges		5.1		5.1		8.5
TOTAL		19.5	(0.2)	93.8	(74.1)	(78.2)

(1) Including the fair value of the derivative (option) embedded within the bond exchangeable for PUMA shares amounting to €74.1 million as of December 31, 2020 (December 31, 2019: €41.9 million).

24.7 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, 2020 the Group holds confirmed undrawn lines of credit totaling €4,365.3 million and available cash of €3,442.8 million (see Note 23.1).

The following table shows contractual commitments relating to borrowings (including accrued interest) and trade payables. The table also shows Group commitments relating to derivative instruments recorded in assets or liabilities. This analysis does not take into account the impact of any netting agreements.

(in € millions)	Notes	Dec. 31, 2020 Carrying amount	Dec. 31, 2020 Cash flow	Less than one year	One to five years	More than five years
Non-derivative financial instruments		**6,257.5**	**(6,882.7)**	**(2,570.9)**	**(2,822.8)**	**(1,489.0)**
Bonds		3,836.8	(3,842.2)	(467.2)	(1,925.0)	(1,450.0)
Commercial paper		552.2	(552.2)	(552.2)		
Other borrowings		1,202.5	(1,822.3)	(885.5)	(897.8)	(39.0)
Trade payables		666.0	(666.0)	(666.0)		
Derivative financial instruments		**(19.5)**	**78.8**	**81.2**	**(2.4)**	**-**
Interest rate risk		(0.2)	(0.2)	(0.1)	(0.1)	-
Interest rate swaps		*(0.2)*	*(0.2)*	*(0.1)*	*(0.1)*	
Other interest rate derivatives			-			
Foreign exchange risk		(93.4)	79.0	81.3	(2.3)	-
Currency forwards and currency swaps		-	*72.4*	*72.4*	-	-
Outflows			*(5,344.3)*	*(5,344.3)*		
Inflows			*5,416.7*	*5,416.7*		
Other foreign currency derivatives		-	*6.6*	*8.9*	*(2.3)*	-
Outflows			*(450.9)*	*(345.7)*	*(105.3)*	
Inflows			*457.5*	*354.6*	*103.0*	
Other market risks		74.1	N/A	-	-	-
Embedded derivative relating to bonds exchangeable into PUMA shares		74.1	N/A			
TOTAL		6,238.0	(6,803.9)	(2,489.7)	(2,825.2)	(1,489.0)

(in € millions)	Notes	Dec. 31, 2019 Carrying amount	Cash flow	Less than one year	One to five years	More than five years
Non-derivative financial instruments		**5,906.8**	**(6,075.0)**	**(2,805.8)**	**(2,142.1)**	**(1,127.1)**
Bonds		3,147.8	(3,147.0)	(493.5)	(1,803.5)	(850.0)
Commercial paper		804.6	(804.6)	(804.6)		
Other borrowings		1,145.7	(1,314.7)	(699.0)	(338.6)	(277.1)
Trade payables		808.7	(808.7)	(808.7)		
Derivative financial instruments		**78.2**	**(67.8)**	**(61.1)**	**(6.7)**	**-**
Interest rate risk		0.4	0.5	0.7	(0.2)	-
Interest rate swaps			*0.5*	*0.7*	*(0.2)*	-
Other interest rate derivatives			-	-	-	-
Foreign exchange risk		36.8	(68.3)	(61.8)	(6.5)	-
Currency forwards and currency swaps		-	*(63.5)*	*(63.5)*	-	-
Outflows			*(6,327.6)*	*(6,323.5)*	*(4.1)*	
Inflows			*6,264.1*	*6,260.0*	*4.1*	
Other foreign currency derivatives		-	*(4.8)*	*1.7*	*(6.5)*	-
Outflows			*(323.1)*	*(213.5)*	*(109.6)*	
Inflows			*318.3*	*215.2*	*103.1*	
Other market risks		41.0	N/A	-	-	-
Embedded derivative relating to bonds exchangeable into PUMA shares		41.9	N/A			
Other		(0.9)	N/A			
TOTAL		5,985.0	(6,142.8)	(2,866.9)	(2,148.8)	(1,127.1)

NOTE 25 – FINANCIAL LIABILITIES

The accounting policies and methods applied in respect of financial liabilities are set out in Notes 35.16 and 35.17.

25.1 Breakdown of financial liabilities

(in € millions)	Notes	Dec. 31, 2020	Dec. 31, 2019
Derivative instruments	24.6	80.0	47.9
Non-current financial liabilities		**80.0**	**47.9**
Derivative instruments	24.6	24.6	61.2
Kering SA interim dividend	22.2	312.5	442.0
Other		1.0	-
Current financial liabilities		**338.1**	**503.2**

25.2 Financial liabilities measured at fair value

(in € millions)	Notes	Dec. 31, 2020	Dec. 31, 2019
Derivative instruments	24.6	104.6	109.1
Financial liabilities measured at fair value		**104.6**	**109.1**

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 26 – PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

The accounting policies and methods applied in respect of provisions for pensions and other post-employment benefits are set out in Note 35.22.

26.1 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 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.

26.2 Provisions for pensions and other post-employment benefits

(in € millions)	Notes	Dec. 31, 2020	Dec. 31, 2019
Non-current provisions		107.5	106.5
Current provisions		12.2	8.9
Provisions for pensions and other post-employment benefits		**119.7**	**115.4**

	2020					2019
				Change of 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	**217.5**	**102.1**	**115.4**			**96.6**
Current service cost	14.5		14.5		(14.5)	11.9
Plan amendments			-		-	(4.1)
Interest cost on the benefit obligation	1.2		1.2		(1.2)	2.5
Interest income on plan assets		0.3	(0.3)		0.3	(1.1)
Past service cost	(6.6)		(6.6)		6.6	(3.8)
Actuarial gains and losses:	(5.1)	(3.8)	(1.3)	1.3		19.9
Changes in demographic assumptions	*(5.9)*		*(5.9)*			*2.7*
Changes in financial assumptions	*0.4*		*0.4*			*18.8*
Experience adjustments	*0.4*		*0.4*			*(0.3)*
Return on plan assets (excluding interest)		*(3.8)*	*3.8*			*(1.3)*
Benefits paid	(7.2)	(3.7)	(3.5)			(4.4)
Contributions paid by employees	4.7	4.7	-			-
Contribution paid by employer		6.0	(6.0)			(5.1)
Insurance contracts	(0.8)	(0.8)	-			-
Administrative expenses		(0.4)	0.4		(0.4)	0.4
Changes in Group structure	5.8		5.8			(0.5)
Foreign exchange differences	0.4	0.3	0.1			3.1
As of December 31	**224.4**	**104.7**	**119.7**	**1.3**	**(9.2)**	**115.4**
Obligation funded by plan assets	151.7					156.7
Obligation not funded by plan assets	72.7					60.8

26.3 Actuarial assumptions used to estimate the present value of the benefit obligation

	France		Switzerland		Italy	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Average maturity of plans *(in years)*	14.4	12.5	12.8	13.7	10.0	9.9
Discount rate	1.00%	1.00%	0.20%	0.30%	1.00%	1.00%
Expected rate of increase in salaries	2.48%	2.51%	1.15%	1.29%	3.00%	3.00%
Inflation rate	1.75%	1.75%	0.70%	0.70%	1.75%	1.75%

Based on the sensitivity tests of actuarial assumptions, the impact of a 50 basis-point increase or decrease in the discount rate would not be material and would represent less than 0.15% of consolidated equity as of December 31, 2020.

26.4 Breakdown of the present value of the benefit obligation by country

(in € millions)	Dec. 31, 2020	Dec. 31, 2019
Switzerland	147.5	152.2
Italy	42.8	35.2
France	26.6	23.4
Other	7.5	6.7
Present value of benefit obligation	**224.4**	**217.5**

26.5 Fair value of plan assets by type of financial instrument

(in € millions)	Dec. 31, 2020	%	Dec. 31, 2019	%
Debt instruments	40.6	38.8%	37.7	36.9%
Equity instruments	28.5	27.2%	26.5	25.9%
Real estate	23.8	22.7%	21.0	20.5%
Insurance contracts	–	0.0%	0.5	0.5%
Derivative instruments	4.1	3.9%	7.0	6.9%
Cash and cash equivalents	1.4	1.3%	3.8	3.7%
Other assets	6.3	6.0%	5.6	5.6%
Fair value of plan assets	**104.7**	**100.0%**	**102.1**	**100.0%**

In 2021, the Group intends to contribute €4.8 million to funded plans.

NOTE 27 – PROVISIONS AND CONTINGENT LIABILITIES

The accounting policies and methods applied in respect of provisions are set out in Note 35.23.

(in € millions)	Dec. 31, 2019	Charge	Reversal (utilized provisions)	Reversal (surplus provisions)	Changes in Group structure	Foreign exchange differences	Other	Dec. 31, 2020
Non-current provisions	15.1	1.2	(2.6)	(1.0)	0.9	(0.2)	5.0	18.4
Current provisions	216.0	46.4	(37.0)	(17.7)	-	(0.7)	5.4	212.4
TOTAL	231.1	47.6	(39.6)	(18.7)	0.9	(0.9)	10.4	230.8

(in € millions)	Notes	Dec. 31, 2020	Dec. 31, 2019
Provision for restructuring costs	9	45.1	53.8
Vendor warranties	33.1	54.7	62.1
Disputes and other contingencies		131.0	115.2
TOTAL		230.8	231.1

Litigation and disputes

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

The Group believes there 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 and/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.

Contingent liabilities

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

NOTES ON THE CONSOLIDATED CASH FLOW STATEMENT

NOTE 28 – CASH AND CASH EQUIVALENTS AS REPORTED IN THE CASH FLOW STATEMENT

(in € millions)	Notes	Dec. 31, 2020	Dec. 31, 2019
Cash and cash equivalents as reported in the balance sheet	**23.1**	**3,442.8**	**2,285.9**
Bank overdrafts	23.2	(442.7)	(448.3)
Cash and cash equivalents as reported in the cash flow statement		**3,000.1**	**1,837.6**

NOTE 29 – CASH FLOW RECEIVED FROM OPERATING ACTIVITIES

(in € millions)	Notes	2020	2019
Net income from continuing operations		**2,189.7**	**2,208.4**
Net recurring charges to depreciation, amortization and provisions on non-current operating assets		1,439.0	1,245.3
Other non-cash income and expenses		(282.8)	(392.4)
Non-cash recurring operating income and expenses:	5.1	(189.9)	100.2
Fair value of operating foreign exchange rate hedges		*(56.3)*	*97.4*
Other		*(133.6)*	*2.8*
Other non-cash income and expenses:		(92.9)	(492.6)
Capital gain on PUMA disposal		*(704.6)*	*N/A*
Impairment of goodwill, brands and other non-current assets	*9*	*446.6*	*94.9*
Fair value of foreign exchange rate hedges in financial result	*9, 15*	*79.7*	*(96.5)*
Deferred tax expense (income)		*102.2*	*(464.2)*
Share in earnings (losses) of equity-accounted companies		*7.6*	*(41.8)*
Other		*(24.4)*	*15.0*
Cash flow received from operating activities		**3,345.9**	**3,061.3**

NOTE 30 – CHANGE IN WORKING CAPITAL REQUIREMENT

(in € millions)	Notes	2020	2019
Change in inventories		48.6	(506.8)
Change in trade receivables		151.9	(127.8)
Change in trade payables		(150.2)	63.3
Change in other operating receivables and payables		(5.9)	13.8
Change in working capital requirement		**44.4**	**(557.5)**

NOTE 31 – ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(in € millions)	Notes	2020	2019
Acquisitions of property, plant and equipment	17	(580.1)	(792.5)
Acquisitions of intangible assets	14	(215.5)	(223.2)
Change in amounts due in respect of non-current assets		28.7	88.5
Lease set-up costs	16.4	(20.0)	(28.6)
Acquisitions of property, plant and equipment and intangible assets		**(786.9)**	**(955.8)**

NOTE 32 – FINANCING ACTIVITIES AND CHANGE IN BORROWINGS

(in € millions)	Borrowings – Current	Borrowings – Non-current	Lease liabilities	Other assets and liabilities	Equity	Total
As of January 1, 2020	**1,975.9**	**3,122.2**				
Dividends paid to shareholders of Kering SA					(1,000.1)	(1,000.1)
Dividends paid to minority interests in consolidated subsidiaries					(9.3)	(9.3)
Transactions with minority interests	(50.9)	(0.4)			23.8	(27.5)
Acquisitions (disposals) of Kering treasury shares					(54.1)	(54.1)
Issuance of bonds and bank debt	52.8	1,390.3				1,443.1
Redemption of bonds and bank debt	(635.2)	(7.1)				(642.3)
Issuance (redemption) of other borrowings	(258.2)	(0.4)				(258.6)
Repayment of lease liabilities			(787.3)			(787.3)
Interest paid and equivalent	(54.4)		(112.9)	(119.7)		(287.0)
Net cash received from (used in) financing activities	**(945.9)**	**1,382.4**	**(900.2)**	**(119.7)**	**(1,039.7)**	**(1,623.1)**
Changes in Group structure	0.6	5.7				
Foreign exchange differences	(29.5)	(5.0)				
Changes in put options granted to minority interests	(0.3)	18.4				
Other movements	775.4	(708.4)				
As of December 31, 2020	**1,776.2**	**3,815.3**				

(in € millions)	Borrowings Current	Borrowings Non-current	Lease liabilities	Other assets and liabilities	Equity	Total
As of January 1, 2019	**756.4**	**3,171.6**	**-**			
Dividends paid to shareholders of Kering SA					(1,320.1)	(1,320.1)
Dividends paid to minority interests in consolidated subsidiaries					(21.9)	(21.9)
Transactions with minority interests	(17.7)			(1.5)		(19.2)
Acquisitions (disposals) of Kering treasury shares					(402.1)	(402.1)
Issuance of bonds and bank debt	50.1	594.5				644.6
Redemption of bonds and bank debt	(287.6)	-				(287.6)
Issuance (redemption) of other borrowings	844.5	(45.7)				798.8
Repayment of lease liabilities			(639.6)			(639.6)
Interest paid and equivalent	(57.1)		(109.6)	(123.2)		(289.9)
Net cash received from (used in) financing activities	**532.2**	**548.8**	**(749.2)**	**(124.7)**	**(1,744.1)**	**(1,537.0)**
Changes in Group structure	(13.2)	3.0				
Foreign exchange differences	9.2	5.3				
Changes in put options granted to minority interests	0.2	68.2				
First-time application of IFRS 16	(42.8)	(35.9)				
Other movements	733.9	(638.8)				
As of December 31, 2019	**1,975.9**	**3,122.2**				

OTHER INFORMATION

NOTE 33 – OFF-BALANCE SHEET COMMITMENTS

33.1 Main vendor warranties granted in connection with asset disposals

Disposals	Vendor warranties
December 2010 Disposal of Conforama	Vendor warranty covering tax-related claims expiring when the period becomes time–barred, capped at €120 million. This disposal is related to an ancillary commitment by Kering to continue commercial relations between Conforama and the BNP Paribas group as regards customer loans, which expires in 2027.
June 2013 Disposal of Ellos	Customary vendor warranty covering certain fundamental representations (with respect to capacity, existence, title ownership and capitalization), which survives indefinitely and is capped at the sale price. This was accompanied by a commitment received as regards the continuation of commercial relations with Finaref, covered by a €70 million bank guarantee expiring in 2023.
June 2014 Disposal of La Redoute and Relais Colis	Customary vendor warranty covering certain fundamental representations (particularly with respect to the existence of the companies sold, the availability of the shares sold and the capacity and power to complete the sale), which expires when the period becomes time-barred and is capped at €10 million. Vendor warranty covering tax–related claims and capped at €10 million, expiring when the period becomes time–barred. Specific vendor warranties covering (i) the group's restructuring operations prior to its sale, which expire on December 31, 2021 and are not capped, and (ii) environmental risks, which expire on December 31, 2020 and are capped at €37 million. A comprehensive and comparative review of the costs actually incurred by La Redoute and Relais Colis up until 2020 in connection with environmental risks will be finalized in the first half of 2021, before these obligations expire.
December 2015 Disposal of Sergio Rossi	Vendor warranty covering (i) tax-related or similar claims expiring when the period becomes time-barred in each jurisdiction concerned and (ii) certain fundamental representations (particularly with respect to organization, capitalization, titles and authority) which survive indefinitely or expire when the period becomes time-barred. These warranties are capped at €15 million with the exception of (ii), which is capped at the sale price. Specific vendor warranties covering (i) tax audits of the years 2010 to 2014; (ii) the tax impact of the group's restructuring operations prior to its sale; and (iii) intellectual property claims and potential disputes with certain managerial-grade employees *(cadres)*, which survive indefinitely. These warranties are not capped.
March 2016 Disposal of Electric	Customary vendor warranty covering certain fundamental representations, particularly with respect to organization, capitalization and authority. The vendor warranties are limited to the seller's knowledge of insurance, litigation and tax-related matters. These warranties are not capped.
April 2019 Disposal of Volcom	Specific warranties capped at USD 7.5 million covering (i) intellectual property and certain real estate and contractual matters (expiring in April 2020) and (ii) certain tax–related claims (expiring in April 2022). A further vendor warranty covering certain tax obligations, which is uncapped and expires in April 2025. A vendor warranty covering certain fundamental representations (ownership and capacity), which survives indefinitely and is capped at the sale price.
July 2019 Disposal of Stella McCartney	Customary vendor warranty covering certain fundamental representations (ownership and ability to freely dispose of shares), which survives indefinitely and is uncapped. Specific warranty covering certain tax-related claims, capped at €7 million and expiring when the period becomes time-barred.

A provision has been set aside for certain vendor warranties (see Note 27).

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

Details of other commitments and warranties given are provided in the corresponding notes and relate to leases (Note 16), property, plant and equipment (Note 17), inventories (Note 20), trade receivables (Note 21) and derivative instruments (Note 24.7). Other commitments given and received in the course of the Group's operations can be analyzed as follows:

		Payments due by period				
(in € millions)	Notes	Less than one year	One to five years	More than five years	Dec. 31, 2020	Dec. 31, 2019
Binding purchase commitments		52.4	170.5	-	222.9	319.6
Customs deposits and other guarantees in respect of operations		36.6	4.3	3.7	44.6	40.6
Other commitments given		**89.0**	**174.8**	**3.7**	**267.5**	**360.2**
Other commitments received		**21.0**	**0.4**	**1.3**	**22.7**	**17.5**

NOTE 34 – TRANSACTIONS WITH RELATED PARTIES

34.1 Related party controlling the Group

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

	Notes	Dec. 31, 2020	Dec. 31, 2019
% capital held by the Artémis group in Kering SA		41.4%	41.0%
% voting rights held by the Artémis group in Kering SA		58.2%	58.1%
Dividend paid for Year Y-1 *(in € millions)*	22.2	413.9	542.4
Interim dividend paid for Year Y *(in € millions)*	22.2	129.4	181.1
Fees for the period *(in € millions)*		4.7	5.7

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.

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

(in € millions)	Notes	2020	2019
Wages and salaries		32.3	38.9
Payroll taxes		7.1	9.0
Termination indemnities		1.6	0.4
Short-term remuneration		**41.0**	**48.3**
Post-employment benefits		0.9	1.4
Other long-term benefits		6.8	3.9
Share-based payment		18.5	71.8
Long-term remuneration		**26.2**	**77.1**
TOTAL		67.2	125.4

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

NOTE 35 – ACCOUNTING POLICIES AND METHODS

35.1 Basis of preparation of the consolidated financial statements

35.1.1 Changes to the IFRS basis

With effect from January 1, 2020, the Group has applied the amendment to IFRS 16 – *Covid-19-Related Rent Concessions*, which was adopted by the IASB on May 28, 2020 and approved by the European Union on October 9, 2020 (see Note 2.1 and Note 35.13.6). The impact on the Group of the other new standards, amendments and interpretations whose application is mandatory for annual reporting periods beginning on or after January 1, 2020 is not material.

In addition, the Group will apply the amendments to IFRS 9 and IFRS 7 – *Interest Rate Benchmark Reform Phase 2* as of 2021, as required by the IASB.

35.1.2 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 and brands, 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. Put options granted to minority interests, for example, are a case in point.

35.1.3 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 Group structure, 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 9).

"Recurring operating income" is therefore a major indicator for the Group, defined as the difference between operating income and other non-recurring operating income and expenses. This intermediate line item 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. This indicator is presented in a manner that is consistent and stable over the long term in order to ensure the continuity and relevance of financial information (see Note 5).

EBITDA

The Group uses EBITDA 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 5).

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 9 and 11).

Net debt

Net debt is one of the Group's main financial indicators, and is defined as borrowings less cash and cash equivalents. Consequently, 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 10). Borrowings include put options granted to minority interests (see Note 35.21).

35.2 Consolidation principles

The Group's consolidated financial statements include the financial statements of the companies listed in Note 36. They include the financial statements of companies acquired as from the acquisition date and companies sold up until the date of disposal.

35.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group exercises control. Control is defined according to three criteria: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to 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 less than 50% of the voting rights are held.

Subsidiaries are consolidated from the effective date of control.

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

35.2.2 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.

35.2.3 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 revised IFRS 3. Accordingly, the consideration transferred (acquisition price) is measured at the fair value of the assets transferred, equity interests issued and liabilities incurred by the acquirer at the date of exchange. Identifiable assets and liabilities are generally measured at their fair value on the acquisition date. Costs directly attributable to an acquisition are recognized within other non-recurring operating expenses in the income statement.

The excess of the acquisition price plus the amount of any minority interest in the acquiree over the net fair value of the identifiable assets and liabilities acquired is recognized as goodwill. If the difference is negative, the gain on the bargain purchase 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 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.

35.3 Foreign currency translation

35.3.1 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.

35.3.2 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 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 35.17.

35.3.3 Translation of the financial statements of foreign subsidiaries

The income statement and balance sheet 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;
- income and cash flow statement items 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.

35.3.4 Net investment in a foreign subsidiary

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 income 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.

35.4 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.

Net 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.

Segment assets comprise goodwill, brands and other intangible assets, lease right-of-use assets, property, plant and equipment, other non-current assets, inventories, trade receivables and other current assets.

Segment liabilities comprise deferred tax liabilities on brands, lease liabilities, trade payables and other current liabilities.

The presentation of revenue by geographic area is based on the geographic location of clients. Non–current segment assets are not broken down by geographic area since these assets largely consist of goodwill and brands, which are analyzed based on the revenue generated in each region, and not based on their geographic location.

35.5 Revenue

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

35.5.1 Sales of goods and associated services

Sales of goods, whether through a retail network, online 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 wholesaler has a contractual right of return or routinely makes returns, in which case 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. A corresponding asset (with an offsetting adjustment to cost of sales) representing the right to recover the goods from the client is also recognized;
- in the event of deferred payment beyond habitual credit terms that is not backed by a financing institution, the revenue from the sale corresponds to the discounted price. The difference between the discounted price and the cash value is recognized under other financial income and expenses within "Financial result".

Warranties in connection with certain product categories are recognized under provisions and have no impact on revenue recognition.

Revenue from services directly related to the sale of goods is recognized in the period in which such services are rendered.

35.5.2 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.

35.6 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 35.22, and expenses related to share-based payments (see Note 35.7). 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.

35.7 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.

35.8 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 end of the reporting period.

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 carry-forwards and tax credits 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.

35.9 Earnings per share

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

Diluted earnings per share is calculated by adjusting net income attributable to the Group and the weighted average number of outstanding shares during the period for all dilutive instruments granting deferred access to the share capital of the Company, whether issued by Kering or by one of its subsidiaries. Dilution is determined separately for each instrument based on the following conditions:

- when the proceeds corresponding to potential future share issues are received at the time dilutive securities are issued (e.g., convertible bonds), the numerator is equal to net income before dilution plus the interest expense that would be saved in the event of conversion, net of tax;
- when the proceeds are received at the time the rights are exercised (e.g., issues of free shares), the dilution attached to the options is determined using the treasury shares method (theoretical number of shares purchased at market price [average price over the period] based on the proceeds received at the time the rights are exercised).

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 35.1.3).

35.10 Goodwill

Goodwill is determined according to the method indicated in Note 35.2.3.

Goodwill is allocated as of the acquisition date to cash-generating units (CGUs) or groups of CGUs defined by the Group. The CGUs or groups of 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 35.12.

35.11 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 for impairment at least annually or more frequently when there is an indication that an impairment loss is likely.

Other intangible assets are amortized over their useful lives and are tested for impairment when there is an indication that they may be impaired.

Software acquired as part of recurring operations is usually amortized over a period not exceeding 12 months.

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 35.12.

35.12 Cash-generating units and impairment tests

The Group tests the value of its assets for impairment by allocating them to cash-generating units (CGUs) or groups of 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 or groups of CGUs as defined by the Group represent the operating segments in which the Group's brands operate (see Note 35.4).

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 asset, CGU or group of CGUs.

Future cash flow projections are based on medium-term budgets and plans. These plans are drawn up for a period of five years with the exception of certain CGUs or groups of 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 (the Group now operates in regions whose markets are enjoying faster-paced growth than in Europe), the rise in the cost of raw materials and inflation.

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 35.1.3).

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.

In addition to the projected future cash flows method, the Group applies the royalties method to test the value of its brands. This method consists of determining the value of a brand based on future royalty revenue receivable where it is assumed that the brand will be operated under license by a third party.

35.13 Leases

35.13.1 Scope of IFRS 16

A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a given period of time in exchange for consideration.

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.

The lease payments associated with these leases outside the scope of IFRS 16 are recognized as an expense on a straight-line basis over the term of the lease.

Where certain lease agreements include explicitly identifiable non-lease components, those components are recognized in the appropriate item under recurring operating expenses.

35.13.2 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 cash flow statement 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").

35.13.3 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 option to extend the lease if the lessee is reasonably certain to exercise that option; or
- any periods covered by an option to terminate the lease if the lessee is reasonably certain to exercise that option.

When estimating the terms of its property leases, which represent the majority of leases signed, the Group divides the underlying assets into two categories:

- points of sale: the lease term corresponds to the initial term of the lease on the signature date, namely without taking into account any extension options, as Kering views the ability to take advantage of opportunities to relocate its stores throughout the term of the lease to be a key part of its store network management policy. Over the life of a lease, the Group reestimates the lease term at the end of each reporting period, taking into account recent operating decisions that factor in any extension or termination options that had not been considered reasonably certain at the end of previous reporting periods;
- other properties (offices, logistics and production centers): the lease term corresponds to the initial term of the lease together with any periods covered by an extension option if Kering is reasonably certain to exercise that option, based on expected future usage of the underlying assets.

In the specific case of "3-6-9"-type commercial leases in France, the Group has adopted nine years as the enforceable lease term as of the commencement of the lease, in accordance with the conclusions published by the French accounting standard setter (*Autorité des normes comptables* – ANC) in its position statement of July 3, 2020 (replacing the position statement of February 16, 2018). At the end of the enforceable lease term and during any subsequent automatic renewal period while renegotiations are ongoing, the lease term is determined based on the date on which the Group is reasonably certain to renew the lease beyond its contractual term. For certain "6+6"- type commercial leases in Italy, Kering has adopted 12 years as the enforceable lease term as of the commencement of the lease. The position taken by the ANC also applies to Italian leases in the event of automatic renewal during any renegotiations following the end of their 12-year term.

In accordance with the IFRIC interpretation published on December 16, 2020, the Group estimates the term of its automatically renewable or indefinite-term leases mainly by reference to the expected useful life of the underlying non-movable assets. As a reminder, the Group depreciates improvements to its stores and other buildings consistently with the term of the underlying leases. Many different factors are taken into account in determining the maximum depreciation period of leasehold improvements, including the term of the underlying lease.

35.13.4 Determination of the discount rate applicable to lease liabilities

The Group believes that there is no readily available means of determining the interest rates implicit in its leases and has thus elected to apply the incremental borrowing rate.

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 is added to these inputs to reflect the specific risk of each activity, as follows:

- Kering and the principal Couture and Leather Goods Houses: Gucci, Yves Saint Laurent and Bottega Veneta;
- Other Houses – Couture and Leather Goods: Alexander McQueen, Balenciaga and Brioni;
- Other Houses – Watches and Jewelry: Boucheron, Pomellato, Qeelin, Sowind and Ulysse Nardin.

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

35.13.5 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.

35.13.6 Amendment to IFRS 16 – *Covid-19-Related Rent Concessions*

The Group chose to apply the practical expedient provided for in the amendment adopted by the IASB on May 28, 2020 and approved by the European Union on October 9, 2020. This allows lessees to recognize any concessions granted due to the health crisis as negative variable lease payments (i.e., directly in the income statement), without having to assess whether the concessions were granted pursuant to contractual or legal clauses governing the performance of the lease in question.

35.14 Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated depreciation and impairment, with the exception of land, which is not depreciated. 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. All other routine repair and maintenance costs are expensed in the income statement in the year they are incurred.

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 3 to 10 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.

35.15 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.

35.15.1 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.

35.15.2 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).

35.15.3 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 (i) collecting contractual cash flows (corresponding solely to payments of principal and interest on the principal amount outstanding) and (ii) 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.

35.15.4 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.

35.16 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.

35.16.1 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 35.21), 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 35.17.1).

35.16.2 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.

35.16.3 Convertible bonds: separating the debt and equity components

Bonds convertible into Kering shares have both a standard debt component and an equity component. These bonds are considered hybrid instruments insofar as the conversion option provides for the repayment of the instrument against a fixed number of equity instruments.

The two components of a convertible bond are:

- a debt component, recognized within bond debt and representing the financial liability related to the contractual commitment to pay cash;
- an equity component corresponding to the option to convert the bonds into a fixed number of ordinary shares, which resembles a sale of call options by Kering.

The accounting policies applicable to each of these components, at the issue date and at the end of each subsequent reporting period, are as follows:

- debt component: the amount initially recognized as debt corresponds to the present value of the future cash flows arising from interest and principal payments at the market rate for a similar bond with no conversion option. The debt component is subsequently recognized at amortized cost;
- equity component: the value of the conversion option is determined as the amount of the issue less the carrying amount of the debt component. The conversion option continues to be recorded in equity at its initial value. Changes in the value of the option are not recognized;
- transaction costs are allocated pro rata to each component.

35.17 Derivative instruments

35.17.1 Derivative instruments designated as hedging instruments

The Group uses various derivative instruments to reduce its exposure to foreign exchange, interest rate and equity risk. These instruments are listed on organized markets or traded over the counter with leading counterparties.

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

Changes in the fair value of derivatives are always recorded in income except in the case of cash flow and net investment hedges.

Derivatives designated as hedging instruments are classified by category of hedge based on the nature of the risks being hedged:

- a cash flow hedge is used to hedge the risk of changes in 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 remaining ineffective portion of the hedge is recognized in the income statement at each reporting date, on the other financial income and expenses line within "Financial result".

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

- for cash flow and net investment hedges, fair value gains and losses attributable to the effective portion of the hedging derivative are recognized directly in equity through other comprehensive income. For foreign currency derivatives, changes in the time value of the options and changes in premiums and discounts are also recognized in other comprehensive income. These amounts are reclassified to the income statement to match the recognition of the hedged items, mainly in gross margin for the effective portion of commercial transaction hedges, and in financial result for financial hedges and the time value of commercial hedges;
- for fair value hedges, the hedged component of these items is measured in the balance sheet at fair value with respect to the hedged risk. Fair value gains and losses are recorded in the income statement and are offset, to the extent the hedge is effective, by simultaneously matching fair value gains and losses on the hedging instrument in the income statement.

35.17.2 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 on the other financial income and expenses line within "Financial result".

35.17.3 Embedded derivatives

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 to income on the other financial income and expenses line within "Financial result".

35.18 Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated sale price in the normal course of operations, net of costs to be incurred to complete the sale.

The same method for determining costs is adopted for inventories of a similar nature and use within the Group. Inventories are valued using the retail method or weighted average cost method, depending on the Group activity.

The Group may recognize an inventory allowance based on expected turnover, if inventory items are damaged, have become wholly or partially obsolete, the selling price has declined, or if the estimated costs to completion or to be incurred to make the sale have increased.

35.19 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 cash flow statement, cash and cash equivalents at the opening and closing of the reporting period include bank overdrafts.

35.20 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.

35.21 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 35.1.3).

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.

35.22 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.

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.

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. The valuations take into account the level of future compensation, the probable active life of employees, life expectancy and staff turnover.

The provision recognized in the balance sheet corresponds to the present value of the obligations calculated as described above, less the fair value of plan 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.

35.23 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.

35.24 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 non-current assets (or disposal groups) held for sale and discontinued operations.

Non-current assets, or groups of assets and liabilities directly associated with those assets, are considered as held for sale if it is highly probable that their carrying amount will be recovered principally through a sale rather than through continuing use. Non-current assets (or disposal groups) held for sale are measured and 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 cash flow statement.

NOTE 36 – LIST OF CONSOLIDATED ENTITIES

Consolidation method

Full consolidation: C

Equity method: E

Company	% interest Dec. 31, 2020		% interest Dec. 31, 2019	
Kering SA	**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 SAS	C	100.00	C	100.00
BOTTEGA VENETA FRANCE SAS	C	100.00	C	100.00
BOUCHERON HOLDING SAS		Merger	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
C. MENDES SAS	C	100.00	C	100.00
DODO PARIS SAS	C	99.99	C	99.99
FRANCE CROCO SAS	C	100.00	C	100.00
GG FRANCE SERVICES SAS	C	100.00	C	100.00
GPO HOLDING SAS	C	100.00	C	100.00
GUCCI FRANCE SAS	C	100.00	C	100.00
LES BOUTIQUES BOUCHERON SAS	C	100.00	C	100.00
POMELLATO PARIS SA	C	99.99	C	99.99
QEELIN FRANCE SARL	C	100.00	C	100.00
SOWIND FRANCE SAS	C	100.00	C	100.00
TANNERIE DE PERIERS 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				
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	C	100.00	C	100.00
POMELLATO DEUTSCHLAND GmbH	C	100.00	C	100.00
KERING WATCHES LUXURY DIVISION GmbH	C	100.00	C	100.00
YVES SAINT LAURENT GERMANY GmbH	C	100.00	C	100.00

Company	% interest Dec. 31, 2020		Dec. 31, 2019	
Austria				
ALEXANDER MCQUEEN GmbH	C	100.00	C	100.00
BALENCIAGA AUSTRIA GmbH	C	100.00	Formation	
BOTTEGA VENETA AUSTRIA GmbH	C	100.00	C	100.00
BRIONI AUSTRIA GmbH	C	100.00	C	100.00
GUCCI AUSTRIA GmbH	C	100.00	C	100.00
YVES SAINT LAURENT AUSTRIA GmbH	C	100.00	C	100.00
Belgium				
GUCCI BELGIUM SA	C	100.00	C	100.00
Spain				
BALENCIAGA SPAIN SL	C	100.00	C	100.00
BOTTEGA VENETA ESPANA SL	C	100.00	C	100.00
BRIONI RETAIL 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	C	100.00	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 UK Ltd	C	100.00	C	100.00
LUXURY TIMEPIECES & JEWELLERY OUTLETS 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	99.80	C	99.80
Hungary				
GUCCI HUNGARY KFT	C	100.00	C	100.00
Ireland				
GUCCI 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 ONLINE ITALIA SRL	C	100.00	C	100.00
BALENCIAGA LOGISTICA SRL	C	100.00	C	100.00

Company	% interest Dec. 31, 2020		% interest Dec. 31, 2019	
BALENCIAGA ONLINE ITALIA SRL	C	100.00	C	100.00
BALENCIAGA RETAIL ITALIA SRL	C	100.00	C	100.00
BV ECOMMERCE SRL	C	100.00	Formation	
BRIONI SPA	C	100.00	C	100.00
BRIONI GERMANICS HOLDING SRL	C	100.00	C	100.00
BRIONI ITALIA SRL	C	100.00	C	100.00
B.V. LUXURY SRL	Merger		C	100.00
B.V. ITALIA SRL	C	100.00	C	100.00
BOTTEGA VENETA SRL	C	100.00	C	100.00
BOTTEGA VENETA LOGISTICA SRL	C	100.00	Formation	
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 BLUTONIC SPA	C	51.00	C	51.00
CONCERIA 800 SPA	C	51.00	C	51.00
DESIGN MANAGEMENT SRL	C	100.00	C	100.00
DESIGN MANAGEMENT 2 SRL	C	100.00	C	100.00
E-LITE SRL	C	100.00	C	51.00
FALCO PELLAMI SPA	C	51.00	C	51.00
GARPE SRL	C	100.00	C	100.00
GUCCI GARDEN SRL	C	100.00	C	100.00
G COMMERCE EUROPE SPA	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 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
KERING FASHION OPERATIONS SRL	C	100.00	C	100.00
K RETAIL SRL	C	100.00	C	100.00
LECCIO SRL	C	100.00	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
PELLETTERIA ALESSANDRA SRL	C	70.00	Acquisition	
PIGINI SRL	C	100.00	C	100.00
POMELLATO SPA	C	100.00	C	100.00
POMELLATO EUROPA 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	C	100.00	C	100.00

	% interest			
Company	**Dec. 31, 2020**		**Dec. 31, 2019**	
SOWIND ITALIA SRL	C	100.00	C	100.00
SL LUXURY RETAIL SRL	C	100.00	C	100.00
TEST & INNOVATION LAB SRL	C	100.00	Formation	
TIGER FLEX SRL	C	100.00	C	100.00
TOMAS MAIER ITALIA SRL	Liquidation		E	51.00
TRAMOR SRL	C	100.00	C	100.00
ULYSSE NARDIN ITALIA SRL	C	100.00	C	100.00
SAINT LAURENT SHOES SRL		Merger	C	100.00
YVES SAINT LAURENT MANIFATTURE SRL	C	100.00	C	100.00
Luxembourg				
BOTTEGA VENETA INTERNATIONAL SARL	C	100.00	C	100.00
GUCCI GULF INVESTMENTS 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
SMHJ SAM	C	99.79	C	99.79
SAM YVES SAINT LAURENT OF MONACO	C	100.00	C	100.00
Netherlands				
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
Czech Republic				
BRIONI CZECH REPUBLIC SRO	C	100.00	C	100.00
LUXURY GOODS CZECH REBUBLIC SRO	C	100.00	C	100.00
YVES SAINT LAURENT CZECH REPUBLIC, SRO	C	100.00	C	100.00
Romania				
SIFA INTERNATIONAL SRL	C	70.00	C	70.00
Russia				
BOUCHERON RUSSIA OOO	C	100.00	C	100.00
GUCCI RUS OOO	C	100.00	C	100.00
ULYSSE NARDIN RUSSIA LLC	C	100.00	C	100.00
Serbia				
LUXURY TANNERY DOO	C	51.00	C	51.00
F.LLI ROSSI SHOES DOO	C	70.00	C	70.00

	% interest			
Company	**Dec. 31, 2020**		**Dec. 31, 2019**	
Switzerland				
BALENCIAGA SWITZERLAND SA	C	100.00	C	100.00
BOTTEGA VENETA SA		Merger	C	100.00
BOTTEGA VENETA SWISS RETAIL SA	C	100.00		Formation
BOUCHERON (SUISSE) SA	C	100.00	C	100.00
BRIONI SWITZERLAND SA	C	100.00	C	100.00
DONZE CADRANS SA	C	100.00	C	100.00
FABBRICA QUADRANTI SA	C	100.00	C	100.00
GT SILK SA		Liquidation	C	100.00
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
OCHS UND JUNIOR AG		Disposal	E	32.80
SIGATEC SA	E	50.00	E	50.00
SOWIND GROUP SA	C	100.00	C	100.00
SOWIND SA	C	100.00	C	100.00
THE MALL LUXURY OUTLET SA	C	100.00	C	100.00
ULYSSE NARDIN LE LOCLE SA	C	100.00	C	100.00
UNCA SA	E	50.00	E	50.00
YVES SAINT LAURENT 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				
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
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
741 MADISON AVENUE CORP.		Merger	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 Inc.	C	100.00	C	100.00
BRIONI AMERICA HOLDING Inc.	C	100.00	C	100.00
E-LITE US Inc.	C	100.00	C	51.00
G GATOR USA LLC	C	100.00	C	100.00
GUCCI AMERICA Inc.	C	100.00	C	100.00

	% interest			
Company	**Dec. 31, 2020**		**Dec. 31, 2019**	
GUCCI CARIBBEAN Inc.	C	100.00	C	100.00
GUCCI GROUP WATCHES Inc.		Merger	C	100.00
GUCCI OSTERIA USA TRUST	C	100.00	C	100.00
GUCCI OSTERIA USA LLC	C	100.00	C	100.00
JOSEPH ALTUZARRA		Disposal	E	40.54
LUXURY HOLDINGS Inc.	C	100.00	C	100.00
LUXURY TIMEPIECES AND JEWELRY USA, Inc.	C	100.00	C	100.00
POMELLATO USA Inc.	C	100.00	C	100.00
TOMAS MAIER DISTRIBUTION LLC		Liquidation	E	51.00
TOMAS MAIER HOLDING LLC		Liquidation	E	51.00
TRADEMA OF AMERICA Inc.	C	100.00	C	100.00
ULYSSE NARDIN Inc.	C	100.00	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
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
BOTTEGA VENETA SERVICIOS, S. DE R.L. DE C.V.	C	100.00	C	100.00
D ITALIAN CHARMS S.A. 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
RETAIL LUXURY SERVICIOS 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
SAINT LAURENT SERVICIOS, S. DE R.L. DE C.V.	C	100.00	C	100.00
SERVICIOS DE PERSONAL BALENCIAGA 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
SAINT LAURENT AUSTRALIA PTY Ltd	C	100.00	C	100.00
New Zealand				
GUCCI NEW ZEALAND Ltd	C	100.00	C	100.00
SAINT LAURENT NEW ZEALAND Ltd	C	100.00		Formation
China				
Mainland China				
1921 (SHANGHAI) RESTAURANT Ltd		Liquidation	C	100.00
ALEXANDER McQUEEN (SHANGAI) TRADING Ltd	C	100.00	C	100.00
BALENCIAGA FASHION SHANGAI CO. Ltd	C	100.00	C	100.00

	% interest			
Company	**Dec. 31, 2020**		**Dec. 31, 2019**	
BOTTEGA VENETA (CHINA) TRADING Ltd	C	100.00	C	100.00
BRIONI (SHANGAI) 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 INVESTMENT MANAGEMENT GROUP CO., LTD	C	100.00	C	100.00
KERING (SHANGHAI) WATCHES AND JEWELRY Ltd	C	100.00	C	100.00
POMELLATO SHANGAI CO. Ltd	C	100.00	C	100.00
QEELIN TRADING (SHANGAI) CO. Ltd	C	100.00	C	100.00
YVES SAINT LAURENT (SHANGHAI) TRADING Ltd	C	100.00	C	100.00
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 (HONG KONG) Ltd	C	100.00	C	100.00
GUCCI ASIA COMPANY Ltd	C	100.00	C	100.00
LUXURY TIMEPIECES (HONG KONG) Ltd	C	100.00	C	100.00
MOVEN INTERNATIONAL Ltd	C	100.00	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	C	100.00	C	100.00
YVES SAINT LAURENT (HONG KONG) Ltd	C	100.00	C	100.00
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
GUCCI GROUP WATCHES TAIWAN Ltd	C	100.00	C	100.00
ULYSSE NARDIN (TAIWAN) Ltd	C	100.00	C	100.00
Korea				
ALEXANDER MCQUEEN KOREA Ltd	C	100.00	C	100.00
BALENCIAGA KOREA Ltd	C	100.00	C	100.00
BOTTEGA VENETA KOREA Ltd	C	100.00	C	100.00
BOUCHERON KOREA Ltd	C	100.00	C	100.00
GUCCI KOREA LLC	C	100.00	C	100.00
YVES SAINT LAURENT KOREA Ltd	C	100.00	C	100.00

Company	% interest Dec. 31, 2020		% interest Dec. 31, 2019	
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 LGR	C	51.00	C	51.00
Japan				
BALENCIAGA JAPAN Ltd	C	100.00	C	100.00
BOTTEGA VENETA JAPAN Ltd	C	100.00	C	100.00
BOUCHERON JAPAN Ltd	C	100.00	C	100.00
BRIONI JAPAN & CO. Ltd	C	100.00	C	100.00
E-LITE JAPAN Ltd	C	100.00	C	51.00
LUXURY TIMEPIECES JAPAN Ltd		Merger	C	100.00
POMELLATO JAPAN CO. Ltd	C	100.00	C	100.00
SOWIND JAPAN KK	C	100.00	C	100.00
Vietnam				
GUCCI VIETNAM CO. Ltd	C	100.00	C	100.00
Bahrain				
FLORENCE 1921 WLL	C	49.00	C	49.00
United Arab Emirates				
AP LUXURY GOODS MIDDLE EAST LLC	C	49.00	C	49.00
ATELIER LUXURY GULF LLC	C	49.00	C	49.00
FASHION LUXURY MIDDLE EAST LLC	C	49.00	C	49.00
LUXURY GOODS GULF LLC	C	49.00	C	49.00
LUXURY FASHION GULF LLC	C	49.00	C	49.00
Kazakhstan				
ULYSSE NARDIN KAZAKHSTAN LLP	E	50.00	E	50.00
Kuwait				
AUTUMNPAPER LUXURY GOODS FOR READYMADE CLOTHES, SHOES AND ACCESSORIES WLL	C	49.00		Formation
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				
SAINT LAURENT PARIS LLC	C	24.00	C	24.00
LUXURY GOODS QATAR LLC	C	25.50	C	25.50
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

	% interest			
Company	**Dec. 31, 2020**		**Dec. 31, 2019**	
Mongolia				
ULYSSE NARDIN MONGOLIA LLC	E	50.00	E	50.00
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
SAINT LAURENT (SINGAPORE) PTE Ltd	C	100.00	C	100.00
Turkey				
GUCCI TURKEY LUXURY GOODS TRADE LLP	C	100.00	C	100.00
POMELLATO MUCEVHERAT VE AKSESUAR DAGITIM VE TICARET Ltd SIRKETI	C	100.00	C	100.00
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
CLOSED-CYCLE BREEDING INTERNATIONAL Ltd	C	48.00	C	48.00
G OPERATIONS FRASEC Ltd	C	49.00	C	49.00
GUCCI (THAILAND) CO. Ltd	C	100.00	C	100.00
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
South Africa				
GG LUXURY RETAIL SOUTH AFRICA PTE Ltd	C	62.00	C	62.00

CORPORATE AND OTHER

KERING EYEWEAR AND KGS

France				
KERING EYEWEAR FRANCE SAS	C	63.23	C	63.00
MANUFACTURE KERING EYEWEAR SAS	C	63.23	C	63.00
Germany				
KERING EYEWEAR DACH GmbH	C	63.23	C	63.00
Croatia				
KERING EYEWEAR SOUTH EAST EUROPE DOO	C	63.23	C	63.00
Spain				
KERING EYEWEAR ESPANA SA	C	63.23	C	63.00
United Kingdom				
KERING EYEWEAR UK Ltd	C	63.23	C	63.00
Italy				
KERING EYEWEAR SPA	C	63.23	C	63.00
TRENTI INDUSTRIA OCCHIALI SRL	E	30.00	E	30.00

Company	% interest Dec. 31, 2020		% interest Dec. 31, 2019	
China				
Mainland China				
GUANGZHOU KGS CORPORATE MANAGEMENT & CONSULTANCY Ltd	C	100.00	C	100.00
KERING EYEWEAR SHANGHAI TRADING ENTERPRISES Ltd	C	63.23	C	63.00
REDCATS COMMERCE ET TRADING (SHANGHAI) CO Ltd	C	100.00	C	100.00
REDCATS SOURCING (SHANGHAI) Ltd	C	100.00	C	100.00
Hong Kong SAR				
KERING EYEWEAR APAC Ltd	C	63.23	C	63.00
KGS GLOBAL MANAGEMENT SERVICES Ltd	C	100.00	C	100.00
KGS SOURCING Ltd	C	100.00	C	100.00
Taiwan				
KERING EYEWEAR TAIWAN Ltd	C	63.23	C	63.00
Korea				
KERING EYEWEAR KOREA Ltd	C	63.23	C	63.00
India				
KERING EYEWEAR INDIA Ltd	C	63.23	C	63.00
KGS SOURCING INDIA PTE Ltd	C	100.00	C	100.00
Japan				
KERING EYEWEAR JAPAN Ltd	C	63.23	C	63.00
Malaysia				
KERING EYEWEAR MALAYSIA SDN BHD	C	63.23	C	63.00
Singapore				
KERING EYEWEAR SINGAPORE PTE Ltd	C	63.23	C	63.00
Turkey				
KGS SOURCING TURKEY LIMITED	C	100.00	C	100.00
United Arab Emirates				
KERING EYEWEAR MIDDLE EAST FZ-LLC	C	63.23	C	63.00
Australia				
KERING EYEWEAR AUSTRALIA PTY Ltd	C	63.23	C	63.00
United States				
KERING EYEWEAR USA Inc.	C	63.23	C	63.00
CORPORATE				
France				
CONSEIL ET ASSISTANCE		Merger	C	100.00
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
KERING FRANCE PARTICIPATIONS SAS	C	100.00	C	100.00
KERING FINANCE SNC	C	100.00	C	100.00
KERING SIGNATURE	C	100.00	C	100.00
Germany				
PUMA SE (GERMANY)		Partial disposal	E	15.70

	% interest			
Company	**Dec. 31, 2020**		**Dec. 31, 2019**	
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
ALEXANDER MCQUEEN LOGISTICA SRL	C	100.00	C	100.00
KERING SERVICE ITALIA SPA	C	100.00	C	100.00
Luxembourg				
GEMINGA SARL	C	100.00	C	100.00
KERING RE	C	100.00	C	100.00
KERING INVESTMENTS SA	C	94.13		Formation
E-KERING LUX SA	C	100.00	C	100.00
Netherlands				
K OPERATIONS BV	C	100.00	C	100.00
GUCCI PARTICIPATION BV	C	100.00	C	100.00
KERING HOLLAND NV	C	100.00	C	100.00
KERING INVESTMENTS EUROPE BV	C	100.00	C	100.00
KTK NETHERLANDS BV	C	100.00		Formation
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
China				
Mainland China				
KERING (CHINA) ENTERPRISE MANAGEMENT Ltd		Merger	C	100.00
Hong Kong SAR				
KERING ASIA PACIFIC Ltd	C	100.00	C	100.00
Korea				
KERING KOREA Ltd	C	100.00	C	100.00
Japan				
GUCCI YUGEN KAISHA	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 (SINGAPORE) WATCHES AND JEWELRY PTE Ltd	C	100.00	C	100.00
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
Australia				
KERING AUSTRALIA PTY Ltd	C	100.00	C	100.00

	% interest			
Company	**Dec. 31, 2020**		**Dec. 31, 2019**	
United States				
KERING AMERICAS Inc.	C	100.00	C	100.00
YOUR FRIENDS IN NEW YORK HOLDINGS, LLC	E	22.22		Formation
Mexico				
KERING MEXICO S. DE R.L. DE C.V.	C	100.00	C	100.00

NOTE 37 – STATUTORY AUDITORS' REMUNERATION

Fees for fiscal year 2020 *(in € thousands, excluding tax and disbursements)*	**KPMG**				**Deloitte**			
	Statutory Auditor		**Network**		**Statutory Auditor**		**Network**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Kering SA	623.8	38%	N/A	0%	616.2	61%	N/A	0%
Fully-consolidated subsidiaries	916.6	55%	4,017.0	83%	177.4	18%	1,800.5	84%
Statutory audit	**1,540.4**	**93%**	**4,017.0**	**83%**	**793.6**	**79%**	**1,800.5**	**84%**
Kering SA	86.0	5%	-	0%	207.0	21%	250.0	12%
Fully-consolidated subsidiaries	37.0	2%	835.0	17%	-	0%	82.0	4%
Non-audit services	**123.0**	**7%**	**835.0**	**17%**	**207.0**	**21%**	**332.0**	**16%**
TOTAL	1,663.4	100%	4,852.0	100%	1,000.6	100%	2,132.5	100%

3 - KERING SA FINANCIAL STATEMENTS

3.1 Balance sheet

Assets

(in € millions)	Gross value	Depreciation, amortization and provisions	Dec. 31, 2020 Carrying amount	Dec. 31, 2019 Carrying amount
Non-consolidated investments	9,697.1	(1,724.4)	7,972.7	8,193.4
Other long-term investments[1]	180.8	(23.4)	157.4	873.4
Total long-term investments	**9,877.9**	**(1,747.8)**	**8,130.1**	**9,066.8**
Property, plant and equipment and intangible assets	486.4	(119.0)	367.4	287.8
Total non-current assets	**10,364.3**	**(1,866.8)**	**8,497.5**	**9,354.6**
Receivables[2]	490.7	(1.1)	489.6	243.9
Marketable securities	53.9		53.9	
Cash[2]	2,154.0		2,154.0	351.1
Total current assets	**2,698.6**	**(1.1)**	**2,697.5**	**595.0**
TOTAL ASSETS	13,062.9	(1,867.9)	11,195.0	9,949.6
(1) o/w due in less than one year:			122.7	723.0
(2) o/w concerning associates:			2,339.0	596.6

Shareholders' equity and liabilities

(in € millions)	Dec. 31, 2020	Dec. 31, 2019
Share capital	500.1	505.1
Additional paid-in capital	2,052.3	2,052.4
Reserves	1,344.9	1,585.3
Retained earnings	671.4	949.8
Net income for the year	2,079.6	917.7
Total shareholders' equity	**6,648.3**	**6,010.3**
Provisions	**34.9**	**16.8**
Bonds[1]	3,842.2	3,147.1
Other borrowings[1][2]	25.5	30.1
Other liabilities[2]	644.1	745.3
Liabilities	**4,511.8**	**3,922.5**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	11,195.0	9,949.6
(1) o/w due in more than one year:	3,398.7	2,787.1
(2) o/w concerning associates:	145.6	132.2

3.2 Income statement

(in € millions)	2020	2019
Operating income	432.0	440.4
Operating expenses	(458.9)	(485.1)
Net operating loss	**(26.9)**	**(44.7)**
Dividends	1,630.7	938.3
Other financial income and expenses	(27.7)	(48.8)
Net financial income	**1,603.0**	**889.5**
Recurring income before tax	**1,576.1**	**844.8**
Net non-recurring income (expense)	421.1	(88.4)
Employee profit-sharing	(1.3)	(6.9)
Income tax	83.7	168.2
Net income for the year	**2,079.6**	**917.7**

3.3 Statement of cash flows

(in € millions)	2020	2019
Dividends received	1,630.7	938.3
Interest on borrowings	(45.5)	(51.9)
Income tax (paid) received	178.3	116.8
Other	(268.7)	86.3
Change in cash resulting from operating activities	**1,494.9**	**1,089.5**
(Acquisitions) disposals of operating assets	(123.6)	(107.7)
Change in long-term investments	733.2	(603.6)
Change in cash resulting from investing activities	**609.5**	**(711.3)**
Net change in borrowings	698.6	260.7
Share capital increases	-	-
Dividends paid by Kering	(1,000.1)	(1,320.1)
Change in cash resulting from financing activities	**(301.5)**	**(1,059.4)**
Change in cash and cash equivalents	**1,802.9**	**(681.2)**
Cash and cash equivalents at beginning of year	**351.1**	**1,032.3**
Cash and cash equivalents at end of year	**2,154.0**	**351.1**

Kering

Société anonyme (a French corporation) with a share capital of €500,071,664
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