KERING

2021

Financial Document

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CHAPTER 1
2021 key figures

KERING IN 2021

Revenue

€17,645 million

+34.7%
as reported versus 2020

+35.2%
on a comparable basis[1] versus 2020

+13.4%
on a comparable basis[1] versus 2019

Recurring operating income

€5,017 million

+60.0%
versus 2020

28.4%
recurring operating margin

Net income attributable to owners of the parent

€3,176 million

Dividend per share

€12.00[2]

Free cash flow from operations

€3,948 million

+87.6%
versus 2020

42,811
Employees
as of December 31, 2021[3]

56%
Women managers

-41%
Environmental footprint
(EP&L intensity 2015-2021)

A List
CDP 2021 -
Climate and Water

(1) Comparable revenue is defined on page 36.
(2) Subject to the approval of the Annual General Meeting to be held on April 28, 2022.
(3) Average 38,836 FTE in 2021.

Key consolidated figures

(in € millions)	2021	2020	Change (reported)	2019
Revenue	**17,645.2**	**13,100.2**	**+34.7%**	**15,883.5**
EBITDA	**6,470.4**	**4,574.2**	**+41.5%**	**6,023.6**
EBITDA margin (% of revenue)	*36.7%*	*34.9%*	*+1.8 pts*	*37.9%*
Recurring operating income	**5,017.2**	**3,135.2**	**+60.0%**	**4,778.3**
Recurring operating margin (% of revenue)	*28.4%*	*23.9%*	*+4.5 pts*	*30.1%*
Net income attributable to owners of the parent	**3,175.7**	**2,150.4**	**+47.7%**	**2,308.6**
o/w continuing operations excluding non-recurring items	**3,361.3**	**1,972.2**	**+70.4%**	**3,211.5**
Gross operating investments(1)	**934.0**	**786.9**	**+18.7%**	**955.8**
Free cash flow from operations(2)	**3,947.8**	**2,104.6**	**+87.6%**	**1,520.7**
Net debt(3)	**168.4**	**2,148.7**	**-92.2%**	**2,812.2**

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

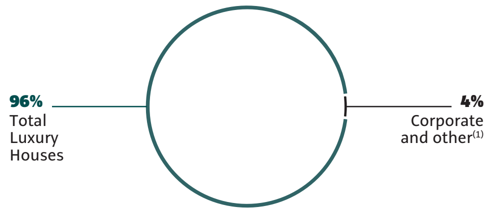
Per share data

(in €)	2021	2020	Change (reported)	2019
Earnings per share attributable to owners of the parent	**€25.49**	**€17.20**	**+48.2%**	**€18.40**
o/w continuing operations excluding non-recurring items	**€26.98**	**€15.78**	**+71.0%**	**€25.59**
Dividend per share	**€12.00**(1)	**€8.00**	**+50.0%**	**€8.00**

(1) Subject to the approval of the Annual General Meeting to be held on April 28, 2022.

Revenue

Revenue breakdown



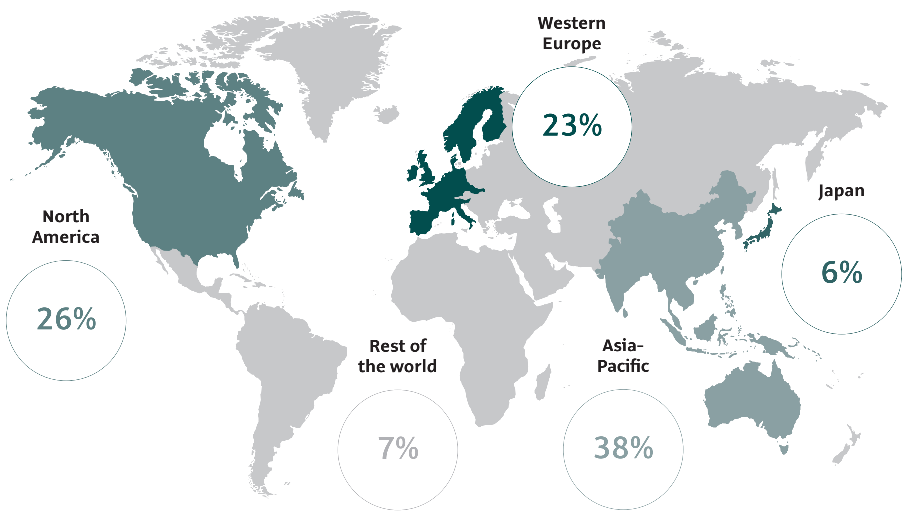
(1) The "Corporate and other" segment is defined on page 30.

(in € millions)	2021	2020	Change (reported)	2019
Luxury Houses	17,019.4	12,676.6	+34.3%	15,382.6
Corporate and other[1]	625.8	423.6	+47.7%	500.9
Group	17,645.2	13,100.2	+34.7%	15,883.5

(1) The "Corporate and other" segment is defined on page 30.

Revenue breakdown by region

(% of consolidated revenue)



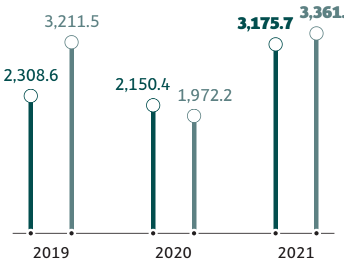
Recurring operating income

(in € millions)	2021	2020	Change (reported)	2019
Luxury Houses	**5,175.3**	**3,367.1**	**+53.7%**	**5,042.0**
Recurring operating margin	*30.4%*	*26.6%*	*+3.8 pts*	*32.8%*
Corporate and other(1)	**(158.1)**	**(231.9)**	**+31.8%**	**(263.7)**
Group	**5,017.2**	**3,135.2**	**+60.0%**	**4,778.3**
Recurring operating margin	*28.4%*	*23.9%*	*+4.5 pts*	*30.1%*

(1) The "Corporate and other" segment is defined on page 30.

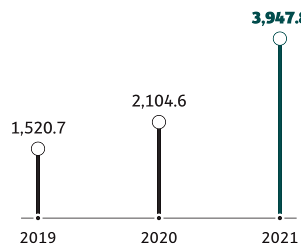
Other financial indicators

Net profit attributable to owners of the parent
(in € millions)



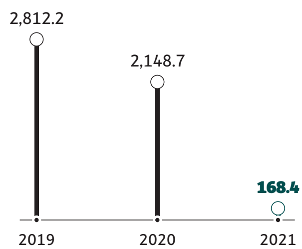
Net income attributable to owners of the parent
Net income from continuing operations (excluding non-recurring items) attributable to the Group

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



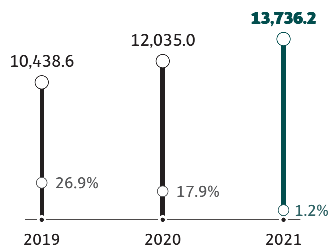
(1) Net cash flow from operating activities less net acquisitions of property, plant and equipment and intangible assets.

Net debt(2)
(in € millions)



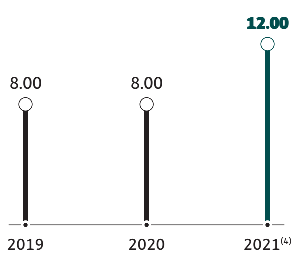
(2) Net debt is defined on page 37.

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



(3) Net debt (defined on page 37)/equity.

Dividend per share
(in €)



(4) Subject to the approval of the Annual General Meeting to be held on April 28, 2022.

CHAPTER 2
Activity report

1 - INTRODUCTION – IMPACT OF THE COVID-19 PANDEMIC ON THE GROUP'S BUSINESS AND ITS CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

Strong economic recovery in 2021

The global economy was significantly impacted in 2020 by the COVID-19 pandemic, shrinking 3.5% according to the latest data from Oxford Economics (the source of information in this section unless otherwise specified). The scale of the recession varied, however, depending on the regions concerned. Globally, the crisis peaked in the second quarter of 2020, with lockdown measures and travel restrictions weighing very heavily on the world's main economies. But after the pandemic reached its early-2020 heights, and as restrictions began to ease, economic activity bounced back in the spring in Asia – particularly in China – and then during the summer for the world's mature economies. The recovery was more gradual during the second half of 2020 in countries where the virus was circulating rapidly, as new restrictions were put in place (such as regional lockdowns and curfews), especially in Western Europe.

In the first few months of 2021, although Europe – and, to a lesser extent, some Asian countries and North America – were subject to general or targeted restrictions on movement and business in the winter due to the public health situation, the economic rebound continued, and a V-shaped recovery seemed to be taking place. Developments in the pandemic in the second half of the year, particularly the rapid spread of the Omicron variant and an increase in COVID-19 cases in China during the summer and at the end of the year, do not seem to have affected global growth very materially. As a result, the world economy may have grown by 5.8%, boucing back above its pre-pandemic level (2019).

Asia was one of the main drivers of the recovery, and to a very large extent this was attributable to China, whose economy was one of a small number to achieve growth in 2020 (2.3%). In 2021, China's economy may have grown by a further 8.0%. That upturn would have been even stronger had it not been for the summer slowdown caused by measures to contain the resurgence of the COVID-19 pandemic, or the difficulties encountered by companies in the real-estate and construction sectors. Other than Japan, Asia's other large economies – and primarily South Korea – generated very robust growth, having also been less affected than Western countries by the crisis in 2020.

In North America and Western Europe, growth was driven by firm consumer spending. Households' real incomes were boosted by economic support measures, particularly furlough arrangements and financial aid for families based on their income levels. At the same time, large-scale recovery plans announced in the United States and the European Union should also help sustain the rebound in consumer spending and business activity. Looking at trends in the fourth quarter of 2021, the withdrawal of some types of support, particularly in North America, and growing inflationary pressure do not seem to be adversely affecting demand at this stage.

Firm consumer spending is partly the result of higher disposable incomes, caused by social transfers and pay rises in some sectors, but also by consumers spending savings built up in the previous months – with excess savings representing between 5% and 11% of GNP in Western economies since the start of 2020 depending on the data source concerned – while monetary policies have remained accommodative until recently.

In 2021 as a whole, therefore, developed countries are likely to have seen economic growth of 5.1%. The US economy is estimated to have grown by 5.6% following a rapid acceleration in the fourth quarter, taking GDP back above its 2019 level. Eurozone economies are recovering more strongly than expected, with overall growth of 5.1% estimated in 2021, although GDP remains around 1.7% below its pre-crisis figure. Japan, meanwhile, is likely to show a more modest rebound, with its economy growing by around 1.8%.

While the economic recovery has boosted the world trade in goods, the global services industry has been – and remains – severely weighed down by travel restrictions, affecting both international and domestic travel, especially in Asia. The transport, hospitality and tourism sectors have been heavily impacted by the slump in travel. The recovery is expected to be very gradual, as illustrated by the projections issued by ACI (Airports Council International) in November 2021, which forecast that overall (domestic and international) passenger traffic will not return to 2019 levels until 2024.

The luxury industry – overcoming the crisis of 2020

Domestic consumer spending was strong in 2021, while consumer confidence moved close to the level seen in 2019, at least before the Omicron variant emerged (source: OECD), and these factors clearly drove the luxury industry's growth in 2021. On the downside, the lack of tourism is adversely affecting the luxury industry, especially in markets where purchases by tourists were a significant revenue contributor until 2019. However, the weakness of tourist demand – which fell by 80-90% overall according to Bain & Company / Altagamma[(1)] (the source of information in this section unless otherwise mentioned) – did not prevent the luxury market from recovering.

Luxury brands' sales may have rebounded by 31% at constant exchange rates relative to 2020, when they fell by around 22%. The recovery was strongest in the first half of the year, and particularly in the second quarter, due to the extremely low base for comparison.

(1) Source: Bain-Altagamma Luxury Goods Worldwide Market Study, published in November and 2021 and supplemented by a detailed report published in December 2021.

However, given the highly atypical nature of 2020, the most meaningful comparison for luxury brands is with 2019, when the luxury market saw record sales. Forecasts seem to suggest that 2021 revenues outstripped those seen in 2019. Compared to 2019, the increase is expected to be 4% at constant exchange rates according to Bain & Company / Altagamma, but according to the most optimistic estimates – focusing on the industry's largest players – growth may have been close to 10%. The most positive scenarios could be borne out by figures for the fourth quarter of 2021, which seems to have been a particularly strong period for the luxury industry.

However, performances varied from one region to another in 2021. In Mainland China and the United States, the aforementioned macroeconomic factors spurred rapid revenue growth, while growth in other Asian markets was more mixed, depending partly on how badly consumer spending was affected by measures implemented to combat the pandemic. However, South Korea stood out: market volumes recovered to 2019 levels, which was a record year in terms of sales to Chinese customers. In Western Europe meanwhile, sales to domestic customers were good and improved throughout 2021, but were not sufficient to offset the region's low tourist numbers and the impact of store closures, primarily at the start of the year. Sales in Japan remained hampered by the ongoing effect of Chinese customers shifting their spending to Mainland China and by an uncertain economic and health environment that weighed on demand from local customers. The upturn seen in the last few months of 2021 resulted from the improved trend in consumer spending, but also partly from favorable base effects relative to two years previously, since the VAT increase on October 1, 2019 adversely affected demand.

Against this backdrop, a number of secular developments in the luxury industry – which were amplified by the COVID-19 crisis in 2020 – made their mark on the performance of the world's main luxury brands in 2021.

- E-commerce is expected once again to be the fastest-growing distribution channel in 2021 (+27% compared to 2020 but +89% versus 2019). The proportion of industry revenue generated by online sales – estimated at 12% in 2019 – may have reached 22% in 2021. In addition, websites directly managed by brands (Brand.com) and e-concessions (concessions within e-commerce sites) are likely to have seen particularly strong growth, as luxury houses seek to gain greater, or indeed exclusive, control over their distribution.
- In view of travel restrictions, demand for luxury products was still mainly domestic. One of the most obvious signs of this is the shift in Chinese customers' demand to Mainland China, and sales to those customers is likely to remain concentrated in Greater China for a long time to come.
- Looking at sales by nationality, however, we see that the largest increase in luxury brands' sales since 2019 has been with American customers. For Chinese customers, the surge in sales within China does not yet appear sufficient to offset the decline in sales generated from Chinese tourists in Asia and Western Europe until 2019.
- The combination of lower store footfall due to the expansion of e-commerce, extremely low tourist numbers, and the high proportion of domestic customers is affecting the organizational structure and management of distribution networks. Brands are highly focused on the customer experience, which requires heightened attention to the quantity and quality of interactions with customers as well as the invention of new forms of clienteling, underpinned by optimal use of customer data and CRM systems. Distribution is becoming increasingly exclusive, which means that the revenue contribution of the wholesale channel is gradually decreasing, in a context in which Travel Retail is also being heavily impacted by a steep decline in international air traffic. For example, the offline sales of multibrand retailers fell by 15-20% between 2019 and 2021, while Travel Retail sales slumped by around 60%.
- In the short and medium term, demand from Chinese customers and from Generations Y and Z will continue to be the main growth drivers for the global luxury market. For example, Chinese demand could account for about 40-45% of the global market as soon as 2025, and it is estimated that Generation Z will represent at least 70% of market demand by 2025 as opposed to a little over 60% in 2021. Because this new generation of customers has its own set of values, new imperatives have emerged for the industry's players. For instance, it has become essential to have a clear sustainability strategy that takes into account the whole value chain.
- Compared to 2020, all product categories posted relatively similar increases in sales (c.25-30%) in 2021. However, the comparison with 2019 shows very robust growth in shoes, leather goods and jewelry, whereas sales in the watches segment appear stable and ready-to-wear saw a decline.
- It is highly probable that the polarization that was already happening in the market will become greater in the coming years, accompanied by mergers and acquisitions. The greater complexity of developing and managing a brand in a market that is global, but at the same time more fragmented than before (given the focus on local customers), means that large multi-brand groups that can pool their resources and investments in many domains have a greater competitive advantage.

Limited impact of the pandemic on Kering's business and performance in 2021

In 2021, Kering, like all other players in the luxury industry, was positively impacted by the market rebound, and it saw its revenue exceed levels seen in 2019, both as reported and at constant exchange rates. Recurring operating income also rose compared to 2019 and although Group profitability did not return to its 2019 level, it was nevertheless very high. Consequently, cash flow generation was particularly solid and the Group reported a record-low debt-to-equity ratio.

Kering's performance clearly shows that it has come through the crisis even stronger than before. The Group is squarely focused on investing in its Houses to capitalize on their potential and return to a profitable growth trajectory.

However, the Group's operations were still directly and indirectly impacted by the pandemic and its effects in 2021.

Store footfall was adversely affected by partial or total closures resulting from lockdowns and curfews, mainly in the first half of the year. On average, 17% of the store network was closed during the first quarter of the year, 13% in the second, 4% in the third and 2% in the fourth. The collapse in global tourist numbers relative to 2019 also continued to drag down business levels in some markets, particularly Western Europe and Asia. However, again compared to 2019, footfall trends improved considerably during the year, driven by local customers. In addition, the main retail performance indicators – and primarily the conversion rate – rose sharply in 2021 as a result of numerous initiatives aimed at improving the in-store customer experience and strengthening clienteling activities. In addition, the Group's brands benefited from the omnichannel strategy that they have been implementing in recent years, and were able to take full advantage of growth in online retail, which was clearly boosted by the COVID-19 crisis.

Whereas in 2020 lockdown measures temporarily reduced the Group's ability to design, manufacture and distribute its products under normal conditions, in 2021 brands were able to adapt their organizational structures to public health measures and restrictions on movement and to manage their operations with maximum efficiency.

However, due to delays in developing collections in 2020, postponements of some product launches and projects, and brands' highly prudent inventory management throughout the year, the depth and breadth of the Group's in-store offering was temporarily reduced in some cases, not only in 2020 but also in the first half and to some extent the third quarter of 2021. Nevertheless, all of the measures put in place by brands to return to a more normal environment in terms of creating and making products, combined with the launch of their new collections, gradually paid off, enabling them to propose broader offerings and meet customer demand across all the Houses' points of sale, particularly in the fourth quarter.

As in 2020, home-working was widely used thanks to the quality of the Group's information systems. This meant that all of the main departments and units, both for the brands and the Group as a whole, could continue to manage major transformation projects effectively, in terms of both IT systems and logistics.

However, without calling into question the plan to expand the Houses' store network, some store openings or refurbishments had to be postponed due to difficulties in concluding negotiations with property owners and launching building works as a result of the ongoing COVID-19 situation in the first half.

Lastly, while keeping a tight rein on costs, the Group and its brands decided to allocate the necessary resources to make the most of the upswing in business in the first half of 2021. Accordingly, store operating costs as well as budgets for communications, upgrading IT systems and developing the brands' digital platforms (encompassing e-commerce) increased during the period for all of the Group's Houses.

Rebound in Group business levels in 2021 and excellent operational and financial management

The Group's consolidated revenue for 2021 amounted to €17,645 million, an increase of 34.7% as reported (up 35.2% at constant scope and exchange rates). Revenue was 13.4% higher than in 2019 on a comparable basis. The Group's sales for each quarter of the year were higher than in 2019 (on a comparable basis), and growth accelerated considerably in the fourth quarter. Relative to 2020, sales growth was naturally very strong in the first half (up 54.1%) but remained outstanding in the second half (up 22.6%), driven by an excellent fourth quarter.

Recurring operating income for 2021 came in at €5,017 million, 60.0% higher than in 2020 and 5.0% higher than in 2019. Recurring operating margin came to 28.4%, up 4.5 points year-on-year.

This improvement was due to a very favorable operating leverage effect, with sales growth exceeding the increase in the cost base. However, the Group's Houses and various businesses continued to invest during the period to support their development and expansion, notably by increasing budgets for store expenses, creation, development, communications and information systems in line with the industry's accelerating digital transformation. These initiatives were once again accompanied by strict cost-control measures for other expense items, including rent renegotiations with landlords due to the consequences of the COVID-19 pandemic.

In view of the rise in consolidated revenue in 2021 and the ensuing increase in recurring operating income for all of the Group's businesses, as well as the mid-term outlook for the luxury market, no impairment losses had to be recognized against non-current assets in addition to those recorded in 2020. Non-recurring items in 2021 mainly consisted of the estimated loss on the disposal of the watches brands, impairment of intangible assets relating to information systems, and litigation and restructuring costs, none of which had any direct or indirect connection with the pandemic. The sale of the watches brands resulted from a strategic review of the Group's business portfolio that began before the pandemic.

Impairment losses on current assets (inventories and trade receivables) were recognized as usual under recurring operating expenses. The Group's credit risk – which was deemed to be very moderate and under control in 2020 – decreased in 2021.

In 2020, the COVID-19 pandemic made it more difficult to calculate corporate income tax, as the overall decrease in profits seen by the vast majority of multinationals raised the question of how profits and losses should be allocated by country. This issue remains outstanding, as recovery trends are varying extremely widely from one region to another. However, as in 2020, Kering regarded it as reasonable to keep the main principles of its current transfer-pricing policy, in strict compliance with the rules issued by the OECD and the national tax authorities in each of the countries where the Group operates. The Group is confident that its estimates as of December 31, 2021 are fair and prudent.

Lastly, the Group's financial position as of December 31, 2021 was extremely solid, with almost zero debt[1] and good management of working capital. Cash generation reached a record level, with €3,948 million in free cash flow from operations. This was achieved despite the fact that the Group kept up a high level of operating investments, which were close to the 2019 figure (€934 million in 2021, equal to 5.3% of 2021 revenue). Operating investments were focused on store openings and refurbishments, as well as strategic logistics, e-commerce and IT programs managed by the Corporate entity on behalf of the Houses.

In light of the Group's strong cash flow generation in 2021, and also its effective cash management in 2020, liquidity risk was particularly low as of December 31, 2021.

The Group did not identify any significant events in 2021 resulting from the ongoing COVID-19 crisis, whereas that was not the case in 2020.

2 - SIGNIFICANT EVENTS OF 2021

Investment in Vestiaire Collective

On March 1, 2021, Kering announced that it had acquired a stake of around 5% in Vestiaire Collective, the leading global platform for desirable second-hand fashion, as part of a new €178 million financing round alongside a new shareholder, US investment firm Tiger Global Management. Existing shareholders including Vestiaire Collective's CEO Maximilian Bittner, Bpifrance, Condé Nast, the Eurazeo group, certain funds managed by Fidelity International, Korelya Capital, Luxury Tech Fund and Vitruvian Partners also reinvested.

Following a strong year in 2020 that saw the platform's transaction volume grow over 100% year-on-year, this financing round granted Vestiaire Collective unicorn status and ideally positioned it for its next cycle of accelerated growth.

By investing in Vestiaire Collective and by being represented on the platform's Board of Directors, Kering is illustrating its pioneering strategy within its sector, which consists of supporting innovative business models, embracing new market trends and exploring new services for fashion and luxury customers.

Kering enhances its global logistics capabilities with a new hub in Northern Italy

On April 8, 2021, Kering announced the completion of the first phase of its new global logistics hub in Trecate, in the Piemonte region of Northern Italy. The first part of the building has been operating since March 2020, and the second part (over 100,000 sq.m) has come into service gradually since the third quarter of 2021.

Built in record time, the Group's new global logistics hub covers more than 162,000 sq.m (equivalent to 20 rugby fields) and combines state-of-the-art technology with automation, scalability, innovative sustainability and features for the well-being of employees.

The hub will meet the demand from the Houses' regional warehouses, retail stores, wholesalers and e-commerce operations worldwide, and will significantly increase the Group's capabilities in terms of shipping (up to 80 million pieces per year) and storage (up to 20 million pieces). It will also reduce lead times by 50% by increasing the speed of deliveries and enhance collaboration with the Group's Houses.

More than 250 people are currently working in the facility, with the total number of staff planned to reach approximately 900 by the end of 2022. The site is operated by XPO Logistics, Kering's longstanding logistics partner, which employs the on-site workforce dedicated to warehouse operations.

(1) Net debt excluding IFRS 16 lease liabilities, as defined on page 37.

Sale of a 5.91% stake in PUMA

On May 27, 2021, Kering announced the completion of the sale, following an accelerated bookbuilding process to qualified investors only, of a 5.91% stake in PUMA SE for a total amount of approximately €805 million, corresponding to a sale price of €90.3 per PUMA share.

Following this transaction, Kering has a remaining 3.96% stake in PUMA. The net proceeds of the transaction have been allocated to Kering's general corporate purposes and have further strengthened its financial position.

Corporate governance at Kering

As a result of her changing roles within Exor, of which she is also a board member, and in order to avoid any potential conflict of interests, Ginevra Elkann resigned from her position as a member of Kering's Board of Directors as of April 27, 2021.

Kering Eyewear acquires the Danish luxury eyewear brand LINDBERG

On July 8, 2021, Kering Eyewear and the Lindberg family signed an agreement for Kering Eyewear to acquire 100% of LINDBERG's share capital. The acquisition was completed on September 30, 2021.

LINDBERG was founded in 1969 in Denmark by optician Poul-Jørn Lindberg and his wife as an optical store, and it was turned into a multinational company by their son Henrik. LINDBERG is now a high-end manufacturer of design-oriented, lightweight and customizable optical frames, and specializes in titanium frames. The company's reputation has been built on its made-to-order capabilities, offering customers the possibility to create their very own bespoke pair of LINDBERG glasses through an extended modular system which contains billions of combinations, in a wide array of materials from titanium to acetate, buffalo horn, wood and precious metals. LINDBERG has developed and patented manufacturing techniques and innovations such as hypoallergenic, multi-adjustable and screwless frames that are key differentiating factors in the high-end eyewear market. LINDBERG is a genuine pioneer in the luxury eyewear industry and holds a unique position within it, and is now a sizeable and very profitable company with strong growth potential.

This acquisition is an important milestone in the successful expansion of Kering Eyewear and fits perfectly with its development strategy. Since its launch in 2014, Kering Eyewear has built an innovative business model that has enabled the company to achieve critical size in its market, with revenue of around €700 million in 2021. The acquisition will further strengthen Kering Eyewear's position as the most relevant player in the luxury eyewear segment, adding to its portfolio a complementary and proprietary brand with strong legitimacy, undisputed know-how and best-in-class customer service in optical frames. Thanks to the good fit between their businesses, both companies are able to leverage their respective strengths across the value chain, with synergies in distribution and geographical reach particularly This is helping to accelerate the growth and enhance the profitability of Kering Eyewear.

LINDBERG's entities have been included in the Group's consolidated financial statements since September 30, 2021. The allocation of the purchase price will be completed in 2022.

Allocation of the first tranche of repurchased shares

The Group completed the first tranche of the stock repurchase program that it announced on August 25, 2021. The purchases took place under the authorization granted by shareholders in the July 6, 2021 Annual General Meeting.

Between August 25 and November 3, 2021, 650,000 shares were repurchased at an average price of €643.70 per share, i.e. for a total of €418.4 million. Of the shares repurchased in that first tranche, 325,000 were canceled on December 10, 2021. The remaining repurchased shares were used to cover free share plans for the Group's employees.

In the first half of 2021, the Group also repurchased 204,211 of its shares under authorizations granted by shareholders in the June 16, 2020 and April 22, 2021 AGMs. All of those shares were allocated to covering free share plans and other long-term incentive plans under which employees receive Kering shares.

Change of Creative Director at Bottega Veneta

On November 10, 2021, Bottega Veneta and Daniel Lee announced their joint decision to end their collaboration. Daniel Lee had been at the creative helm of the House since July 1, 2018. He brought new energy to the House and greatly contributed to the new momentum that Bottega Veneta is enjoying today.

On November 15, 2021, Bottega Veneta announced the appointment of Matthieu Blazy as Creative Director. Born in Paris in 1984, Matthieu Blazy is a graduate of La Cambre in Brussels. He started his fashion career as Men's Designer for Raf Simons, before joining Maison Martin Margiela to design the Artisanal line and Women's ready-to-wear (RTW) shows. In 2014, he became Senior Designer at Céline, before working again with Raf Simons at Calvin Klein from 2016 to 2019. He was appointed RTW Design Director at Bottega Veneta in 2020. A French and Belgian national, he lives between Antwerp and Milan.

3 - 2021 BUSINESS REVIEW

Key figures

Condensed consolidated income statement

(in € millions)	2021	2020	Change	2019
Revenue	17,645.2	13,100.2	+34.7%	15,883.5
Recurring operating income	5,017.2	3,135.2	+60.0%	4,778.3
% of revenue	*28.4%*	*23.9%*	*+4.5 pts*	*30.1%*
EBITDA	6,470.4	4,574.2	+41.5%	6,023.6
% of revenue	*36.7%*	*34.9%*	*+1.8 pts*	*37.9%*
Other non-recurring operating income and expenses	(219.8)	163.0	-234.8%	(168.5)
Financial result	(273.2)	(341.7)	+20.0%	(309.5)
Income tax expense	(1,280.4)	(759.2)	-68.7%	(2,133.7)
Share in earnings (losses) of equity-accounted companies	1.0	(7.6)	+113.2%	41.8
Net income from continuing operations	3,244.8	2,189.7	+48.2%	2,208.4
o/w attributable to the Group	*3,164.6*	*2,160.2*	*+46.5%*	*2,166.9*
o/w attributable to minority interests	*80.2*	*29.5*	*+171.9%*	*41.5*
Net income (loss) from discontinued operations	11.1	(9.8)	+213.3%	125.4
Net income attributable to the Group	3,175.7	2,150.4	+47.7%	2,308.6
Net income from continuing operations (excluding non-recurring items) attributable to the Group	3,361.3	1,972.2	+70.4%	3,211.5

Earnings per share

(in €)	2021	2020	Change	2019
Basic earnings per share	25.49	17.20	+48.2%	18.40
Basic earnings per share from continuing operations excluding non-recurring items	26.98	15.78	+71.0%	25.59

Operating investments

(in € millions)	2021	2020	Change	2019
Acquisitions of property, plant and equipment and intangible assets	934.0	786.9	+18.7%	955.8

Free cash flow from operations

(in € millions)	2021	2020	Change	2019
Free cash flow from operations	3,947.8	2,104.6	+87.6%	1,520.7

Revenue

(in € millions)	2021	%	2020	%	Reported change	Comparable change(1)
Total Luxury Houses	17,019.4	96%	12,676.6	97%	+34.3%	+34.9%
Corporate and other	625.8	4%	423.6	3%	+47.7%	+49.1%
Total revenue	**17,645.2**	**100%**	**13,100.2**	**100%**	**+34.7%**	**+35.3%**

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

Exchange rate fluctuations had a €63 million negative impact on revenue during the year, related mainly to the US dollar (€90 million) and the Japanese yen (€58 million). However, movements in the euro/Chinese yuan exchange rate had a positive impact of €83 million.

Revenue by region

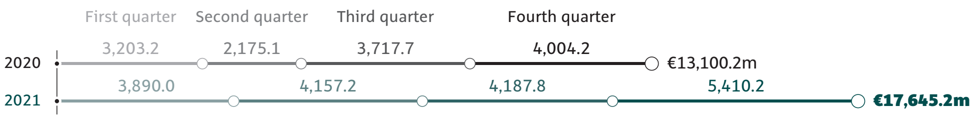
(in € millions)	2021	%	2020	%	Reported change	Comparable change[1]
Asia-Pacific (excluding Japan)	6,695.4	38%	4,975.7	38%	+34.6%	+32.7%
Western Europe	4,045.0	23%	3,657.1	28%	+10.6%	+9.6%
North America	4,685.3	26%	2,742.4	21%	+70.8%	+75.8%
Japan	1,059.4	6%	931.1	7%	+13.8%	+21.2%
Rest of the world	1,160.1	7%	793.9	6%	+46.1%	+48.2%
Total revenue	**17,645.2**	**100%**	**13,100.2**	**100%**	**+34.7%**	**+35.2%**

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

Revenue generated outside the eurozone represented 85% of the consolidated total in 2021.

Quarterly revenue data

Consolidated revenue by quarter



Quarterly revenue by activity

(in € millions)	First quarter	Second quarter	Third quarter	Fourth quarter	2021
Gucci	2,167.7	2,311.6	2,181.8	3,069.8	9,730.9
Yves Saint Laurent	516.7	528.8	652.9	822.6	2,521.0
Bottega Veneta	328.2	379.4	363.4	431.8	1,502.8
Other Houses	714.3	761.3	843.7	945.4	3,264.7
Total Luxury Houses	**3,726.9**	**3,981.1**	**4,041.8**	**5,269.6**	**17,019.4**
Corporate and other	163.1	176.1	146.0	140.6	625.8
Total revenue	**3,890.0**	**4,157.2**	**4,187.8**	**5,410.2**	**17,645.2**

(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**

(comparable change[1])	Q1 2021/2020 change	Q2 2021/2020 change	Q3 2021/2020 change	Q4 2021/2020 change	2021/2020 change
Gucci	+24.6%	+86.1%	+3.8%	+31.6%	+31.2%
Yves Saint Laurent	+23.4%	+118.5%	+28.1%	+46.8%	+45.6%
Bottega Veneta	+24.6%	+69.0%	+8.9%	+13.7%	+25.1%
Other Houses	+33.1%	+111.3%	+26.0%	+34.2%	+43.8%
Total Luxury Houses	**+26.0%**	**+92.5%**	**+11.8%**	**+32.5%**	**+34.9%**
Corporate and other	+22.9%	+176.5%	+24.1%	+13.8%	+43.0%
Total revenue	**+25.8%**	**+95.0%**	**+12.2%**	**+31.9%**	**+35.2%**

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

(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])	Q1 2021/2019 change	Q2 2021/2019 change	Q3 2021/2019 change	Q4 2021/2019 change	2021/2019 change
Gucci	-4.0%	+4.3%	-6.1%	+17.8%	+3.4%
Yves Saint Laurent	+6.6%	+14.9%	+31.8%	+46.7%	+26.0%
Bottega Veneta	+35.6%	+30.1%	+31.0%	+31.2%	+31.8%
Other Houses	+26.0%	+19.8%	+39.8%	+36.4%	+30.6%
Total Luxury Houses	**+4.9%**	**+10.5%**	**+9.2%**	**+25.8%**	**+13.1%**
Corporate and other	+22.0%	+32.3%	+39.4%	+2.6%	+23.0%
Total revenue	**+5.5%**	**+11.2%**	**+10.0%**	**+25.1%**	**+13.4%**

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

Recurring operating income

The Group's gross margin for 2021 amounted to €13,068 million, up 37.4% on 2020. Gross margin as a proportion of revenue rose by 1.5 points to 74.1%. Recurring operating expenses increased by 26.3% year-on-year.

(in € millions)	2021	2020	Change	2019
Total Luxury Houses	5,175.3	3,367.1	+53.7%	5,042.0
Corporate and other	(158.1)	(231.9)	+31.8%	(263.7)
Recurring operating income[1]	**5,017.2**	**3,135.2**	**+60.0%**	**4,778.3**

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

EBITDA

(in € millions)	2021	2020	Change	2019
Recurring operating income	**5,017.2**	**3,135.2**	**+60.0%**	**4,778.3**
Net recurring charges to depreciation, amortization and provisions on non-current operating assets	1,453.2	1,439.0	+1.0%	1,245.3
o/w depreciation of lease right-of-use assets	*826.5*	*839.4*	*-1.5%*	*736.7*
EBITDA[1]	**6,470.4**	**4,574.2**	**+41.5%**	**6,023.6**

(1) EBITDA is defined on page 37.

(in € millions)	2021	2020	Change	2019
Total Luxury Houses	6,408.9	4,605.6	+39.2%	6,121.6
Corporate and other	61.5	(31.4)	+295.9%	(98.0)
EBITDA	**6,470.4**	**4,574.2**	**+41.5%**	**6,023.6**

EBITDA margin increased by 1.8 points compared to 2020, coming in at 36.7% (34.9% in 2020).

Other non-recurring operating income and expenses

(in € millions)	2021	2020	Change	2019
Estimated fair value of the disposal of Girard-Perregaux and Ulysse Nardin	(139.9)	-	N/A	-
Impairment of goodwill, brands and other non-current assets	(69.1)	(446.6)	+84.5%	(94.9)
Capital gain on PUMA shares	-	704.6	N/A	-
Other income and expenses	(10.8)	(95.0)	+88.6%	(73.6)
Other non-recurring operating income and expenses	**(219.8)**	**163.0**	**-234.8%**	**(168.5)**

(See consolidated financial statements, Note 8 – Other non-recurring operating income and expenses.)

Financial result

(in € millions)	2021	2020	Change	2019
Cost of net debt[1]	(38.2)	(43.3)	+11.8%	(52.3)
Other financial income and expenses	(128.9)	(185.5)	+30.5%	(147.6)
Financial result excluding leases	**(167.1)**	**(228.8)**	**+27.0%**	**(199.9)**
Interest expense on lease liabilities	(106.1)	(112.9)	+6.0%	(109.6)
Financial result	**(273.2)**	**(341.7)**	**+20.0%**	**(309.5)**

(1) Net debt is defined on page 37.

In 2021, the cost of net debt was €38 million (€43 million in 2020). The improvement mainly reflects the decrease in the average coupon paid on bond debt.

Other financial income and expense produced a net expense of €129 million in 2021, a significant decrease compared to the 2020 figure of €186 million due to the reduced financial cost of currency hedges and the non-recurrence of the negative exchange-rate effects seen in 2020.

(See consolidated financial statements, Note 9 – Financial result.)

Income tax

(in € millions)	2021	2020	Change	2019
Income before tax	**4,524.2**	**2,956.5**	**+53.0%**	**4,300.3**
Current tax expense	(1,458.5)	(657.0)	-122.0%	(2,597.9)
Deferred tax income (expense)	178.1	(102.2)	+274.3%	464.2
Income tax expense	**(1,280.4)**	**(759.2)**	**-68.7%**	**(2,133.7)**
Effective tax rate	**28.3%**	**25.7%**	**+2.6 pts**	**49.6%**

(in € millions)	2021	2020	Change	2019
Other non-recurring operating income and expenses	(219.8)	163.0	**-234.8%**	(168.5)
Recurring income before tax	**4,744.0**	**2,793.5**	**+69.8%**	**4,468.8**
Income tax on other non-recurring operating income and expenses	23.1	25.0	-7.6%	27.9
Tax expense on recurring income	**(1,303.5)**	**(784.2)**	**-66.2%**	**(1,257.6)**
Effective tax rate on recurring income[1]	**27.5%**	**28.1%**	**-0.6 pts**	**28.1%**

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

(See consolidated financial statements, Note 10 – Income taxes.)

4 – OPERATING PERFORMANCE

Luxury Houses

(in € millions)	2021	2020	Change	2019
Revenue	**17,019.4**	**12,676.6**	**+34.3%**	**15,382.6**
Recurring operating income	**5,175.3**	**3,367.1**	**+53.7%**	**5,042.0**
% of revenue	***30.4%***	***26.6%***	***+3.8 pts***	***32.8%***
EBITDA	6,408.9	4,605.6	+39.2%	6,121.6
% of revenue	*37.7%*	*36.3%*	*+1.4 pts*	*39.8%*
Acquisitions of property, plant and equipment and intangible assets	642.6	460.6	+39.5%	651.9
Average FTE headcount	34,567	32,507	+6.3%	30,956

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.

The impact of exchange rates on the Group's performance was slightly negative in 2021, with reported year-on-year growth 0.6 points lower than growth at constant exchange rates. In the first half of the year, the impact was particularly significant (4.4 points), since the euro appreciated on average against the world's other major currencies, particularly the US dollar and the Japanese yen. In the second half, the trend reversed, and the weakening euro led to reported growth 1.4 points higher than growth at constant exchange rates.

Reported growth with respect to 2019 also reflects the fact that the euro was stronger on average over the period as a whole (despite more recent movements), and reported growth was approximately 2.5 points lower than growth at constant exchange rates.

Revenue

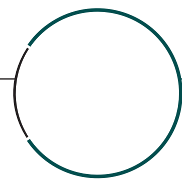
Total revenue generated by the Group's Luxury Houses came to €17,019 million in 2021, much higher than in 2020 (up 34.9% at comparable scope and exchange rates and up 34.3% as reported). Comparisons with 2019 are even more remarkable, with revenue 13.1% higher at constant exchange rates.

All Houses saw a very strong rebound in sales relative to 2020. Compared to 2019, revenue was higher in the vast majority of the Group's businesses, despite the major reorganization of the distribution network, which adversely affected wholesale sales.

Relative to 2020, after a very solid first quarter (revenue up 26.0%), sales growth was exceptional in the second quarter (up 92.5% on a comparable basis), since 2020 performance was considerably affected by strict lockdowns introduced in the Group's main markets. Growth was robust in the third quarter (up 11.8%) and particularly strong in the fourth (up 32.5%). In absolute terms, sales in the fourth quarter of 2021 hit a new all-time high.

Revenue growth compared to 2019 was positive in the first quarter of 2021 (up 4.9%), accelerated in the second (up 10.5%) and then stabilized in the third (up 9.2%), before accelerating sharply again in the fourth quarter (up 25.8%).

Revenue by distribution channel



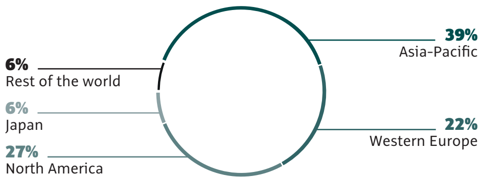
In 2021, sales in directly operated stores, including online sales via Houses' websites and concessions, totaled €13,782 million, up 39.5% on a comparable basis relative to 2020 and up 17.7% versus 2019. The previous comments regarding quarterly performance also apply to the growth trajectory of revenue generated directly by Kering's brands.

Although in-store sales suffered from store closures resulting from COVID-19 restrictions and lockdowns, footfall recovered overall throughout the year and ended up higher than in 2020. E-commerce continued to do well: revenue advanced 54.9% on a comparable basis versus 2020 and revenues were over 2.5 times higher than in 2019. E-commerce directly operated by the Group represented around 15% of the retail channel's revenue on average, reaching 26% in Western Europe and 23% in North America. E-commerce penetration was 5% in Japan and 7% in Asia-Pacific, and so the potential for growth in those markets is particularly significant.

As a result of these trends, revenue from stores and e-commerce sites directly operated by the Group accounted for around 81% of total sales in 2021 compared to 78% in the previous two years. This increase stems partly from the long-term strategy implemented by all brands, which is aimed at controlling their distribution more effectively, including online, and making them more exclusive while prudently managing the expansion of the directly operated store network and related investments.

Wholesale sales rose 16.8% in 2021 on a comparable basis versus 2020. This was driven by the rebound seen in the second quarter, whereas growth slowed to 4.4% in the fourth quarter. These figures only partly reflect the reorganization of the wholesale distribution network that is currently underway, through which the Group is focusing more on using the highest-quality distributors. Compared to 2019, wholesale sales were 3.0% lower at constant exchange rates. The decrease relative to 2019 was a steep 39.4% at Gucci, which was the Group's first brand to embark on the process of radically streamlining its distribution network. Yves Saint Laurent also voluntarily limited its sales to key distributors, and saw its revenue with wholesalers rise by only 6.5% compared to 2019. Boosted by its new creative direction and the expansion of its ready-to-wear and shoes categories, Bottega Veneta won significant market share with its wholesalers and recorded a strong increase in wholesale sales.

Revenue by region



As during the whole of 2020, revenue trends by region varied widely in 2021 due to developments in the pandemic, which affected some regions for longer than others, and because of macroeconomic trends and a lack of tourism.

Revenue(1) in mature markets increased 34.9% overall on a comparable basis versus 2020, and was up 4.4% on 2019.

Sales in Western Europe rose 7.6% relative to 2020. Compared to 2019, sales in Western Europe retreated 23.8%, due to weak sales to non-European customers. In addition, because of lockdowns, over half of the Group's store network in Western Europe on average was closed in the first quarter of 2021, and 26% in the second quarter. However, sales to local customers grew at a very rapid pace and accelerated throughout the year. This enabled the Houses to deliver a 24.3% year-on-year increase in sales in the fourth quarter, considerably narrowing the gap compared to 2019 (down 11.9%).

In Japan, revenue rose 21.3% at constant exchange rates compared to 2020, but relative to 2019 sales were still adversely affected by the pandemic, very moderate economic growth and a lack of Chinese tourists. However, after a third quarter in which footfall was low because of rising COVID-19 case numbers and the Olympic Games, growth accelerated sharply in the fourth (up 33.3%), taking revenue above its fourth quarter 2019 level (up 16.2% at constant exchange rates).

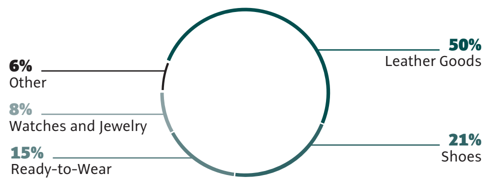
In North America, the Group's Luxury Houses continued the very strong growth recorded post-lockdown in 2020 when stores were able to re-open, and revenue rose 76.8% year-on-year in 2021. The Houses' sales were even 62.1% higher than in 2019. As described in the introductory section above, the consumer environment was particularly dynamic in North America, which drove growth for all of the Houses' distribution channels. E-commerce was the star performer, with sales tripling compared to 2019. All product categories and price segments were boosted by North America's consumer recovery, which continued unabated in the fourth quarter.

Total revenue in emerging markets rose 34.9% versus 2020 and 26.0% relative to 2019. As a result, the Group's revenue is becoming increasingly balanced between mature and emerging markets, with emerging markets now making up around 45% of total sales.

In the Asia Pacific region – which accounts for the majority of the Group's sales in emerging markets – revenue growth was 33.0% compared to 2020 and 26.2% versus 2019. All major markets in the region saw strong year-on-year sales growth except in Oceania, where sales were badly affected by measures implemented to combat the pandemic. The comparison with 2019 shows a more mixed picture as customers in Mainland China repatriated some of their purchases to the detriment of other markets. Consequently, in 2021 sales generated in Mainland China almost doubled versus 2019. Again compared to 2019, growth in South Korea – one of the world's largest markets for luxury goods – was very solid, with excellent domestic sales more than offsetting the decrease in Chinese customers.

In other emerging-market countries (mainly in Latin America, the Middle East, Eastern Europe and Russia), the Houses posted excellent performance compared to both 2020 and 2019.

Revenue by product category



All of the main product categories registered sharp revenue rises compared to 2020. This rebound also propelled each category to higher sales levels than in 2019 in directly operated stores and online.

The quality of the Group's brand portfolio and the effective strategies put in place by the Houses resulted in relatively even growth across the different product categories.

Leather goods – probably one of the categories most exposed to fluctuations in tourism – posted weaker sales growth than the other categories. However, this performance should be analyzed in the view of the very high base for comparison in 2019, as well as the Houses' prudent inventory management in 2020, which led them to limit the number of product lines and amount of stock available in stores in 2020 and for part of 2021.

Thanks to the appeal of the Houses' offerings, the ready-to-wear and shoes categories felt the full benefit of the rebound in luxury spending that began in the second half of 2020 as well as the concentration of sales within domestic markets and clientele.

(1) The analysis of the Luxury Houses' revenue by region relates to total revenue (sales from stores and e-commerce sites as well as wholesale).

Jewelry saw one of the highest year-on-year revenue increases in 2021, compared to both 2020 and 2019. This strong momentum was experienced not only by the Group's Jewelry Houses but also by the jewelry offerings of the Couture and Leather Goods Houses. Sales of high jewelry pieces also rebounded in 2021. Overall, jewelry sales were mainly driven by demand in Asia but also rose sharply once again in Western Europe and the Middle East, although they have not yet returned to their 2019 levels.

Like the rest of the watch-making industry, Girard-Perregaux and Ulysse Nardin were very heavily affected by the impact of the COVID-19 pandemic in 2020. Logically, therefore, they recorded very strong sales growth in 2021, although sales still came in below 2019 figures.

Royalties and other revenues rose sharply in 2021, led by excellent performance from the licenses managed by Kering Eyewear. Royalties from the eyewear category outstripped the figure recorded for 2019, but those from fragrances and cosmetics licenses were not sufficient to offset the contraction recorded in 2020, despite a solid rebound in 2021.

Recurring operating income

Recurring operating income for the Group's Luxury Houses totaled €5,175 million in 2021, up €1,808 million on 2020 and up €133 million relative to 2019.

Recurring operating margin rose back above the 30% threshold, coming in up 3.8 points year-on-year at 30.4%. This increase naturally stems from a favorable operational leverage effect due to revenue growth during the period, but it also reflects carefully controlled operating expenses. Nevertheless, all brands – especially Gucci – continued to make the necessary investments during the period to support their development. In particular, they increased their store-related spending as well as their marketing, communications and IT expenditure, and they strengthened both their central and regional teams.

Profitability also improved between the first and second halves of the year, with recurring operating margin rising 1.1 points, similar to the improvement seen between the two halves in 2019.

The combined effect of exchange rate fluctuations and currency hedges was slightly negative in terms of recurring operating margin compared to 2020. However, it was marginally positive relative to 2019.

EBITDA for 2021 amounted to €6,409 million versus €4,605 million in 2020 and €6,122 million in 2019. EBITDA margin was historically high at 37.7% in 2021.

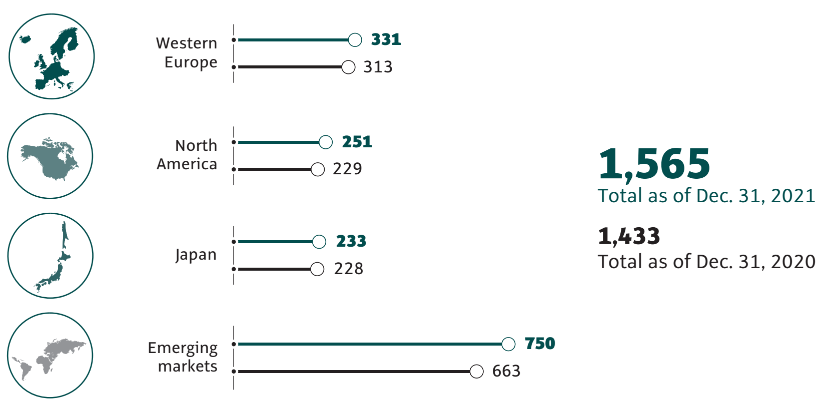
Store network and operating investments

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 the Houses' benefit – totaled €643 million in 2021, up €182 million or 39.5% compared to 2020 and almost the same as in 2019 (€652 million). Operating investments represented 3.8% of revenue in 2021 compared to 4.2% in 2019 (3.6% in 2020).

Some projects were postponed in 2021, with construction and renovation programs having to be put on hold in some markets in the first quarter due to COVID-19 restrictions, and the Houses also decided to focus on the highest-priority and most strategic projects. As expected, therefore, there was a very marked difference in operating investments between the first and second halves of 2021, with a large majority (almost two thirds) incurred in the second half.

As of December 31, 2021, the Group's Luxury Houses had a network of 1,565 directly operated stores, including 815 (52%) in mature markets and 750 in emerging markets. Net store additions compared to December 31, 2020 totaled 132. A large majority (almost 60%) of the new store openings were in the Asia-Pacific region, but some brands also expanded their distribution networks with openings in Japan, North America and Western Europe. The year-on-year increase was also driven to a very large extent by the scheduled expansion of the Yves Saint Laurent, Balenciaga and Alexander McQueen networks.

Breakdown of directly operated stores by region



Gucci

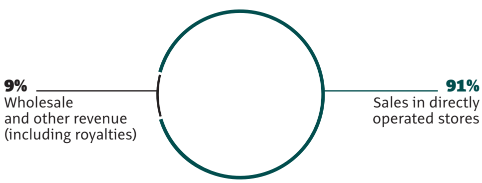
(in € millions)	2021	2020	Change	2019
Revenue	**9,730.9**	**7,440.6**	**+30.8%**	**9,628.4**
Recurring operating income	**3,714.6**	**2,614.5**	**+42.1%**	**3,946.9**
% of revenue	***38.2%***	***35.1%***	***+3.1 pts***	***41.0%***
EBITDA	4,310.6	3,224.9	+33.7%	4,463.6
% of revenue	*44.3%*	*43.3%*	*+1.0 pts*	*46.4%*
Acquisitions of property, plant and equipment and intangible assets	323.8	205.8	+57.3%	337.3
Average FTE headcount	18,933	17,953	+5.5%	17,157

Revenue

Gucci posted record revenue of €9,731 million in 2021, up 31.2% year-on-year at comparable exchange rates. The House's sales rose above their 2019 level in absolute terms. Growth versus 2019 was 3.4% on a comparable basis, with a marked acceleration in the fourth quarter (growth of 17.8%).

However, in view of the current reorganization of Gucci's distribution network, which has massively reduced its wholesale activity, retail sales in directly operated stores probably constitute the metric that gives the most meaningful measurement of the House's intrinsic performance.

Revenue by distribution channel

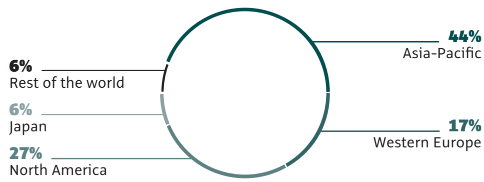


Although still partially affected by store closures arising from COVID-19 restrictions in the first half and to a lesser extent the third quarter of 2021, Gucci's in-store and online revenue advanced 36.7% versus 2020. Compared to 2019 – which was a record year following on from the brand's very strong growth since 2016 – the increase was 10.4%. Altogether, therefore, over the past five years, Gucci's retail sales have grown by around 20% per year on average and in 2021 they accounted for 91% of the brand's revenue.

As regards directly operated store revenue, growth recorded in recent years has been almost exclusively on a same-store basis. In addition, while store footfall considerably increased throughout the year, it remained lower than 2019 levels. However, the main performance indicators in the retail business showed a very sharp improvement. The House's e-commerce activity saw exceptional development in 2021 and it accounted for almost 16% of total retail revenue during the year. Online sales growth was therefore once again very buoyant, up 55.1% relative to 2020 and 163.0% compared to 2019.

Sales generated in the wholesale network fell 10.0% on a comparable basis relative to 2020. They were down 39.4% compared to 2019. This contraction is due to the strategy implemented in early 2020 to transform Gucci's distribution network with a view to making it more exclusive. However, wholesale revenue should stabilize in 2022.

Revenue by region



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

In mature markets, year-on-year revenue growth was 41.5% at comparable exchange rates, although trends varied between regions. 2021 sales were higher than 2019 levels on a comparable basis.

Revenue in Western Europe rose 16.9% year-on-year, due in particular to very strong business levels in the last few months of the year. Compared to 2019, sales remained lower because of weak tourist numbers and a long period of store closures in the region's main markets at the start of 2021. However, the House's investments aimed at increasing market share in the main European markets paid off in 2021, with a gradual but continuous increase in sales to local customers. Gucci is playing the long game in Western Europe, and so is keeping its existing network of stores in that region pending the return of tourism.

In Japan, sales started rising again in 2021, with growth of 19.0%, although revenue remained below its 2019 level. Consumer trends in this market improved in the fourth quarter but the drop in tourist numbers remained a drag on business, although the impact was less than in Western Europe as local customers made up the vast majority of revenue generated in Japan in 2019.

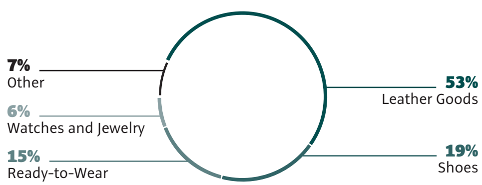
In North America, revenue rebounded very strongly, with the House's retail sales surging almost 67% at constant exchange rates relative to both 2020 and 2019. This performance was achieved due to the factors explained in the introductory section of this Activity Report, as well as the fact that Gucci has a wide offering that meets customers' needs in all product categories and price segments, which enables it to meet all types of demand in the U.S. The House also has untapped growth potential in the region because its store network has been relatively unchanged in recent years and could be expanded in certain cities that are establishing themselves as promising new markets for the industry.

In emerging markets – which contributed just over half of Gucci's sales in 2021 – revenue rose by 32.5% at constant exchange rates year-on-year and by 20.0% versus 2019.

Growth in the Asia-Pacific region was 29.5% year-on-year and has remained extremely strong since spring 2020, when the region's strict lockdowns began easing. Regional growth was mainly driven by Mainland China, which saw firm increases in both online and in-store sales. Those trends are being supported by rising Chinese demand and by Chinese customers purchasing luxury products in their domestic market rather than abroad. In this respect, it is notable that growth in Chinese e-commerce sales are not having any significant adverse impact on in-store sales. Still in China, revenue picked up strongly in Macao and Hong Kong, although sales remained lower than in 2019. South Korea was once again a very dynamic market for Gucci due to the brand's popularity among local customers and despite the poor performance of the Duty-Free channel, which the brand includes in its network of directly operated stores and whose sales suffered from the lack of Chinese tourists. Sales in South Korea rose above 2019 levels in 2021. With the exception of Australia, which was hit by strict lockdown measures, the brand's other markets in the Asia-Pacific region posted very robust year-on-year growth, although compared to 2019 they remained affected on the whole by the fall in purchases by Chinese tourists.

In the other regions of the world where Gucci operates, sales growth was very firm compared to 2020, and also 2019 for most markets.

Revenue by product category



In 2021, all Gucci's main product categories registered very robust increases in sales from directly operated stores compared to 2020. The increase in average selling prices, resulting both from changes in the product mix and price hikes, made a significant contribution to that growth.

In the year it celebrated its 100th anniversary, Gucci continued to make subtle adjustments to its creative proposition, its esthetics and its product range, in order to meet the expectations of all customer profiles. With its Aria collection, the House has been able to leverage its 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 new products. Sales growth in the fourth quarter of 2021 owed a lot to successful product launches and the regular introduction of new spins on iconic pieces, which also formed the basis of communication campaigns and in-store events.

Sales of leather goods were impacted for part of the year by the brand's prudent policy regarding the number of product lines available in stores in 2020. Over the year as a whole, however, leather goods revenue rebounded strongly relative to 2020, with a sharp acceleration in the fourth quarter. It was also higher than in 2019 in almost all major markets, although Western Europe remained affected by store closures at the start of the year and low tourist numbers.

The brand's other product categories – which are less sensitive to fluctuations in tourist flows and are driven by e-commerce – saw very robust sales growth compared to 2019.

Royalties were up sharply on 2020. In the eyewear category, royalties from the licenses managed by Kering Eyewear exceeded the 2019 figure, but royalties from the license granted to Coty for fragrances and cosmetics were still down on 2019.

Recurring operating income

Gucci's recurring operating income amounted to €3,715 million for 2021, up 42.1% on 2020.

Recurring operating margin rose by 3.1 points to 38.2%.

The improvement in recurring operating margin was attributable to a positive leverage effect driven by sales growth. However, during Gucci's centenary year, the brand continued to make the investments required to fully capitalize on the luxury industry's rebound, by allocating resources to clienteling activities, in-store events, communication campaigns and upgrades to digital platforms and information systems. Given this targeted increase in its cost base, particularly in the second half of the year, Gucci's recurring operating margin rose 0.7 points between the first and second halves of 2021.

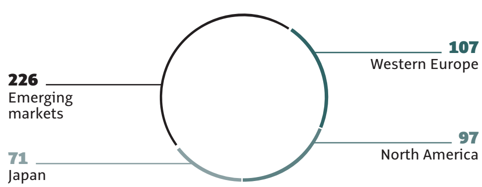
Gucci's EBITDA for 2021 stood at €4,311 million, an increase of €1,086 million relative to 2020 and representing an EBITDA margin of 44.3%.

Store network and operating investments

As of December 31, 2021, Gucci operated 501 stores directly, including 226 in emerging markets. A net 18 new stores were opened during the year, mainly in Asia. Gucci's focus is on achieving organic growth by maximizing the productivity of the existing store network, but it is also continuing to identify opportunities that will enable it to enhance its distribution in certain regions or sales channels.

Gucci's operating investments amounted to €324 million in 2021, 57.3% higher than in 2020 but almost unchanged relative to 2019. Operating investments were split fairly evenly between refurbishments, openings and relocations on the one hand, and projects related to the supply chain, digital and support functions on the other.

Breakdown of directly operated stores by region



Yves Saint Laurent

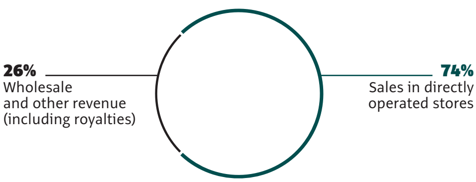
(in € millions)	2021	2020	Change	2019
Revenue	**2,521.0**	**1,744.4**	**+44.5%**	**2,049.1**
Recurring operating income	**714.6**	**400.0**	**+78.7%**	**562.2**
% of revenue	***28.3%***	***22.9%***	***+5.4 pts***	***27.4%***
EBITDA	914.5	589.9	+55.0%	733.7
% of revenue	*36.3%*	*33.8%*	*+2.5 pts*	*35.8%*
Acquisitions of property, plant and equipment and intangible assets	71.8	52.7	+36.2%	98.0
Average FTE headcount	4,587	3,810	+20.4%	3,606

Revenue

Yves Saint Laurent's sales amounted to €2,521 million in 2021, up 45.6% and 26.0% at constant exchange rates relative to 2020 and 2019 respectively. Compared to 2019, growth accelerated throughout the year, rising from 6.6% in the first quarter to 46.7% in the fourth.

It was another year of strong growth for the House, which has achieved average sales growth of around 22% per year in the last 10 years, despite a limited decrease in revenue in 2020. This means that the House's sales have been multiplied by seven since 2011.

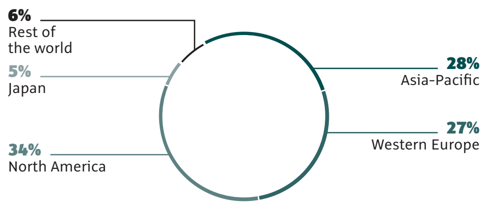
Revenue by distribution channel



Revenue from directly operated stores, which accounted for 74% of the total, jumped 55.3% relative to 2020, driven mainly by same-store growth. Revenue was 35.0% higher than in 2019. Growth was the result of a material recovery in store footfall relative to 2020, although it varied from region to region, as well as a marked improvement in the various retail performance indicators and continued growth in online sales. The House's online business posted growth of 81.7% relative to 2020, despite a high base for comparison, and online sales tripled their 2019 level.

Sales generated in the wholesale network were 22.9% higher than in 2020. Compared to 2019, however, their growth was more modest at 6.5% on a comparable basis. Although the wholesale channel remains strategically important for Yves Saint Laurent, as it perfectly complements its retail business, the brand is continuing to pay particular attention to the quality and exclusivity of its distribution and is being careful to focus its wholesale business on a limited number of distributors.

Revenue by region



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

Yves Saint Laurent notched up strong year-on-year revenue growth across all major regions in 2021. However, in line with the situation in the luxury industry as a whole, Yves Saint Laurent's performance was mixed across its different geographic regions.

Sales in the brand's heritage markets picked up, with growth of 65.7% relative to 2020 and 30.3% compared to 2019.

The brand's popularity with local customers and a further increase in store footfall throughout the year drove year-on-year revenue growth of 38.4% in Western Europe and 17.6% in Japan.

However, although Yves Saint Laurent is less exposed to tourism than other Houses, low tourist numbers remained a drag on both regions' sales compared to 2019. Revenue in those markets remained a little lower than 2019 levels, except in the fourth quarter when sales to European and Japanese customers accelerated sharply.

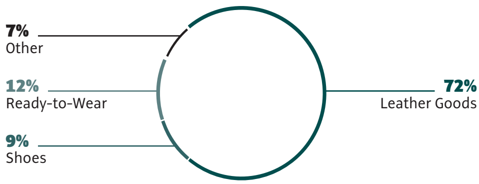
In North America, the House's penetration in the United States, the upturn in store footfall and buoyant online sales drove an exceptional performance over the period, with revenue up 109.6% on 2020 and 104.5% on 2019.

In emerging markets, sales generated in directly operated stores rose 41.5% compared to 2020 and 43.2% relative to 2019.

In the Asia-Pacific region, which accounts for the bulk of the brand's revenue in emerging markets, sales were up 36.0% versus 2020 and 38.5% relative to 2019. China is still the main growth driver in the region, and the brand's sales in Mainland China doubled relative to 2019. Sales in the region's other major countries increased sharply year-on-year. Compared to 2019 levels, growth was strongest in South Korea which, in its role as trendsetter, is a key market for the House.

Yves Saint Laurent's performance in the Middle East, which has historically been an important market for the brand, was also outstanding.

Revenue by product category



All product categories registered sharp revenue rises compared to 2020 and exceeded 2019 levels in the brand's directly operated stores and online channel.

Leather goods remained the brand's top category, with sales growth compared to both 2020 and 2019 closely aligned with the House's overall performance. This reflects the initiatives taken by Yves Saint Laurent over the last few years to constantly renew and refresh its leather goods offering with a specially dedicated creative team, which has helped it to both attract new customers and retain existing ones in all its markets.

Sales of ready-to-wear for both women and men rose very sharply, and growth accelerated throughout the year. This performance is the result of the brand's merchandising strategy implemented over the past quarters with the aim of making its offerings and price architecture more relevant in this category.

Revenue from the shoes category also bounced back and rose above its 2019 level, propelled primarily by the success of collections for women.

Royalties from the eyewear category were up on 2019 and even more so on 2020 thanks to sustained efforts from the teams at Kering Eyewear. Royalties from L'Oréal rose sharply year-on-year and were almost unchanged compared to 2019.

Recurring operating income

Yves Saint Laurent generated record recurring operating income of €715 million in 2021, an increase of 78.7% on 2020.

Recurring operating margin also hit an all-time high at 28.3%, up 5.4 points relative to 2020 and up 0.9 points versus 2019.

This further improvement is in line with the brand's goals and the growth trajectory it had set itself prior to the COVID-19 crisis. It also demonstrates that Yves Saint Laurent has achieved critical size, enabling it to capitalize on its operating leverage while also allocating all the resources necessary for its short- and medium-term development, ranging from creating, expanding and running its store network to leading communication campaigns around the brand.

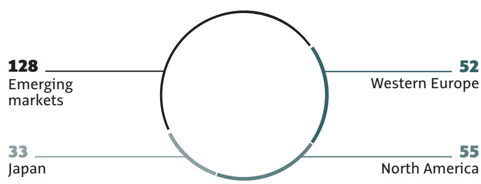
EBITDA rose by €325 million to €915 million. EBITDA margin was 36.3%, versus 33.8% as reported in 2020 and 35.8% in 2019.

Store network and operating investments

As of December 31, 2021, Yves Saint Laurent had 268 directly operated stores, including nearly half (128) in emerging markets. There were 29 net store openings during 2021, 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 in certain regions, particularly at the start of the year. Nearly all the openings were in Asia or North America, regions where business growth is very strong and where the brand's distribution network does not yet match its potential.

The House's operating investments amounted to €72 million, up €19 million relative to 2020 but lower than the figure for 2019, when Yves Saint Laurent implemented a large-scale investment program around store openings.

Breakdown of directly operated stores by region



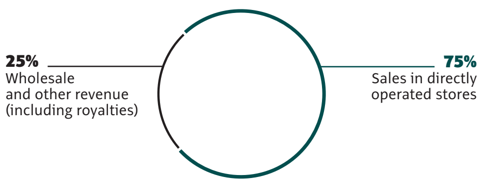
Bottega Veneta

(in € millions)	2021	2020	Change	2019
Revenue	**1,502.8**	**1,210.3**	**+24.2%**	**1,167.6**
Recurring operating income	**286.5**	**172.0**	**+66.6%**	**215.2**
% of revenue	***19.1%***	***14.2%***	***+4.9 pts***	***18.4%***
EBITDA	448.9	333.6	+34.6%	374.3
% of revenue	*29.9%*	*27.6%*	*+2.3 pts*	*32.1%*
Acquisitions of property, plant and equipment and intangible assets	67.0	48.4	+38.4%	57.8
Average FTE headcount	3,777	3,831	-1.4%	3,754

Revenue

Bottega Veneta's revenue hit an all-time high of €1,503 million in 2021, up 25.1% year-on-year on a comparable basis. Bottega Veneta had been particularly resilient in 2020, as one of the industry's few brands to post revenue growth that year. Compared to 2019, sales rose 31.8% at constant exchange rates in 2021. This performance reflects the House's successful implementation of its strategy, which aims to develop its offerings in all product categories, rejuvenate and broaden its customer base, raise brand awareness – especially in mature markets – and enhance customers' in-store experience.

Revenue by distribution channel

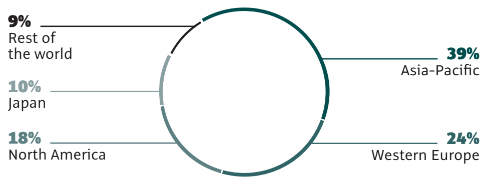


In line with its exclusive, high-end market position, Bottega Veneta's preferred distribution channel consists of its directly operated stores. However, for almost two years, the brand's growing appeal among wholesale buyers has enabled Bottega Veneta to regain market share with its wholesalers. As a result, the contribution of directly operated stores was stable at around 75% of the brand's total sales in 2021.

The House's sales in directly operated stores, including e-commerce, advanced by 28.5% versus 2020 and by 22.3% versus 2019. This growth was driven by healthy, controlled development in terms of both store sales (on a same-store basis) and online sales. The e-commerce business was boosted by the move to bring in-house operations that were previously managed under a joint venture with Yoox. Online sales were four times their 2019 level.

Wholesale sales were up 15.7% compared to 2020 and up 72.9% relative to 2019, testifying to the brand's renewed appeal with professional buyers. This excellent performance came against the background of actions taken to reorganize the wholesale channel, with a view to only working with a limited number of best-in-class partners. As a result of those actions, growth in wholesale sales slowed in the fourth quarter (relative to 2019) and is likely to further normalize in 2022.

Revenue by region



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

Trends that emerged in 2020 were confirmed in 2021: in Western Europe and North America – where local customers were the first to be won over by the House's new creative direction – sales were very strong throughout the year. Bottega Veneta's desirability also continued to increase in Asia.

In emerging markets, the brand's sales advanced 23.9% year-on-year on a comparable basis versus 2020 and by over 40% compared to 2019. In particular, growth was extremely strong in Mainland China and South Korea, its two main markets in the Asia-Pacific region, where the brand has more than doubled in size in two years.

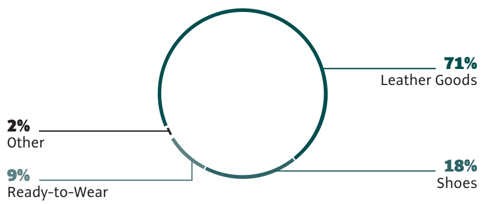
In mature markets, the House's revenue rose above 2019 levels, increasing by 34.0% year-on-year.

In North America, Bottega Veneta recorded strong sales growth compared to 2020 (up 83.3%) and 2019 (up 67.0%). This is an outstanding performance given the House's market position and its offering, which is generally less aspirational than that of other Group brands.

In Japan, sales rebounded by 31.6% compared to 2020, taking them back to their 2019 level. Developments in Japanese sales throughout the year seem to show that the House's new aesthetic direction and broader product range are making it increasingly popular with local customers.

In Western Europe, revenue from local clients continued to increase significantly, but performance in this market (sales growth of 7.0% year-on-year) reflects a high base of comparison, since the House was one of the most resilient in the region in 2020.

Revenue by product category



All of the brand's main product categories registered higher sales than in 2020 and 2019.

Leather goods once again constituted the brand's core business, making up 71% of total sales, including wholesale. New lines met with great success among the House's customer base, while lines launched in previous years are clearly now established as carryovers. The House's strategy aims to maintain the exclusivity associated with this key category of leather goods, particularly by focusing on sales growth through higher prices and an improved product mix rather than volume growth alone.

Sales in other categories grew sharply, buoyed by the success of the Women's ready-to-wear and shoes collections as well as Men's collections following on from 2020, when actions taken to re-energize these collections started to pay off.

Recurring operating income

Bottega Veneta's recurring operating income for 2021 totaled €286 million, up 66.6% compared to 2020 and up €71 million relative to the reported figure for 2019.

Recurring operating margin came to 19.1%, up 4.9 points year-on-year and up 0.7 points relative to 2019. That increase was driven by positive operational leverage, even though the House invested heavily in 2021 to make its revamp a lasting success. The increase in the cost base is therefore being well managed and priorities are being set regarding the allocation of resources to focus them on the most effective types of expenditure. The brand's profitability is expected to continue improving gradually.

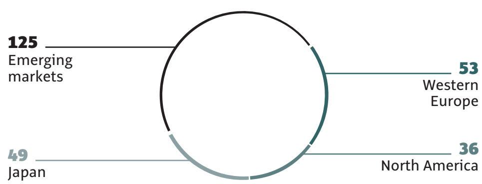
EBITDA amounted to €449 million, and EBITDA margin rose 2.3 points, taking it close to 30%.

Store network and operating investments

As of December 31, 2021, Bottega Veneta had 263 directly operated stores, including 125 in emerging markets. There were two net store openings during the year. As in 2020, the brand focused its investment efforts on relocating and refurbishing its existing stores, while pursuing its strategy of gradual and targeted openings as opportunities arose, notably with the establishment of new flagships.

Operating investments totaled €67 million in 2021, higher than in both 2020 and 2019 but broadly stable as a proportion of the House's sales (4 to 5%).

Breakdown of directly operated stores by region



Other Houses

(in € millions)	**2021**	**2020**	**Change**	**2019**
Revenue	**3,264.7**	**2,281.3**	**+43.1%**	**2,537.5**
Recurring operating income	**459.6**	**180.6**	**+154.5%**	**317.7**
% of revenue	***14.1%***	***7.9%***	***+6.2 pts***	***12.5%***
EBITDA	734.9	457.2	+60.7%	550.0
% of revenue	*22.5%*	*20.0%*	*+2.5 pts*	*21.7%*
Acquisitions of property, plant and equipment and intangible assets	180.0	153.7	+17.1%	158.8
Average FTE headcount	7,270	6,913	+5.2%	6,439

Revenue

Overall revenue generated by the Other Houses rebounded sharply in 2021, rising 43.8% year-on-year on a comparable basis. This excellent momentum put the Other Houses firmly back on the growth trajectory, more than offsetting the drop in revenue seen in 2020. Compared to 2019, sales rose 30.6%.

These figures were not affected by changes in scope. Although it was announced that the watches brands would be sold in the first half of 2022, they remained fully consolidated in 2021.

Balenciaga and Alexander McQueen – two of the few brands in the luxury industry to achieve sales growth in 2020 – once again delivered excellent performances, particularly when compared against 2019.

Qeelin benefited fully from Mainland China's strong luxury market, although sales in the second half were partly affected by more moderate store footfall resulting from measures introduced to combat the COVID-19 pandemic. Qeelin is becoming a leading jewelry brand in China.

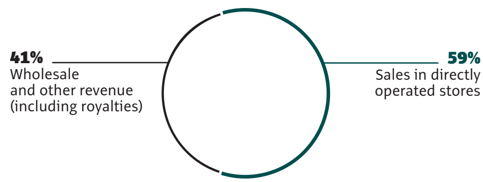
Boucheron's performance was exceptional in 2021, even though a large proportion of its sales has traditionally come from Western Europe and major customers, who traveled less in 2021 than in previous years. Its revenue in 2021 was much higher than in 2019, and the brand confirmed its extremely promising development in Asia.

Sales generated by Pomellato – which is still mainly distributed in Europe – increased compared to 2020 and even exceeded their 2019 level. The House celebrated the 20th anniversary of its Nudo collection, and also successfully developed a high jewelry range.

Brioni continued to implement its transformation and reorganization plan and saw an encouraging rebound in revenue relative to 2020, although sales remained lower than in 2019.

Girard Perregaux and Ulysse Nardin benefited from the recovery in the watch industry and saw very strong sales growth relative to 2020. However, the reorganization of their distribution operation, resulting in a smaller number of retailers, meant that sales remained below 2019 levels.

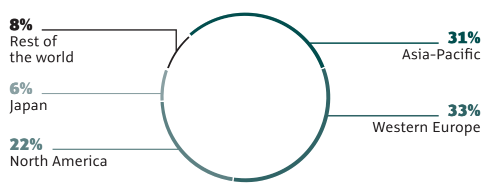
Revenue by distribution channel



Revenue from stores and e-commerce activities directly operated by the Other Houses rose 46.2% year-on-year and 39.7% versus 2019. The increase compared to 2019 was partly the result of new store openings carried out in line with the strategy of moving towards more exclusive distribution, but it was also propelled by rapid growth in online sales, mainly for Couture and Leather Goods brands.

Wholesale sales rose 39.5% year-on-year in 2021. Compared to 2019, they were up 21.4%. This growth reflects the measures taken by the Other Houses – primarily Balenciaga – to focus their wholesale activity on a select number of top-quality partners, and these efforts to achieve greater exclusivity are set to ramp up in 2022.

Revenue by region

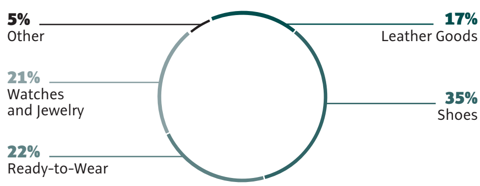


The performances by region delivered by the Other Houses followed similar trends to those seen at Gucci, Yves Saint Laurent and Bottega Veneta. Sales were up on 2020 in all regions, but did not return to their 2019 levels in Western Europe or Japan.

In mature markets as a whole, revenue advanced 35.5% year-on-year at constant exchange rates and was 14.8% higher than the 2019 figure. In North America, growth was very robust compared with both 2020 (with revenue up 96.0%) and 2019 (up almost 100%). Western Europe and Japan saw their revenue rebound from 2020 levels, with increases of 14.5% and 24.0% respectively. The decline in sales relative to 2019 was very small, since the Other Houses' performance improved throughout the year in those markets.

In emerging markets, revenue was up 59.1% versus 2020 and up 67.0% relative to 2019. Greater China and South Korea were the main drivers of this performance. In Mainland China, the Other Houses enjoyed the full benefit of Chinese demand shifting back to the domestic market, with business also boosted by store openings, heightened brand awareness and the growing appeal of the brands' offerings. The Other Houses have more than tripled their sales in Mainland China since 2019.

Revenue by product category



In 2021, all product categories sold by the Couture and Leather Goods Houses posted very strong growth compared to both 2020 and 2019. This performance reflects the excellent response to the Houses' collections in those segments during a year in which sales recovered.

In particular, the leather goods offerings of Balenciaga and Alexander McQueen expanded and attracted new customers. As a result, sales in that category grew strongly.

The ready-to-wear category also delivered rapid sales growth, primarily driven by menswear collections.

Shoes once again saw particularly strong growth in 2021, driven by the appeal of the Balenciaga and Alexander McQueen collections.

Jewelry brands continued to implement their development plans successfully in 2021, and saw sales rise very substantially compared to both 2020 and 2019. As a result, the jewelry category, including the offerings of Couture Houses, posted one of the highest growth rates.

Lastly, after a sharp decrease in 2020, the watches brands' revenue rebounded in 2021.

Royalties increased relative to both 2020 and 2019, mainly due to the very strong performance of licenses managed by Kering Eyewear.

Recurring operating income

The Other Houses' recurring operating income was €459 million in 2021, more than double the 2020 figure and 44.7% higher than in 2019. Recurring operating margin came to 14.1%, up 6.2 points on 2020 and up 1.6 points on 2019.

The year-on-year improvement compared to 2020 – which concerned all of the Other Houses – was the natural result of positive operational leverage, and was achieved despite the additional expenditure incurred by the brands to fully capitalize on growth trends currently driving the luxury market. The comparison with 2019 shows that most of the Other Houses have now reached critical size enabling them to absorb higher operating expenses while still increasing their recurring operating margin. For the brands that are closer to breakeven or still implementing restructuring or reorganization plans, like Brioni, profitability levels in 2021 remained lower than or similar to those in 2019.

EBITDA increased €277 million year-on-year to €734 million. EBITDA margin rose back above the 20% threshold to 22.5%, 0.8 points higher than in 2019.

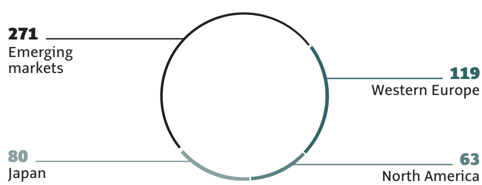
Store network and operating investments

The Other Houses directly operated 533 stores as of December 31, 2021, an increase of 83 year-on-year. This rise was mainly attributable to store openings by Balenciaga and Alexander McQueen in Asia, but also in North America. Another key development was the expansion of the Jewelry Houses' store network, with new openings again focused in Asia.

This is making the network more geographically balanced, with 262 stores in mature markets and 271 in emerging markets as of December 31, 2021.

These developments naturally led to an increase in the Other Houses' operating investments, which totaled €180 million. That represents an increase of €26 million relative to 2020, a year in which the Houses maintained their investment efforts.

Breakdown of directly operated stores by region



Corporate and other

(in € millions)	2021	2020	Change	2019
Revenue	**625.8**	**423.6**	**+47.7%**	**500.9**
Recurring operating income (loss) (excluding corporate long-term incentive plans)	(131.7)	(184.6)	+28.7%	(195.5)
Cost of corporate long-term incentive plans	(26.4)	(47.3)	+44.2%	(68.2)
Recurring operating income (loss)	**(158.1)**	**(231.9)**	**+31.8%**	**(263.7)**
Acquisitions of property, plant and equipment and intangible assets	291.4	326.3	-10.7%	303.9
Average FTE headcount	4,269	4,139	+3.1%	3,946

The "Corporate and other" segment comprises (i) Kering's corporate departments and head office 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.

In 2021, Kering Eyewear's total revenue was €706 million, including three months of revenue from Lindberg after its acquisition was completed on September 30, 2021. Kering Eyewear's sales rose by 45.0% (as reported) and by 40.8% at constant scope and exchange rates relative to 2020. They were 16.9% higher than in 2019 at constant scope and exchange rates. The increase in the number of licenses, with the addition of Chloe and Dunhill in the early part of the year, made only a marginal contribution to this growth, which stemmed mainly from Kering Eyewear's excellent management, its agility and its capacity for innovation.

Performance in the first and second halves of the year must be analyzed in view of seasonal variations in Kering Eyewear's business – with more sales taking place in the first six months – and the very low base for comparison in the first part of the year.

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) again fell slightly in 2021 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 both 2021 and 2020). This channel was the one that grew the most in 2021, having shown its resilience by keeping revenue stable in 2020, a performance that testifies to the effectiveness of Kering Eyewear's commercial set-up.

Kering Eyewear's contribution to consolidated revenue for 2020 totaled €599 million (after eliminating intra-group sales and royalties paid to the Group's brands), representing a 44.9% year-on-year increase at constant scope and exchange rates (up 24.1% compared to 2019).

On the back of this outstanding sales growth combined with good cost control, and now that the compensation paid to Safilo for the early termination of the Gucci license has been fully amortized, recurring operating income has increased sharply and is largely contributing to the decrease in the "Corporate and other" segment's net costs.

Overall, net costs recorded by the "Corporate and other" segment came to €158 million in 2021, €74 million lower than in 2020 and €106 million lower than in 2019.

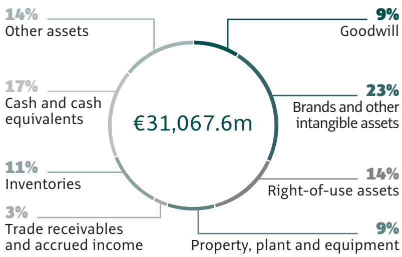
The cost of long-term incentive plans, including those of corporate officers, was €26 million, €21 million less than the cost recognized in 2020. Prudent provisions have been recorded for the cost of these plans in recent years, and the gradual substitution of Kering synthetic shares (KMUs) by free shares has had a positive accounting impact to date.

The increase in head office costs was very limited in 2021 compared to 2020 and 2019, and was largely due to the ramp-up of the Group's digital, innovation and information systems initiatives.

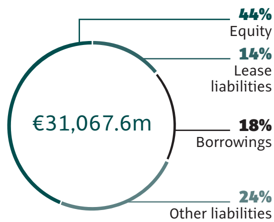
Operating investments totaled €291 million, down €35 million relative to 2020, when they reached an all-time high due to sustained strategic investments, such as the upgrade of all the Group's information systems and, above all, the logistics operations managed by the Corporate teams on behalf of the Group's brands. The bulk of the costs relating to the Trecate logistics platform in Northern Italy, which was officially opened in the first half of 2021, were recorded in 2020. As a result, the segment's operating investments returned to its 2019 level of around €300 million.

5 - BALANCE SHEET AS OF DECEMBER 31, 2021

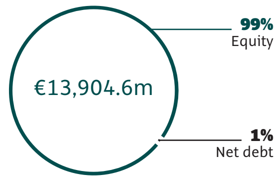
Assets



Equity and liabilities



Capital employed



Condensed balance sheet

(in € millions)	**Dec. 31, 2021**	**Dec. 31, 2020**	**Change**
Goodwill	2,891.2	2,452.2	+17.9%
Brands and other intangible assets	7,032.1	6,985.8	+0.7%
Lease right-of-use assets	4,301.5	3,956.8	+8.7%
Property, plant and equipment	2,966.9	2,670.2	+11.1%
Investments in equity-accounted companies	31.1	36.2	-14.1%
Other non-current assets	2,412.4	2,883.4	-16.3%
Non-current assets	**19,635.2**	**18,984.6**	**+3.4%**
Inventories	3,368.9	2,845.5	+18.4%
Trade receivables and accrued income	977.2	910.4	+7.3%
Cash and cash equivalents	5,248.7	3,442.8	+52.5%
Other current assets	1,818.6	1,821.4	-0.2%
Current assets	**11,413.4**	**9,020.1**	**+26.5%**
Assets held for sale	**19.0**	**0.7**	**N/A**
TOTAL ASSETS	31,067.6	28,005.4	+10.9%
Equity attributable to the Group	13,346.8	11,820.9	+12.9%
Equity attributable to minority interests	389.4	214.1	+81.9%
Total equity	**13,736.2**	**12,035.0**	**+14.1%**
Non-current borrowings	2,975.5	3,815.3	-22.0%
Non-current lease liabilities	3,825.8	3,545.8	+7.9%
Other non-current liabilities	1,756.1	1,874.6	-6.3%
Non-current liabilities	**8,557.4**	**9,235.7**	**-7.3%**
Current borrowings	2,441.6	1,776.2	+37.5%
Current lease liabilities	675.3	538.0	+25.5%
Other current liabilities	5,607.8	4,420.4	+26.9%
Current liabilities	**8,724.7**	**6,734.6**	**+29.6%**
Liabilities associated with assets held for sale	**49.3**	**0.1**	**N/A**
TOTAL EQUITY AND LIABILITIES	31,067.6	28,005.4	+10.9%

Net debt

(in € millions)	Dec. 31, 2021	Dec. 31, 2020	Change
Borrowings	5,417.1	5,591.5	-3.1%
Cash and cash equivalents	(5,248.7)	(3,442.8)	-52.5%
Net debt	**168.4**	**2,148.7**	**-92.2%**

Capital employed

(in € millions)	Dec. 31, 2021	Dec. 31, 2020	Change
Total equity	13,736.2	12,035.0	+14.1%
Net debt	168.4	2,148.7	-92.2%
Capital employed	**13,904.6**	**14,183.7**	**-2.0%**

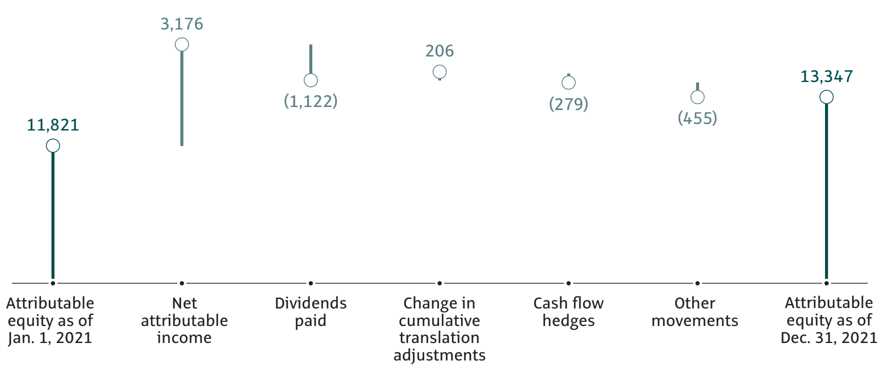
Goodwill and brands

As of December 31, 2021, brands net of deferred tax liabilities amounted to €4,985 million, compared to €4,947 million as of December 31, 2020.

Current operating assets and liabilities

(in € millions)	Dec. 31, 2021	Dec. 31, 2020	Statement of cash flows	Foreign exchange differences	Other movements
Inventories	3,368.9	2,845.5	429.4	98.4	(4.4)
Trade receivables and accrued income	977.2	910.4	12.5	32.4	21.9
Trade payables and accrued expenses	(1,741.9)	(1,489.6)	(173.2)	(34.2)	(44.9)
Other current assets (liabilities), net	(850.1)	(403.9)	(186.0)	(154.3)	(105.9)
Net current tax receivables (payables)	(326.4)	(300.8)	16.6	(15.8)	(26.4)
Current operating assets (liabilities), net	**1,427.7**	**1,561.6**	**99.3**	**(73.5)**	**(159.7)**

Change in equity attributable to the Group



As of December 31, 2021, the share capital amounted to €498,771,664. It comprised 124,692,916 fully paid-up shares with a par value of €4 each, a reduction of €1,300,000 further to the cancellation of 325,000 shares under the stock repurchase program (share capital of €500,071,664 comprising 125,017,916 shares as of December 31, 2020). Excluding the 624,211 Kering treasury shares, there were 124,068,705 shares issued and outstanding as of December 31, 2021.

(See consolidated financial statements, Note 20 – Equity.)

6 – COMMENTS ON MOVEMENTS IN NET DEBT

(in € millions)	Dec. 31, 2021	Dec. 31, 2020	Change
Bonds	3,370.2	3,836.8	-12.2%
Other bank borrowings	229.4	284.8	-19.5%
Commercial paper	702.6	552.2	+27.2%
Other borrowings	1,114.9	917.7	+21.5%
o/w Put options granted to minority interests	*326.1*	*411.3*	-20.7%
Total borrowings	**5,417.1**	**5,591.5**	**-3.1%**
Cash and cash equivalents	(5,248.7)	(3,442.8)	-52.5%
Net debt	**168.4**	**2,148.7**	**-92.2%**

Net debt is defined on page 37.

As a remindrer, lease liabilities, for their part, represented a total of €4,501 million as of December 31, 2021 (€4,084 million as of December 31, 2020).

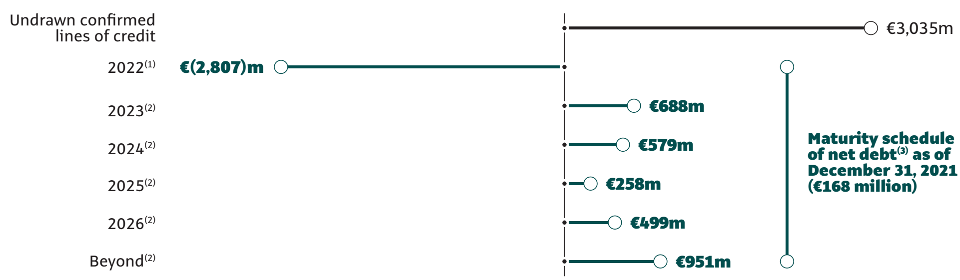
Solvency

The Group has a very sound financial position and since April 18, 2020 has had a long-term A- rating with a stable outlook from Standard & Poor's.

Liquidity

As of December 31, 2021, the Group had cash and cash equivalents totaling €5,249 million (€3,443 million as of December 31, 2020), as well as confirmed lines of credit amounting to €3,035 million (€4,365 million as of December 31, 2020). The balance of confirmed undrawn lines of credit was €3,035 million at the end of 2021, versus €4,365 million one year earlier.

Maturity schedule of net debt



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

The proportion of the Group's borrowings maturing within one year was 45.1% as of December 31, 2021 (31.8% as of December 31, 2020). Consequently, the Group is not exposed to any liquidity risk.

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

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

(See consolidated financial statements, Note 21 – Net debt.)

Changes in net debt

(in € millions)	2021	2020	Change
Net debt as of January 1	**2,148.7**	**2,812.2**	**-23.6%**
Free cash flow from operations	(3,947.8)	(2,104.6)	-87.6%
Dividends paid	1,025.0	1,009.4	+1.5%
Net interest paid and dividends received	78.4	167.2	-53.1%
Acquisitions of Kering shares	538.3	54.1	+895.0%
Repayment of lease liabilities[1]	881.6	900.2	-2.1%
Disposal of PUMA shares (5.91% in 2021 / 5.83% in 2020)	(802.6)	(655.6)	-22.4%
Other acquisitions and disposals	347.1	75.1	+362.2%
Other movements	(100.3)	(109.3)	+8.2%
Net debt as of December 31	**168.4**	**2,148.7**	**-92.2%**

(1) Comprising repayments of principal amounting to €775.5 million (€787.3 million in 2020) and interest payments of €106.1 million (€112.9 million in 2020) relating to capitalized fixed lease payments.

Free cash flow from operations

Cash flow received from operating activities

(in € millions)	2021	2020	Change
Cash flow received from operating activities before tax, dividends and interest	**6,386.4**	**4,280.3**	**+49.2%**
Change in working capital requirement	(38.0)	44.4	-185.6%
Income tax paid	(1,472.9)	(1,436.1)	-2.6%
Net cash received from operating activities	**4,875.5**	**2,888.6**	**+68.8%**

Operating investments

(in € millions)	2021	2020	Change
Net cash received from operating activities	**4,875.5**	**2,888.6**	**+68.8%**
Acquisitions of property, plant and equipment and intangible assets	(934.0)	(786.9)	-18.7%
Disposals of property, plant and equipment and intangible assets	6.3	2.9	+117.2%
Free cash flow from operations[1]	**3,947.8**	**2,104.6**	**+87.6%**

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

Gross operating investments by activity

(in € millions)	2021	2020	Change
Total Luxury Houses	642.6	460.6	+39.5%
Corporate and other	291.4	326.3	-10.7%
Acquisitions of property, plant and equipment and intangible assets	**934.0**	**786.9**	**+18.7%**

Dividends paid

The cash dividend paid by Kering SA to its own shareholders in 2021 amounted to €998 million (€1,000 million in 2020), including the €313 million interim dividend paid on January 21, 2021.

Dividends paid in 2021 also included €27 million paid to minority interests in consolidated subsidiaries (€9 million in 2020).

Available cash flow from operations and available cash flow

(in € millions)	2021	2020	Change
Free cash flow from operations	**3,947.8**	**2,104.6**	**+87.6%**
Repayment of lease liabilities	(775.5)	(787.3)	+1.5%
Interest paid on leases	(106.1)	(112.9)	+6.0%
Available cash flow from operations[(1)]	**3,066.2**	**1,204.4**	**+154.6%**
Interest and dividends received	37.3	6.9	+440.6%
Interest paid and equivalent (excluding leases)	(115.7)	(174.1)	+33.5%
Available cash flow[(1)]	**2,987.8**	**1,037.2**	**+188.1%**

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

7 – PARENT COMPANY NET INCOME

The parent company ended 2021 with net income of €2,769 million, compared to €2,080 million in 2020. The 2021 figure includes €2,025 million in dividends received from subsidiaries (versus €1,631 million in 2020).

8 – TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties in 2021 are described in the notes to the consolidated financial statements (Note 32 – Transactions with related parties).

9 – SUBSEQUENT EVENTS

Sale of Girard-Perregaux and Ulysse Nardin to their management

On January 24, 2022, Kering announced the signature of an agreement to sell its entire stake (100%) in Sowind Group SA, which owns the Swiss watch manufacturers Girard-Perregaux and Ulysse Nardin, to its current management.

With a long tradition in watchmaking, Girard-Perregaux and Ulysse Nardin have continuously evolved since their acquisition by Kering, while preserving their identity. Combining an innovative approach to design and technical know-how, they have revamped their product universes, launched new iconic models and reorganized their distribution, with the opening of directly operated stores and stronger ties with the leading watch distributors.

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

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

It should be completed by the end of the first half of 2022 (see Consolidated financial statements, Note 8 – Other non-recurring operating income and expenses).

10 – OUTLOOK

A major player in a fast-growing market around the world, Kering enjoys solid fundamentals and a balanced portfolio of complementary brands with strong potential. Its strategic priorities are straightforward. The Group and its Houses seek to achieve same-store revenue growth while ensuring the targeted and selective expansion of their retail networks. Kering aims to grow its Houses in a sustainable manner, enhance the exclusivity of their distribution and secure their profitable growth trajectories. The Group is also investing proactively to develop cross-business growth platforms in the areas of e-commerce, omnichannel distribution, logistics and technological infrastructure, digital expertise and innovative tools.

The 2020 public health crisis and subsequent economic disruption have had major consequences on consumption trends, tourism flows and global economic growth. Together with the whole luxury sector, the Group was profoundly impacted by the effects of the pandemic in the first six months of 2020. More favorable trends, which emerged in the second half of 2020, were confirmed in 2021. Although these trends remain conditioned by developments in the health situation and associated restrictions across countries, the luxury market witnesses a significant rebound, driven by consumer appetite for premium goods.

Kering is perfectly positioned to fully benefit from this upturn. The Group pursues the implementation of its strategy with determination and will continue to manage and allocate its resources to best support its operating performance, continue generating significant cash flow, and optimize its return on capital employed.

Thanks to its strong business and organizational model, along with its robust financial position, Kering is confident in its growth potential for the medium and long term.

11 – 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 2020 revenue adjusted as follows by:

- neutralizing the portion of revenue corresponding to entities divested in 2020;
- including the portion of revenue corresponding to entities acquired in 2021;
- remeasuring 2020 revenue at 2021 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.

CHAPTER 3
Financial statements as of December 31, 2021

1 - CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

Audited data, report pending.

1.1 Consolidated income statement

(in € millions)	Notes	2021	2020
CONTINUING OPERATIONS			
Revenue	5	**17,645.2**	**13,100.2**
Cost of sales		(4,576.7)	(3,590.6)
Gross margin		**13,068.5**	**9,509.6**
Personnel expenses	6	(2,444.1)	(2,070.0)
Other recurring operating income and expenses		(5,607.2)	(4,304.4)
Recurring operating income		**5,017.2**	**3,135.2**
Other non-recurring operating income and expenses	8	(219.8)	163.0
Operating income		**4,797.4**	**3,298.2**
Financial result	9	(273.2)	(341.7)
Income before tax		**4,524.2**	**2,956.5**
Income tax expense	10	(1,280.4)	(759.2)
Share in earnings (losses) of equity-accounted companies		1.0	(7.6)
Net income from continuing operations		**3,244.8**	**2,189.7**
o/w attributable to the Group		*3,164.6*	*2,160.2*
o/w attributable to minority interests		*80.2*	*29.5*
DISCONTINUED OPERATIONS			
Net income (loss) from discontinued operations		**11.1**	**(9.8)**
o/w attributable to the Group		*11.1*	*(9.8)*
o/w attributable to minority interests		-	-
TOTAL GROUP			
Net income of consolidated companies		**3,255.9**	**2,179.9**
o/w attributable to the Group		*3,175.7*	*2,150.4*
o/w attributable to minority interests		*80.2*	*29.5*

(in € millions)	Notes	2021	2020
Net income attributable to the Group		**3,175.7**	**2,150.4**
Basic earnings per share *(in €)*	11.1	25.49	17.20
Diluted earnings per share *(in €)*	11.1	25.49	17.20
Net income from continuing operations attributable to the Group		**3,164.6**	**2,160.2**
Basic earnings per share *(in €)*	11.1	25.40	17.28
Diluted earnings per share *(in €)*	11.1	25.40	17.28
Net income from continuing operations (excluding non-recurring items) attributable to the Group		**3,361.3**	**1,972.2**
Basic earnings per share *(in €)*	11.2	26.98	15.78
Diluted earnings per share *(in €)*	11.2	26.98	15.78

1.2 Consolidated statement of comprehensive income

(in € millions)	Notes	2021	2020
Net income		**3,255.9**	**2,179.9**
o/w attributable to the Group		*3,175.7*	*2,150.4*
o/w attributable to minority interests		*80.2*	*29.5*
Change in currency translation adjustments relating to consolidated subsidiaries:		**219.9**	**(124.7)**
change in currency translation adjustments		*219.9*	*(124.7)*
amounts transferred to the income statement		*-*	*-*
Change in foreign currency cash flow hedges:	22.6	**(279.4)**	**152.3**
change in fair value		*(260.6)*	*222.0*
amounts transferred to the income statement		*(33.6)*	*(61.6)*
tax effects		*14.8*	*(8.1)*
Change in other comprehensive income (loss) of equity-accounted companies:		**-**	**3.8**
change in fair value		*-*	*2.1*
amounts transferred to the income statement		*-*	*1.7*
Gains and losses recognized in equity, to be transferred to the income statement		**(59.5)**	**31.4**
Change in provisions for pensions and other post-employment benefits:	24	**16.5**	**1.3**
change in actuarial gains and losses		*18.2*	*1.3*
tax effects		*(1.7)*	*-*
Change in financial assets measured at fair value:	17.2	**82.4**	**290.1**
change in fair value		*90.7*	*295.8*
tax effects		*(8.3)*	*(5.7)*
Gains and losses recognized in equity, not to be transferred to the income statement		**98.9**	**291.4**
Total gains and losses recognized in equity		**39.4**	**322.8**
o/w attributable to the Group		*25.2*	*333.3*
o/w attributable to minority interests		*14.2*	*(10.5)*
COMPREHENSIVE INCOME		3,295.3	2,502.7
o/w attributable to the Group		*3,200.9*	*2,483.7*
o/w attributable to minority interests		*94.4*	*19.0*

1.3 Consolidated balance sheet

Assets

(in € millions)	Notes	Dec. 31, 2021	Dec. 31, 2020
Goodwill	12, 14	2,891.2	2,452.2
Brands and other intangible assets	13	7,032.1	6,985.8
Lease right-of-use assets	15.1	4,301.5	3,956.8
Property, plant and equipment	16	2,966.9	2,670.2
Investments in equity-accounted companies		31.1	36.2
Non-current financial assets	17	1,053.8	1,688.6
Deferred tax assets	10.3	1,352.6	1,177.4
Other non-current assets		6.0	17.4
Non-current assets		**19,635.2**	**18,984.6**
Inventories	18	3,368.9	2,845.5
Trade receivables and accrued income	19	977.2	910.4
Current tax receivables		821.6	600.5
Current financial assets	17	22.2	158.0
Other current assets		974.8	1,062.9
Cash and cash equivalents	21.1	5,248.7	3,442.8
Current assets		**11,413.4**	**9,020.1**
Assets held for sale		**19.0**	**0.7**
TOTAL ASSETS		31,067.6	28,005.4

Equity and liabilities

(in € millions)	Notes	Dec. 31, 2021	Dec. 31, 2020
Equity attributable to the Group		13,346.8	11,820.9
Equity attributable to minority interests		389.4	214.1
Equity	**20**	**13,736.2**	**12,035.0**
Non-current borrowings	21	2,975.5	3,815.3
Non-current lease liabilities	15.2	3,825.8	3,545.8
Non-current financial liabilities	23	0.1	80.0
Non-current provisions for pensions and other post-employment benefits	24	88.9	107.5
Non-current provisions	25	16.4	18.4
Deferred tax liabilities	10.3	1,452.3	1,485.1
Other non-current liabilities		198.4	183.6
Non-current liabilities		**8,557.4**	**9,235.7**
Current borrowings	21	2,441.6	1,776.2
Current lease liabilities	15.2	675.3	538.0
Current financial liabilities	23	743.0	338.1
Trade payables and accrued expenses		1,741.9	1,489.6
Current provisions for pensions and other post-employment benefits	24	12.3	12.2
Current provisions	25	137.7	212.4
Current tax liabilities		1,148.0	901.3
Other current liabilities		1,824.9	1,466.8
Current liabilities		**8,724.7**	**6,734.6**
Liabilities associated with assets held for sale		**49.3**	**0.1**
TOTAL EQUITY AND LIABILITIES		31,067.6	28,005.4

1.4 Consolidated statement of changes in equity

(Before appropriation of net income) *(in € millions)*	**Notes**	**Number of shares outstanding**	**Share capital**	**Capital reserves**	**Kering treasury shares**	**Cumulative translation adjustments**	**Remeasurement of financial instruments**	**Other reserves and net income**	**Group**	**Minority interests**	**Total**
As of January 1, 2020		**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	7							9.0	9.0	-	9.0
Cancellation of Kering treasury shares	20.1		(5.0)	(565.8)	570.8				-	-	-
(Acquisitions) disposals of Kering treasury shares(1)	20.1	(95,000)			(53.9)			(0.2)	(54.1)	-	(54.1)
Distribution of dividends	20.2							(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**
Net income								3,175.7	3,175.7	80.2	3,255.9
Total gains and losses recognized in equity						206.1	(197.1)	16.2	25.2	14.2	39.4
Comprehensive income						**206.1**	**(197.1)**	**3,191.9**	**3,200.9**	**94.4**	**3,295.3**
Change in equity of Kering SA									-	-	-
Change in equity of subsidiaries									-	94.5	94.5
Expense related to share-based payments	7							20.6	20.6	-	20.6
Cancellation of Kering treasury shares	20.1		(1.3)	(207.9)	209.2				-	-	-
(Acquisitions) disposals of Kering treasury shares(1)	20.1	(854,211)			(534.8)			(3.5)	(538.3)	-	(538.3)
Distribution of dividends	20.2							(1,122.3)	(1,122.3)	(23.3)	(1,145.6)
Other changes(2)								(35.0)	(35.0)	9.7	(25.3)
As of December 31, 2021		**124,068,705**	**498.8**	**1,654.7**	**(379.5)**	**(82.1)**	**165.2**	**11,489.7**	**13,346.8**	**389.4**	**13,736.2**

(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.

1.5 Consolidated statement of cash flows

(in € millions)	Notes	2021	2020
Net income from continuing operations		**3,244.8**	**2,189.7**
Net recurring charges to depreciation, amortization and provisions on non-current operating assets	4.1	1,453.2	1,439.0
Other non-cash (income) expenses	27	17.7	(282.8)
Cash flow received from operating activities	**27**	**4,715.7**	**3,345.9**
Interest paid (received)		214.5	277.4
Dividends received		(2.3)	-
Current tax expense	10.1	1,458.5	657.0
Cash flow received from operating activities before tax, dividends and interest		**6,386.4**	**4,280.3**
Change in working capital requirement	28	(38.0)	44.4
Income tax paid		(1,472.9)	(1,436.1)
Net cash received from operating activities		**4,875.5**	**2,888.6**
Acquisitions of property, plant and equipment and intangible assets	29	(934.0)	(786.9)
Disposals of property, plant and equipment and intangible assets		6.3	2.9
Acquisitions of subsidiaries and associates, net of cash acquired		(465.8)	6.2
Reclassification of cash and cash equivalents held by Girard-Perregaux and Ulysse Nardin as Assets held for sale		(21.2)	-
Disposals of subsidiaries and associates, net of cash transferred		(1.4)	656.3
Acquisitions of other financial assets		(121.7)	(267.9)
Disposals of other financial assets		1,049.0	186.0
Interest and dividends received		37.3	6.9
Net cash received from (used in) investing activities		**(451.5)**	**(196.5)**
Dividends paid to shareholders of Kering SA	20.2	(998.3)	(1,000.1)
Dividends paid to minority interests in consolidated subsidiaries		(26.7)	(9.3)
Transactions with minority interests		2.2	(27.5)
(Acquisitions) disposals of Kering treasury shares	20.2	(538.3)	(54.1)
Issuance of bonds and bank debt	21.4	62.5	1,443.1
Redemption of bonds and bank debt	21.4	(583.2)	(642.3)
Issuance (redemption) of other borrowings		152.2	(258.6)
Repayment of lease liabilities	15.2	(775.5)	(787.3)
Interest paid and equivalent		(221.8)	(287.0)
Net cash received from (used in) financing activities	**30**	**(2,926.9)**	**(1,623.1)**
Net cash received from (used in) discontinued operations		**(2.4)**	**(4.3)**
Impact of exchange rates on cash and cash equivalents		20.9	97.8
Net increase (decrease) in cash and cash equivalents		**1,515.6**	**1,162.5**
Cash and cash equivalents at opening	**26**	**3,000.1**	**1,837.6**
Cash and cash equivalents at closing	**26**	**4,515.7**	**3,000.1**

1.6 Notes to the 2021 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, 2022, the Board of Directors approved the consolidated financial statements as of December 31, 2021 and authorized their publication. These consolidated financial statements will only be considered as final after their adoption by the April 28, 2022 Annual General Meeting.

The consolidated financial statements as of December 31, 2021 reflect the accounting position of Kering SA, its subsidiaries and its associates (the "Group").

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

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

NOTE 2 – SIGNIFICANT EVENTS OF 2021

Investment in Vestiaire Collective

On March 1, 2021, Kering announced that it had acquired a stake of around 5% in Vestiaire Collective, the leading global platform for desirable second-hand fashion, as part of a new €178 million financing round together with a new shareholder, US investment firm Tiger Global Management. Existing shareholders including Vestiaire Collective's CEO, Maximilian Bittner, Bpifrance, Conde Nast, the Eurazeo Group, certain funds managed by Fidelity International, Korelya Capital, Luxury Tech Fund and Vitruvian Partners also reinvested.

Following a strong year in 2020 that saw the platform's transaction volume grow over 100% year-on-year, this financing round granted Vestiaire Collective unicorn status and ideally positions it for its next cycle of accelerated growth.

By investing in Vestiaire Collective and by being represented on the platform's Board of Directors, Kering is illustrating its pioneering strategy, which consists of supporting innovative business models, embracing new market trends and exploring new services to fashion and luxury customers.

Kering enhances its global logistics capabilities with a new hub in Northern Italy

On April 8, 2021, Kering announced the completion of the first phase of its new global logistics hub in Trecate, in the Piemonte region of Northern Italy. The first part of the building has been operating since March 2020, and the second part (over 100,000 sq.m) has come into service gradually since the third quarter of 2021.

Built in record time, the Group's new global logistics hub covers more than 162,000 sq.m (equivalent to 20 football fields) and combines state-of-the-art technology with automation, scalability, innovative sustainability and features for the well-being of employees.

The hub will meet the demand from the Houses' regional warehouses, retail stores, wholesalers and e-commerce operations worldwide, and will significantly increase the Group's capabilities in terms of shipping (up to 80 million pieces per year) and storage (up to 20 million pieces). It will also reduce lead times by 50% by increasing the speed of deliveries and enhance collaboration with the Group's Houses.

More than 250 people are currently working in the facility, with the total number of staff planned to reach approximately 900 by the end of 2022. The site is operated by XPO Logistics, Kering's longstanding logistics partner, which employs the on-site workforce dedicated to warehouse operations.

Sale of a 5.91% stake in PUMA

On May 27, 2021, Kering announced the completion of the sale, following an accelerated bookbuilding process to qualified investors only, of 5.91% of the share capital of PUMA SE for a total amount of approximately €805 million, corresponding to a sale price of €90.3 per PUMA share.

Following this transaction, Kering has a remaining 3.96% stake in PUMA.

The net proceeds of the transaction have been allocated to Kering's general corporate purposes and have further strengthened its financial position.

Corporate governance at Kering

As a result of her changing roles within Exor, of which she is also a board member, and in order to avoid any potential conflict of interests, Ginevra Elkann resigned from her position as a member of Kering's Board of Directors as of April 27, 2021.

Kering Eyewear acquires the Danish luxury eyewear brand LINDBERG

On July 8, 2021, Kering Eyewear and the Lindberg family signed an agreement for Kering Eyewear to acquire 100% of LINDBERG's share capital. The acquisition was completed on September 30, 2021.

LINDBERG was founded in 1969 in Denmark by optician Poul-Jørn Lindberg and his wife as an optical store, and it was turned into a multinational company by their son Henrik. LINDBERG is now a high-end manufacturer of design-oriented, lightweight and customizable optical frames, and specializes in titanium frames. The company's reputation has been built on its made-to-order capabilities, offering customers the possibility to create their very own bespoke pair of LINDBERG glasses through an extended modular system which contains billions of combinations, in a wide array of materials from titanium to acetate, buffalo horn, wood and precious metals. LINDBERG has developed and patented manufacturing techniques and innovations such as hypoallergenic, multi-adjustable and screwless frames that are key differentiating factors in the high-end eyewear market. LINDBERG is a genuine pioneer in the luxury eyewear industry and holds a unique position within it, and is now a sizeable and very profitable company with strong growth potential.

This acquisition is an important milestone in the successful expansion of Kering Eyewear and fits perfectly with its development strategy. Since its launch in 2014, Kering Eyewear has built an innovative business model that has enabled the company to achieve critical size in its market, with revenue of around €700 million in 2021. The acquisition will further strengthen Kering Eyewear's position as the most relevant player in the luxury eyewear segment, adding to its portfolio a complementary and proprietary brand with strong legitimacy, undisputed know-how and best-in-class customer service in optical frames. Thanks to the good fit between their businesses, both companies are able to leverage their respective strengths across the value chain, with synergies in distribution and geographical reach particularly This is helping to accelerate the growth and enhance the profitability of Kering Eyewear.

LINDBERG's entities have been included in the Group's consolidated financial statements since September 30, 2021. The allocation of the purchase price will be completed in 2022.

Allocation of the first tranche of repurchased shares

The Group completed the first tranche of the stock repurchase program that it announced on August 25, 2021. The purchases took place under the authorization granted by shareholders in the July 6, 2021 Annual General Meeting.

Between August 25 and November 3, 2021, 650,000 shares were repurchased at an average price of €643.70 per share, i.e. for a total of €418.4 million. Of the shares repurchased in that first tranche, 325,000 were canceled on December 10, 2021. The remaining repurchased shares were used to cover free share plans for the Group's employees.

In the first half of 2021, the Group also repurchased 204,211 of its shares under authorizations granted by shareholders in the June 16, 2020 and April 22, 2021 AGMs. All of those shares were allocated to covering free share plans and other long-term incentive plans under which employees receive Kering shares.

Change of Creative Director at Bottega Veneta

On November 10, 2021, Bottega Veneta and Daniel Lee announced their joint decision to end their collaboration. Daniel Lee had been at the creative helm of the House since July 1, 2018. He brought new energy to the House and greatly contributed to the new momentum that Bottega Veneta is enjoying today.

On November 15, 2021, Bottega Veneta announced the appointment of Matthieu Blazy as Creative Director. Born in Paris in 1984, Matthieu Blazy is a graduate of La Cambre in Brussels. He started his fashion career as Men's Designer for Raf Simons, before joining Maison Martin Margiela to design the Artisanal line and the Women's ready-to-wear (RTW) show. In 2014, he became Senior Designer at Céline, before working again with Raf Simons at Calvin Klein from 2016 to 2019. He was appointed RTW Design Director at Bottega Veneta in 2020. A French and Belgian national, he lives between Antwerp and Milan.

NOTE 3 – SUBSEQUENT EVENTS

Sale of Girard-Perregaux and Ulysse Nardin to their management

On January 24, 2022, Kering announced the signature of an agreement to sell its entire stake (100%) in Sowind Group SA, which owns the Swiss watch manufacturers Girard-Perregaux and Ulysse Nardin, to its current management.

With a long tradition in watchmaking, Girard-Perregaux and Ulysse Nardin have continuously evolved since their acquisition by Kering, while preserving their identity. Combining an innovative approach to design and technical know-how, they have revamped their product universes, launched new iconic models and reorganized their distribution, with the opening of directly operated stores and stronger ties with the leading watch distributors.

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

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

The transaction should be completed by the end of the first half of 2022 (see Note 8).

NOTE 4 – OPERATING SEGMENTS

The policies applied to determine the operating segments presented are set out in Note 33.4.

4.1 Information by operating segment

(in € millions)	Gucci	Yves Saint Laurent	Bottega Veneta	Other Houses	Total Luxury Houses	Corporate and other	Total
2021							
Revenue[1]	**9,730.9**	**2,521.0**	**1,502.8**	**3,264.7**	**17,019.4**	**625.8**	**17,645.2**
Recurring operating income (loss)	**3,714.6**	**714.6**	**286.5**	**459.6**	**5,175.3**	**(158.1)**	**5,017.2**
Net recurring charges to depreciation, amortization and provisions on non-current operating assets	596.0	199.9	162.4	275.3	1,233.6	219.6	1,453.2
EBITDA	4,310.6	914.5	448.9	734.9	6,408.9	61.5	6,470.4
Other non-cash recurring operating income and expenses	(218.7)	3.2	(25.0)	(14.4)	(254.9)	205.5	(49.4)
Acquisitions of property, plant and equipment and intangible assets	323.8	71.8	67.0	180.0	642.6	291.4	934.0
Segment assets as of December 31, 2021	**11,926.3**	**2,579.0**	**1,703.1**	**3,563.4**	**19,771.8**	**2,746.8**	**22,518.6**
Segment liabilities as of December 31, 2021	**4,423.8**	**1,288.1**	**923.3**	**1,578.3**	**8,213.5**	**1,275.1**	**9,488.6**
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**

(1) Excluding intra-group revenue.

4.2 Revenue by region

(in € millions)	Notes	2021	2020
Asia-Pacific (excluding Japan)		6,695.4	4,975.7
Western Europe		4,045.0	3,657.1
North America		4,685.3	2,742.4
Japan		1,059.4	931.1
Rest of the world		1,160.1	793.9
TOTAL	5	17,645.2	13,100.2

4.3 Reconciliation of segment assets and liabilities

(in € millions)	Dec. 31, 2021	Dec. 31, 2020
Goodwill	2,891.2	2,452.2
Brands and other intangible assets	7,032.1	6,985.8
Lease right-of-use assets	4,301.5	3,956.8
Property, plant and equipment	2,966.9	2,670.2
Other non-current assets	6.0	17.4
Non-current segment assets	**17,197.7**	**16,082.4**
Inventories	3,368.9	2,845.5
Trade receivables and accrued income	977.2	910.4
Other current assets	974.8	1,062.9
Segment assets	**22,518.6**	**20,901.2**
Investments in equity-accounted companies	31.1	36.2
Financial assets	1,076.0	1,846.6
Deferred tax assets	1,352.6	1,177.4
Current tax receivables	821.6	600.5
Cash and cash equivalents	5,248.7	3,442.8
Assets held for sale	19.0	0.7
TOTAL ASSETS	31,067.6	28,005.4

(in € millions)	Dec. 31, 2021	Dec. 31, 2020
Deferred tax liabilities on brands	1,420.8	1,455.5
Lease liabilities	4,501.1	4,083.8
Trade payables and accrued expenses	1,741.9	1,489.6
Other liabilities	1,824.9	1,466.8
Segment liabilities	**9,488.7**	**8,495.7**
Equity	13,736.2	12,035.0
Borrowings	5,417.1	5,591.5
Financial liabilities	743.1	418.1
Other liabilities	198.4	183.6
Provisions for pensions and other post-employment benefits	101.2	119.7
Provisions	154.1	230.8
Other deferred tax liabilities	31.5	29.6
Current tax liabilities	1,148.0	901.3
Liabilities associated with assets held for sale	49.3	0.1
TOTAL EQUITY AND LIABILITIES	31,067.6	28,005.4

NOTES ON THE CONSOLIDATED INCOME STATEMENT

NOTE 5 – REVENUE

The accounting policies and methods applied in respect of revenue are set out in Note 33.5.

(in € millions)	2021	2020
Sales from directly operated stores	13,781.9	9,926.8
Wholesale sales, royalties and other revenue	3,863.3	3,173.4
TOTAL	17,645.2	13,100.2

NOTE 6 – PERSONNEL EXPENSES AND HEADCOUNT

6.1 Personnel expenses by type

(in € millions)	Notes	2021	2020
Wages, salaries and payroll taxes		(2,083.3)	(1,818.4)
Expenses related to pensions and other post-employment benefits under defined benefit plans	24	(11.6)	(7.9)
Expense related to share-based payments	7	(54.5)	(58.3)
Other personnel expenses		(294.7)	(185.4)
TOTAL		(2,444.1)	(2,070.0)

See Note 33.6 for a breakdown of personnel expenses.

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

	2021	2020
Asia-Pacific (excluding Japan)	10,800	9,701
Western Europe	18,506	17,569
North America	3,862	3,704
Japan	2,686	2,755
Rest of the world	2,982	2,917
TOTAL	38,836	36,646

6.3 Headcount on the payroll at year-end by region

	Dec. 31, 2021	Dec. 31, 2020
Asia-Pacific (excluding Japan)	12,315	10,247
Western Europe	19,981	18,607
North America	4,462	3,816
Japan	2,816	2,864
Rest of the world	3,237	3,019
TOTAL	42,811	38,553

NOTE 7 – SHARE-BASED PAYMENT

The accounting policies and methods applied in respect of share-based payments are set out in Note 33.7.

7.1 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 movements in the Kering share price by itself and in comparison with the average performance of a basket of seven stocks from the luxury industry.

Year granted	2017	2018	2019
Vesting period	3 years	3 years	3 years
Exercise period	2 years	2 years	2 years
Number of beneficiaries	319	331	345
Number initially granted	111,000	64,281	38,205
Balance as of December 31, 2020	**1,462**	**41,695**	**35,391**
Number granted	-	-	-
Number forfeited		(1,292)	(1,767)
Number exercised	(1,462)	(31,566)	N/A
Balance as of December 31, 2021	**-**	**8,837**	**33,624**
o/w exercisable as of December 31, 2021	*-*	*8,837*	*N/A*
Unit fair value at grant date *(in €)*	249.0	581.0	753.0
Weighted average price per instrument paid *(in €)*	1,173.8	1,214.8	N/A

7.2 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, Kering has since 2020 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	2021
Vesting period	3 years	3 years
Number of beneficiaries	351	372
Number initially granted	46,596	42,752
Maximum grant at grant date	69,107	63,427
Minimum grant at grant date	24,086	22,082
Balance as of December 31, 2020	**45,719**	**-**
Number granted	-	42,752
Change related to performance	(20,829)	(3,953)
Number forfeited	(1,995)	(456)
Number delivered	-	-
Balance as of December 31, 2021	**22,895**	**38,343**
Unit fair value at grant date *(in €)*	542.6-608.7	622.5-628.3

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

Other free share and performance share plans

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

A plan of this type was set up in 2020 and provides for settlement in Kering shares after a vesting period of five years. The fair value of this benefit at the grant date was calculated by an independent expert using the Black & Scholes and Monte Carlo methods and amounts to €54.7 million.

NOTE 8 – OTHER NON-RECURRING OPERATING INCOME AND EXPENSES

See Note 33.1.5 for details of other non-recurring operating items shown within operating income.

(in € millions)	Notes	2021	2020
Non-recurring operating expenses		**(224.6)**	**(542.4)**
Estimated fair value of the disposal of Girard-Perregaux and Ulysse Nardin		(139.9)	-
Impairment of goodwill, brands and other non-current assets	14	(69.1)	(446.6)
Impairment of goodwill		*-*	*(51.1)*
Impairment of brands		*-*	*(327.7)*
Impairment of other non-current assets		*(69.1)*	*(67.8)*
Other non-recurring operating expenses		(15.6)	(95.8)
Restructuring costs	*25*	*(9.1)*	*(41.3)*
Other		*(6.5)*	*(54.5)*
Non-recurring operating income		**4.8**	**705.4**
Capital gain on PUMA shares	17	-	704.6
Other non-recurring operating income		4.8	0.8
TOTAL		(219.8)	163.0

Sale of Girard-Perregaux and Ulysse Nardin

After discussions that began in 2021, the Group announced on January 24, 2022 the signature of an agreement to sell its entire stake (100%) in Sowind Group SA (Girard-Perregaux and Ulysse Nardin), to its current management. As a result, all assets and liabilities of Sowind Group SA and its subsidiaries were reclassified as assets held for sale and liabilities associated with assets held for sale as of December 31, 2021. The expected loss on disposal was recognized at fair value under "Other non-recurring operating income and expenses" for 2021. The transaction should be completed by the end of the first half of 2022.

Impairment of goodwill, brands and other non-current assets

In 2021, non-recurring impairment charges related mainly to information systems and software, the development of which was made partly obsolete by the deployment of new solutions.

In 2020, asset impairment amounted to €446.6 million and to a very large extent concerned the Ulysse Nardin, Girard-Perregaux and Brioni brands, which were particularly hard hit by the pandemic.

Other non-recurring operating income and expenses

In 2021, other non-recurring operating income and expenses were not material either individually or in aggregate.

In 2020, 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 that 5.83% interest and on the remeasured value of its remaining 9.87% shareholding. As of 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 17).

NOTE 9 – FINANCIAL RESULT

(in € millions)	Notes	2021	2020
Cost of net debt(1)	**21**	**(38.2)**	**(43.3)**
Income from cash and cash equivalents		7.9	6.7
Finance costs at amortized cost		(46.1)	(50.0)
Other financial income and expenses		**(128.9)**	**(185.5)**
Net gains (losses) on financial assets		1.6	11.9
Net foreign exchange gains (losses)		1.3	(32.2)
Ineffective portion of cash flow and fair value hedges	22	(83.3)	(114.4)
Net gains (losses) on derivative instruments not qualifying for hedge accounting	22	(32.3)	(32.1)
Impact of discounting assets and liabilities		(0.1)	(0.1)
Other finance costs		(16.1)	(18.6)
Financial result excluding leases		**(167.1)**	**(228.8)**
Interest expense on lease liabilities	15.3	(106.1)	(112.9)
TOTAL		(273.2)	(341.7)

(1) The definition of net debt is set out in Note 33.1.5.

In 2021, the cost of net debt was €38.2 million (€43.3 million in 2020). The improvement mainly reflects the decrease in the average coupon paid on bond debt.

Other financial income and expense produced a net expense of €128.9 million in 2021, a significant decrease compared to the 2020 figure of €185.5 million due to the reduced financial cost of currency hedges and the non-recurrence of negative exchange-rate effects seen in 2020.

NOTE 10 – INCOME TAXES

The accounting policies and methods applied in respect of income taxes are set out in Note 33.8.

10.1 Income tax expense

(in € millions)	2021	2020
Current tax expense	(1,458.5)	(657.0)
Deferred tax income (expense)	178.1	(102.2)
TOTAL	(1,280.4)	(759.2)

10.2 Reconciliation of the effective tax rate

(in € millions)	Notes	2021	2020
Income before tax		4,524.2	2,956.5
Income tax expense		(1,280.4)	(759.2)
Effective tax rate		**28.3%**	**25.7%**
Other non-recurring operating income and expenses	8	(219.8)	163.0
Recurring income before tax		4,744.0	2,793.5
Income tax on other non-recurring operating income and expenses		23.1	25.0
Tax expense on recurring income		(1,303.5)	(784.2)
Effective tax rate on recurring income		**27.5%**	**28.1%**

(as a % of pre-tax income)	2021	2020
Tax rate applicable in France	**28.4%**	**32.0%**
Differences in the tax rates applicable to foreign subsidiaries	-4.0%	-6.1%
Items taxed at reduced rates	0.0%	0.0%
Permanent differences	0.6%	-0.9%
Unrecognized temporary differences	0.0%	0.1%
Unrecognized tax losses carried forward	0.2%	0.3%
Change in tax rate	0.3%	0.5%
Other differences	2.0%	2.2%
Effective tax rate on recurring income	**27.5%**	**28.1%**
Differences relating to other non-recurring operating income and expenses (permanent differences and differences in tax rates)	0.8%	-2.4%
Effective tax rate	**28.3%**	**25.7%**

The income tax rate applicable in France in 2021 was the standard rate of 27.50%, plus a social surtax of 3.3%, bringing the overall rate to 28.41%.

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

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

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

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.

10.3 Deferred tax assets and liabilities

(in € millions)	Dec. 31, 2020	Income statement	Gains and losses recognized in equity	Other changes[1]	Dec. 31, 2021
Deferred tax assets	1,177.4	152.2	(4.5)	27.5	1,352.6
Deferred tax liabilities	(1,485.1)	25.9	9.3	(2.4)	(1,452.3)
Net deferred tax assets (liabilities)	**(307.7)**	**178.1**	**4.8**	**25.1**	**(99.7)**
Value of brands	(1,455.5)	35.1	-	(0.4)	(1,420.8)
Inventories: elimination of internal margins and impairment	790.1	152.6	-	30.4	973.1
Other adjustments	284.3	46.4	5.4	(5.3)	330.8
Tax loss carryforwards	73.4	(56.0)	(0.6)	0.4	17.2

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

10.4 Unrecognized deferred tax assets

(in € millions)	2021	2020
Deferred tax assets on tax loss carryforwards	293.6	288.5
Deferred tax assets on other temporary differences	32.9	35.6
Unrecognized deferred tax assets	**326.5**	**324.1**

(in € millions)	2021	2020
Unrecognized tax loss carryforwards expiring in *(tax base)*	729.2	825.5
less than five years	*50.7*	*420.4*
more than five years	*678.5*	*405.1*
Indefinite unrecognized tax loss carryforwards *(tax base)*	615.1	607.3
Total unrecognized tax loss carryforwards *(tax base)*	**1,344.3**	**1,432.8**

NOTE 11 – EARNINGS PER SHARE

The accounting policies and methods applied when calculating earnings per share are set out in Note 33.9.

11.1 Earnings per share

2021

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

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)**

11.2 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 8), reported net of tax and minority interests.

(in € millions)	Notes	2021	2020
Net income from continuing operations attributable to the Group		**3,164.6**	**2,160.2**
Other non-recurring operating income and expenses	8	(219.8)	163.0
Income tax on other non-recurring operating income and expenses		23.1	25.0
Net income from continuing operations (excluding non-recurring items) attributable to the Group		**3,361.3**	**1,972.2**
Weighted average number of ordinary shares outstanding		124,999,217	126,224,179
Weighted average number of Kering treasury shares		(414,708)	(1,212,234)
Weighted average number of ordinary shares		**124,584,509**	**125,011,945**
Basic earnings per share from continuing operations excluding non-recurring items *(in €)*		**26.98**	**15.78**
Net income from continuing operations (excluding non-recurring items) attributable to the Group		**3,361.3**	**1,972.2**
Convertible and exchangeable instruments		-	-
Diluted net income from continuing operations (excluding non-recurring items) attributable to the Group		**3,361.3**	**1,972.2**
Weighted average number of ordinary shares		124,584,509	125,011,945
Potentially dilutive ordinary shares		-	-
Weighted average number of diluted ordinary shares		**124,584,509**	**125,011,945**
Diluted earnings per share from continuing operations excluding non-recurring items *(in €)*		**26.98**	**15.78**

NOTES ON THE CONSOLIDATED BALANCE SHEET

NOTE 12 – GOODWILL

The accounting policies and methods applied in respect of goodwill are set out in Note 33.10.

				2021	2020
(in € millions)	Notes	Gross	Impairment losses	Net	Net
As of January 1		**2,926.9**	**(474.7)**	**2,452.2**	**2,525.9**
Acquisitions		424.1	-	424.1	(14.7)
Impairment losses	8, 14	-	-	-	(51.1)
Changes in Group structure		-	-	-	-
Assets held for sale		(288.1)	288.1	-	-
Foreign exchange differences		32.0	(17.1)	14.9	(8.1)
Other movements		(0.7)	0.7	-	0.2
As of December 31		**3,094.2**	**(203.0)**	**2,891.2**	**2,452.2**

Acquisitions for the period correspond mainly to the acquisition of LINDBERG (see Note 2).

NOTE 13 – BRANDS AND OTHER INTANGIBLE ASSETS

The accounting policies and methods applied in respect of brands and other intangible assets are set out in Note 33.11.

(in € millions)	Gross	Amortization and impairment	Dec. 31, 2021 Net	Dec. 31, 2020 Net
Brands	6,509.4	(103.5)	6,405.9	6,402.2
Internally generated intangible assets	215.1	(44.8)	170.3	142.5
Other intangible assets	1,191.6	(735.7)	455.9	441.1
TOTAL	7,916.1	(884.0)	7,032.1	6,985.8

(in € millions)	Notes	Brands	Internally generated intangible assets	Other intangible assets	2021
Carrying amount as of January 1		**6,402.2**	**142.5**	**441.1**	**6,985.8**
Acquisitions		0.6	5.6	253.7	259.9
Amortization		-	(40.3)	(119.7)	(160.0)
Impairment losses	8, 14	-	(69.2)	(0.5)	(69.7)
Changes in Group structure		-	-	7.9	7.9
Assets held for sale		-	-	(6.0)	(6.0)
Foreign exchange differences		3.1	0.1	3.7	6.9
Other movements		-	131.6	(124.3)	7.3
Carrying amount as of December 31		**6,405.9**	**170.3**	**455.9**	**7,032.1**

(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	8, 14	(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**

NOTE 14 – 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 33.12.

The main assumptions used for each cash-generating unit (CGU) are as follows:

	Goodwill			
Dec. 31, 2021 *(in € millions)*	**Net carrying amount**	**Discount rate (before tax)**	**Perpetual growth rate**	**Business plan time frame**
Gucci CGU	1,638.6	12.1%	3.0%	5 years
Other CGUs	1,252.6	9.9%-12.7%	3.0%	5 or 10 years
TOTAL	2,891.2			

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

Sensitivity to changes in key assumptions is shown below:

		Impairment loss due to:		
Dec. 31, 2021 *(in € millions)*	**Value of net assets tested**	**10 basis-point increase in post-tax discount rate**	**10 basis-point decrease in perpetual growth rate**	**10 basis-point decrease in cash flows**
TOTAL CGUs	11,740.6	(10.8)	(9.5)	(7.6)

In 2021, no impairment losses were recognized in the income statement as a result of impairment tests.

NOTE 15 – LEASES

The accounting policies and methods applied in respect of leases are set out in Note 33.13.

15.1 Lease right-of-use assets

			Dec. 31, 2021	Dec. 31, 2020
(in € millions)	**Gross**	**Depreciation and impairment**	**Net**	**Net**
Stores	5,130.4	(1,831.0)	3,299.4	2,948.9
Offices and other	1,238.5	(342.4)	896.1	891.7
Capitalized fixed lease payments	**6,368.9**	**(2,173.4)**	**4,195.5**	**3,840.6**
Lease rights	194.2	(88.2)	106.0	116.2
TOTAL	6,563.1	(2,261.6)	4,301.5	3,956.8

(in € millions)	Notes	Capitalized fixed lease payments Stores	Offices and other	Total	Lease rights	2021
Carrying amount as of January 1		**2,948.9**	**891.7**	**3,840.6**	**116.2**	**3,956.8**
New leases		788.7	110.5	899.2	13.0	912.2
Impact of changes in assumptions		281.5	24.4	305.9	-	305.9
Leases subject to termination or early termination		(167.2)	(4.4)	(171.6)	-	(171.6)
Depreciation		(682.9)	(133.7)	(816.6)	(9.9)	(826.5)
Impairment losses	8, 14	9.4	-	9.4	-	9.4
Changes in Group structure		-	-	-	0.5	0.5
Assets held for sale		(1.8)	(0.5)	(2.3)	-	(2.3)
Foreign exchange differences		128.9	15.9	144.8	(0.1)	144.7
Other movements		(6.1)	(7.8)	(13.9)	(13.7)	(27.6)
Carrying amount as of December 31		**3,299.4**	**896.1**	**4,195.5**	**106.0**	**4,301.5**

(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	8, 14	(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**

15.2 Lease liabilities

Maturity schedule of lease liabilities *(in € millions)*	Dec. 31, 2021	Dec. 31, 2020
Current lease liabilities	**675.3**	**538.0**
Y+2	693.4	635.5
Y+3	579.0	551.7
Y+4	486.7	458.5
Y+5 and beyond	2,066.7	1,900.1
Non-current lease liabilities	**3,825.8**	**3,545.8**
TOTAL	4,501.1	4,083.8

(in € millions)	Notes	Capitalized fixed lease payments Stores	 Offices and other	2021
Carrying amount as of January 1		**3,143.3**	**940.5**	**4,083.8**
New leases		786.8	109.6	896.4
Repayments		(735.7)	(145.9)	(881.6)
Change in interest expense	9	82.8	23.3	106.1
Impact of changes in assumptions		285.2	22.4	307.6
Leases subject to termination or early termination		(168.1)	(4.4)	(172.5)
Changes in Group structure		-	-	-
Liabilities associated with assets held for sale		(2.0)	(0.5)	(2.5)
Foreign exchange differences		144.9	18.2	163.1
Other movements		3.2	(2.5)	0.7
Carrying amount as of December 31		**3,540.4**	**960.7**	**4,501.1**

(in € millions)	Note	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	9	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**

15.3 Impact of leases in the income statement

(in € millions)	Notes	2021	2020
Rental expense – Variable lease payments		(833.8)	(517.4)
Rental expense – Short-term leases		(76.4)	(57.5)
Rental expense – Leases with a low-value underlying asset		(8.0)	(6.5)
Sub-lease revenue		8.6	8.3
Depreciation of lease right-of-use assets	15.1	(826.5)	(839.4)
Impact on recurring operating income		**(1,736.1)**	**(1,412.5)**
Interest expense on lease liabilities	9, 15.2	(106.1)	(112.9)
Impact on financial result		**(106.1)**	**(112.9)**
Impairment of lease right-of-use assets	8, 14	9.4	(30.9)
Impact on other non-recurring operating income and expenses		**9.4**	**(30.9)**
TOTAL		(1,832.8)	(1,556.3)

15.4 Impact of leases in the statement of cash flows

(in € millions)	Notes	2021	2020
Impact of leases in the income statement		**(1,832.8)**	**(1,556.3)**
Depreciation of lease right-of-use assets	15.1	826.5	839.4
Impairment of lease right-of-use assets	8, 14	(9.4)	30.9
Interest paid on leases	9, 15.2	106.1	112.9
Change in working capital requirement – leases		(35.3)	(3.8)
Impact on net cash received from (used in) operating activities		**(944.9)**	**(576.9)**
Lease set-up costs		(14.9)	(20.0)
Impact on net cash received from (used in) investing activities		**(14.9)**	**(20.0)**
Repayment of lease liabilities	15.2	(775.5)	(787.3)
Interest paid on leases	9, 15.2	(106.1)	(112.9)
Impact on net cash received from (used in) financing activities		**(881.6)**	**(900.2)**
TOTAL		(1,841.4)	(1,497.1)

15.5 Off-balance sheet commitments relating to leases

	Payments due by period				
(in € millions)	Less than one year	One to five years	More than five years	Dec. 31, 2021	Dec. 31, 2020
Leases signed but effective after December 31, 2021	19.8	86.8	107.2	213.8	300.0
Short-term leases	81.7	0.4	-	82.1	36.9
Leases with a low-value underlying asset	10.9	13.5	-	24.4	15.5
Lease commitments given	**112.4**	**100.7**	**107.2**	**320.3**	**352.4**

NOTE 16 – PROPERTY, PLANT AND EQUIPMENT

The accounting policies and methods applied in respect of property, plant and equipment are set out in Note 33.14.

			Dec. 31, 2021	Dec. 31, 2020
(in € millions)	Gross	Depreciation and impairment	Net	Net
Land and buildings	873.5	(201.1)	672.4	685.7
Plant and equipment	4,273.9	(2,328.3)	1,945.6	1,620.5
Other property, plant and equipment	398.1	(49.2)	348.9	364.0
TOTAL	5,545.5	(2,578.6)	2,966.9	2,670.2
Property, plant and equipment pledged to secure liabilities			33.9	32.4

(in € millions)	Notes	Land and buildings	Plant and equipment	Other PP&E	2021
Carrying amount as of January 1		**685.7**	**1,620.5**	**364.0**	**2,670.2**
Acquisitions		3.8	398.0	313.0	714.8
Disposals		(2.6)	(8.8)	(5.1)	(16.5)
Depreciation		(20.9)	(423.3)	(16.4)	(460.6)
Impairment losses	8	(1.1)	(9.2)	(1.3)	(11.6)
Changes in Group structure		7.1	9.1	2.0	18.2
Assets held for sale		(19.2)	(9.2)	(0.8)	(29.2)
Foreign exchange differences		2.1	66.2	10.8	79.1
Other movements		17.5	302.3	(317.3)	2.5
Carrying amount as of December 31		**672.4**	**1,945.6**	**348.9**	**2,966.9**

(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	8	(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**

NOTE 17 – FINANCIAL ASSETS

The accounting policies and methods applied in respect of financial assets are set out in Notes 33.15 and 33.17.

17.1 Breakdown of financial assets

(in € millions)	Notes	Dec. 31, 2021	Dec. 31, 2020
Non-consolidated investments		707.9	1,381.1
o/w PUMA shares (3.96% in 2021 / 9.87% in 2020)	*8, 17*	*645.1*	*1,377.8*
Derivative instruments	22.6	-	-
Loans and receivables		0.7	0.9
Deposits and guarantees		211.3	192.9
Other financial investments		133.9	113.7
Non-current financial assets		**1,053.8**	**1,688.6**
Derivative instruments	22.6	16.0	124.1
Loans and receivables		6.2	33.9
Current financial assets		**22.2**	**158.0**

17.2 Financial assets at fair value

(in € millions)	Notes	Dec. 31, 2021	Dec. 31, 2020
Non-consolidated investments		707.9	1,381.1
o/w changes in fair value recognized through equity		*705.5*	*1,380.4*
o/w changes in fair value recognized through the income statement		*2.4*	*0.7*
Derivative instruments	22.6	16.0	124.1
Other financial investments		133.9	113.7
o/w changes in fair value recognized through equity		*124.8*	*105.8*
o/w changes in fair value recognized through the income statement		*9.1*	*7.9*
Financial assets at fair value		**857.8**	**1,618.9**

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 22).

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 18 – INVENTORIES

The accounting policies and methods applied in respect of inventories are set out in Note 33.18.

(in € millions)	Dec. 31, 2021	Dec. 31, 2020
Commercial inventories	4,286.6	3,814.4
Industrial inventories	940.0	749.4
Gross value	**5,226.6**	**4,563.8**
Allowances	(1,857.7)	(1,718.3)
Carrying amount	**3,368.9**	**2,845.5**
Gross inventories pledged to secure liabilities	-	-

Movements in allowances *(in € millions)*	2021	2020
As of January 1	**(1,718.3)**	**(1,689.4)**
Additions	(284.7)	(178.7)
Reversals	89.4	107.3
Changes in Group structure	(6.1)	-
Assets held for sale	101.8	
Foreign exchange differences	(51.4)	35.8
Other movements	11.6	6.7
As of December 31	**(1,857.7)**	**(1,718.3)**

Changes in gross inventories recognized under "Cost of sales" in 2021 represented income of €624.7 million (income of €22.8 million in 2020).

NOTE 19 – TRADE RECEIVABLES AND ACCRUED INCOME

The accounting policies and methods applied in respect of trade receivables are set out in Note 33.15.1.

(in € millions)	Dec. 31, 2021	Dec. 31, 2020
Trade receivables and accrued income	1,008.0	950.4
Allowances	(30.8)	(40.0)
Carrying amount	**977.2**	**910.4**
Trade receivables pledged to secure liabilities	-	-

Movements in allowances *(in € millions)*	2021	2020
As of January 1	**(40.0)**	**(28.4)**
Net (additions) reversals	6.9	(13.5)
Changes in Group structure	(0.6)	-
Assets held for sale	5.1	-
Foreign exchange differences	(2.2)	1.9
Other movements	-	-
As of December 31	**(30.8)**	**(40.0)**

Breakdown of trade receivables and accrued income by age *(in € millions)*	2021	2020
Receivables not yet due	892.5	870.8
Past due receivables:	115.5	79.6
Less than one month	*79.0*	*62.7*
One to six months	*25.1*	*1.8*
More than six months	*11.4*	*15.1*
Allowances	(30.8)	(40.0)

Credit risk

In light of the Group's business model, with wholesale sales and royalties received from wholesalers making a smaller contribution to total sales, the Group does not have significant exposure to credit risk. Furthermore, with respect to wholesalers, the Group has no dependency or concentration risk. The Group substantially limits the credit risk linked to these parties by taking out credit insurance (see Note 5).

NOTE 20 – EQUITY

As of December 31, 2021, the share capital amounted to €498,771,664. It comprised 124,692,916 fully paid-up shares with a par value of €4 each, a reduction of €1,300,000 further to the cancellation of 325,000 shares under the stock repurchase program (share capital of €500,071,664, comprising 125,017,916 shares as of December 31, 2020). Excluding the 624,211 Kering treasury shares, there were 124,068,705 shares issued and outstanding as of December 31, 2021.

20.1 Kering treasury shares

The accounting policies and methods applied in respect of Kering treasury shares are set out in Note 33.20.

		Dec. 31, 2021		Dec. 31, 2020	
(in € millions)	Notes	Number	Amount	Number	Amount
Liquidity agreement		-	-	-	-
Stock repurchase program (for cancellation)		-	-	-	-
Share-based payment	7	624,211	379.5	95,000	53.9
Kering treasury shares		**624,211**	**379.5**	**95,000**	**53.9**

Change in Kering treasury shares *(in € millions)*	Notes	Number	Amount	Impact on cash
As of January 1, 2021		**95,000**	**53.9**	**(54.1)**
Purchases under the liquidity agreement		115,344	72.1	(72.1)
Disposals under the liquidity agreement		(115,344)	(72.1)	72.1
Purchases under share-based payment plans		529,211	325.6	(327.7)
Purchases with a view to canceling the shares	7	325,000	209.2	(210.6)
Shares vested		-	-	N/A
Cancellations under the stock repurchase program		(325,000)	(209.2)	N/A
Net capital gain (loss) on disposal		-	-	N/A
As of December 31, 2021		**624,211**	**379.5**	**(538.3)**

Liquidity agreement

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

Stock repurchase program

Within the scope of the plan authorized at the Annual General Meeting of June 16, 2020 under the sixteenth resolution, Kering extended on December 21, 2020 the initial instruction given to an investment services provider on December 10, 2020 to purchase 50,000 shares by March 31, 2021 at the latest and depending on market conditions, by 75,000 ordinary Kering shares, representing approximately 0.06% of the share capital as of December 15, 2020. 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 was not to exceed the maximum price set at the Annual General Meeting on June 16, 2020. Under that instruction, 30,000 shares were purchased in 2021.

On February 22, 2021, still within the scope of the plan authorized at the Annual General Meeting of June 16, 2020 under the sixteenth resolution and on the same terms as those mentioned above, Kering instructed an investment services provider to purchase, by April 16, 2021 at the latest and depending on market conditions, up to 250,000 ordinary Kering shares, representing approximately 0.2% of the share capital as of January 15, 2021. These shares were to be allocated to free share plans and other long-term incentive plans granted to employees and payable in Kering shares. Under that instruction, 142,723 shares were purchased in 2021.

On May 6, 2021, within the scope of the stock repurchase plan authorized at the Annual General Meeting of April 22, 2021 under the fourteenth resolution, Kering instructed an investment services provider to purchase, by June 25, 2021 at the latest and depending on market conditions, up to 200,000 ordinary Kering shares, representing almost 0.2% of the share capital as of April 15, 2021. 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 was not to exceed the maximum price set at the Annual General Meeting of April 22, 2021. Under that instruction, 31,488 shares were purchased in 2021.

Finally, on August 25, 2021, Kering announced its intention to repurchase up to 2.0% of its share capital in the following 24 months as part of its stock repurchase program authorized at the Annual General Meeting of July 6, 2021, the scope of which may be adjusted in the next Annual General Meeting due to take place in 2022. Kering also stated that it reserved the right to stop the program at any time depending on market circumstances or its investment strategy. The intention is to cancel the repurchased shares, except for those that may be allocated to plans for the remuneration of Group employees in Kering shares. Accordingly, Kering entered into a stock repurchase agreement with an investment service provider. The agreement, which was for a maximum duration of three months, related to an initial tranche of up to 650,000 shares, i.e. around 0.5% of the share capital, subject to a limit of €650 million and a price per share of no more than €1,000, which was determined by the sole resolution adopted by shareholders in the July 6, 2021 AGM. Under that agreement, 650,000 shares were repurchased in 2021. Half of them were canceled and the other half were intended to cover plans to award free shares to Group employees.

20.2 Dividends paid by Kering SA

(in € millions)	Dividend for 2021	Dividend for 2020
INTERIM DIVIDEND		
Amount per share	€3.50	€2.50
Payment date	Jan. 17, 2022	Jan. 21, 2021
Gross amount paid	436.4	312.5
BALANCE PAID THE FOLLOWING YEAR FURTHER TO THE AGM		
Amount per share	€8.50(1)	€5.50
Payment date	May 5, 2022	May 6, 2021
Gross amount paid	1,059.9(1)(2)	685.8
TOTAL DIVIDEND		
Amount per share	€12.00	€8.00
Total gross amount	1,496.3(2)	1,000.1

(1) Based on a recommendation of Kering's Board of Directors of February 16, 2022, pending approval of the Annual General Meeting of April 28, 2022.
(2) Excluding the impact of Kering treasury shares.

NOTE 21 – NET DEBT

(in € millions)	Notes	Dec. 31, 2021	Dec. 31, 2020
Borrowings	21.2-4	5,417.1	5,591.5
Cash and cash equivalents	21.1	(5,248.7)	(3,442.8)
TOTAL		168.4	2,148.7

21.1 Cash and cash equivalents

The accounting policies and methods applied in respect of cash and cash equivalents are set out in Note 33.19.

(in € millions)	Dec. 31, 2021	Dec. 31, 2020
Cash	3,324.9	2,570.7
Cash equivalents	1,923.8	872.1
TOTAL	5,248.7	3,442.8

21.2 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 33.16 and 33.21, respectively.

(in € millions)	Notes	Dec. 31, 2021	Current	Y+2	Y+3	Y+4	Y+5	Beyond	Total non-current
Bonds	21.4	3,370.2	825.0	*599.1*	*504.2*	-	*497.9*	*944.0*	2,545.2
Other bank borrowings	21.5	229.4	99.3	*89.0*	*31.8*	*1.2*	*1.2*	*6.9*	130.1
Bank overdrafts		733.0	733.0	-	-	-	-	-	-
Commercial paper		702.6	702.6	-	-	-	-	-	-
Other borrowings[1]		381.9	81.7	-	*42.8*	*257.4*	-	-	300.2
o/w Put options granted to minority interests		*326.1*	*25.9*	-	*42.8*	*257.4*	-	-	*300.2*
TOTAL		5,417.1	2,441.6	*688.1*	*578.8*	*258.6*	*499.1*	*950.9*	2,975.5
%		100.0%	45.1%	*12.7%*	*10.7%*	*4.8%*	*9.2%*	*17.5%*	54.9%

(1) Other borrowings include accrued interest.

(in € millions)	Notes	Dec. 31, 2020	Current	Y+2	Y+3	Y+4	Y+5	Beyond	Total non-current
Bonds	21.4	3,836.8	467.2	*828.1*	*600.2*	*501.7*	-	*1,439.6*	3,369.6
Other bank borrowings	21.5	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.

21.3 Breakdown of borrowings by repayment currency, after hedging

(in € millions)	Dec. 31, 2021	%	Dec. 31, 2020	%
EUR	4,897.4	90.4%	4,860.6	86.9%
JPY	399.2	7.4%	519.3	9.3%
USD	11.4	0.2%	132.8	2.4%
Other currencies	109.1	2.0%	78.8	1.4%
TOTAL	5,417.1	100.0%	5,591.5	100.0%

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

21.4 Bonds

The Group did not issue any bonds in 2021, but redeemed two bond lines: $150.0 million USD of fixed-rate bonds issued in June 2015 and maturing on June 9, 2021, and the remaining €345.0 million of fixed-rate bonds paying a coupon of 1.375% and issued in 2014, part of which were redeemed in 2018, maturing on October 1, 2021.

The Group has a Euro Medium Term Notes (EMTN) program capped at €6 billion as of December 31, 2021, of which €2,825.0 million had been drawn as of that date.

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

Par value *(in millions, local currency)*	**Currency**	**Issue interest rate**	**Issue date**	**Maturity**	**Dec. 31, 2021**	**Dec. 31, 2020**
500.0	EUR	2.75% fixed	04/08/2014	04/08/2024	504.2	507.3
			05/30/2014	04/08/2024		
			06/26/2014	04/08/2024		
			09/22/2015	04/08/2024		
			11/05/2015	04/08/2024		
345.0	EUR	1.375% fixed	10/01/2014	10/01/2021	-	344.7
275.0	EUR	0.875% fixed	03/27/2015	03/28/2022	274.9	274.2
150.0	USD	2.887% fixed	06/09/2015	06/09/2021	-	122.2
50.0	EUR	1.60% fixed	04/16/2015	04/16/2035	49.7	49.6
500.0	EUR	1.25% fixed	05/10/2016	05/10/2026	497.9	497.2
300.0	EUR	1.50% fixed	04/05/2017	04/05/2027	298.4	297.9
550.0(1)	EUR	Zero coupon	09/30/2020	09/30/2022	550.1	550.3
600.0	EUR	0.25% fixed	05/13/2021	05/13/2023	599.1	598.4
600.0	EUR	0.75% fixed	05/13/2021	05/13/2028	595.9	595.0
TOTAL					3,370.2	3,836.8

(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.

21.5 Other bank borrowings

The Group has bank borrowings denominated in yen, mainly floating-rate and totaling €185.2 million at December 31, 2021. These borrowings fall due within five years.

21.6 Undrawn confirmed lines of credit

As of December 31, 2021, the Group had undrawn confirmed lines of credit totaling €3,035.0 million (December 31, 2020: €4,365.3 million). These consisted of a syndicated facility for €2,385.0 million (of which €169.7 million falls due in December 2024 and €2,215.3 million in December 2025), and €650.0 million in bilateral credit lines due in the second half of 2023.

NOTE 22 – 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 33.17.

22.1 Exposure and sensitivity to interest rate risk

(in € millions)	Dec. 31, 2021	Impact of hedging	After hedging	Impact on income of a 1% change in interest rates
Fixed-rate	4,111.1	3.5	4,114.6	
Floating-rate	1,306.0	(3.5)	1,302.5	13.2
Borrowings	**5,417.1**			

(in € millions)	Dec. 31, 2021	Impact on income of a 1% change in interest rates
Floating-rate investments	**5,214.6**	**52.9**

22.2 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, 2021					
	Notional amount(1)		Market value(2)			
(in € millions)	Less than one year	More than one year	Cash flow hedges	Fair value hedges	Unallocated	Total
Options purchased	**50.8**	**-**	**0.5**	**-**	**0.1**	**0.6**
USD put	19.9	-	0.4	-	-	0.4
USD call	2.6	-	-	-	0.1	0.1
JPY put	3.1	-	0.1	-	-	0.1
CNY put	22.9	-	-	-	-	-
Other	2.3	-	-	-	-	-
Tunnels	**259.7**	**-**	**1.0**	**-**	**-**	**1.0**
USD seller	117.0	-	(0.3)	-	-	(0.3)
JPY seller	71.7	-	1.0	-	-	1.0
GBP seller	61.9	-	0.3	-	-	0.3
HKD seller	9.1	-	-	-	-	-
Forwards	**4,910.9**	**225.7**	**(163.0)**	**1.4**	**-**	**(161.6)**
CNY	1,978.0	75.1	(102.1)	(1.1)	-	(103.2)
USD	1,488.9	75.5	(43.7)	0.5	0.1	(43.1)
KRW	490.9	15.6	(2.8)	0.3	-	(2.5)
JPY	361.2	18.0	1.8	0.7	-	2.5
GBP	197.2	13.1	(3.0)	(0.7)	-	(3.7)
HKD	151.1	13.6	(4.7)	0.1	-	(4.6)
TWD	115.0	7.0	(3.5)	-	-	(3.5)
Other	128.6	7.8	(5.0)	1.6	(0.1)	(3.5)
Cross-currency swaps(3)	**1,056.1**	**-**	**(13.0)**	**1.3**	**(12.6)**	**(24.3)**
CNY	360.1	-	(7.0)	(0.4)	-	(7.4)
CHF	165.4	-	-	(0.3)	(7.5)	(7.8)
GBP	114.1	-	(1.5)	(0.2)	-	(1.7)
JPY	93.2	-	-	0.1	(1.0)	(0.9)
Other	323.3	-	(4.5)	2.1	(4.1)	(6.5)
TOTAL	6,277.5	225.7	(174.5)	2.7	(12.5)	(184.3)

(1) Sale (purchase).
(2) Gain (loss).
(3) Excluding cross-currency swaps hedging debt (€102.0 million).

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

Dec. 31, 2021 *(in € millions)*	*Monetary assets*	*Monetary liabilities*	Net exposure in the balance sheet	Forecast exposure	Net exposure before hedging	Hedging instruments	Net exposure after hedging as of Dec. 31, 2021	Net exposure after hedging as of Dec. 31, 2020
USD	*984.6*	*553.2*	431.4	1,635.9	2,067.3	(1,670.6)	396.7	156.7
CNY	*1,180.7*	*10.2*	1,170.5	1,897.2	3,067.7	(2,436.1)	631.6	738.5
JPY	*293.4*	*400.6*	(107.2)	405.9	298.7	(649.3)	(350.6)	(472.5)
GBP	*179.0*	*35.7*	143.3	320.7	464.0	(386.3)	77.7	77.8
CHF	*311.6*	*323.6*	(12.0)	-	(12.0)	46.7	34.7	41.0
HKD	*117.2*	*4.1*	113.1	167.1	280.2	(193.8)	86.4	78.9
KRW	*160.2*	*1.1*	159.1	464.6	623.7	(506.5)	117.2	-
AUD	-	-	-	-	-	-	-	60.0
Other	*1,281.8*	*76.1*	1,205.7	407.3	1,613.0	(804.0)	809.0	423.6
TOTAL	*4,508.5*	*1,404.6*	3,103.9	5,298.7	8,402.6	(6,599.9)	1,802.7	1,104.0

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, 2021, the direct impact on equity and income (excluding the tax effect) of a 10% increase or decrease in the euro exchange rate against the principal currencies to which the Group is exposed (USD, JPY and CNY) would be as follows:

Dec. 31, 2021 *(in € millions)*	**Impact on equity**		**Impact on income**	
	10% increase	**10% decrease**	**10% increase**	**10% decrease**
USD	143.8	(175.4)	-	-
JPY	36.0	(42.5)	-	-
CNY	168.5	(205.4)	-	-

Dec. 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)	-	-

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

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

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

22.3 Exposure to equity risk

The Group has exposure to equity risk through its stake in PUMA (3.96% as of December 31, 2021), the value of which depends on fluctuations in the PUMA share price (see Note 17.2).

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, 2021 and at the issue date, the reference exchange price was set at €92.17.

Based on market data as of December 31, 2021, a 10% increase in PUMA's share price would have a positive €64.2 million impact on the total value of the PUMA shares in the consolidated balance sheet, but a negative €47.7 million impact on the Group's pre-tax consolidated income owing to the €47.7 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 €64.2 million impact on the total value of the PUMA shares in the consolidated balance sheet, but a positive €40.1 million impact on the Group's pre-tax consolidated income owing to the €40.1 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.

22.4 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 arranging derivative financial instruments to fix the production cost or by negotiating prices with refiners or manufacturers of semi-finished products.

As of December 31, 2021, these hedging transactions with a residual maturity of less than one year are treated as forward purchases in a notional amount of €31.2 million. They have a positive market value of €1.4 million (notional amount of €9.4 million as of December 31, 2020).

A sudden 1% increase or decrease in precious metals prices would have a direct impact of €0.3 million (excluding the tax effect) on equity via the remeasurement of financial instruments.

22.5 Exposure to counterparty risk

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

22.6 Measurement of derivative instruments

The different methods applied to measure derivative instruments are set out in Note 33.17.

(in € millions)	Notes	Dec. 31, 2021	Interest rate risk	Foreign exchange risk	Other market risks	Dec. 31, 2020
Non-current financial assets	**17**	**-**	**-**	**-**	**-**	**-**
Derivative instruments – at fair value through income statement		-	-	-	-	-
Derivative instruments – cash flow hedges		-	-	-	-	-
Derivative instruments – fair value hedges		-	-	-	-	-
Current financial assets	**17**	**16.0**	**-**	**14.6**	**1.4**	**124.1**
Derivative instruments – at fair value through income statement		2.9	-	2.9	-	4.8
Derivative instruments – cash flow hedges		6.8	-	5.4	1.4	109.1
Derivative instruments – fair value hedges		6.3	-	6.3	-	10.2
Non-current financial liabilities	**23**	**(0.1)**	**-**	**(0.1)**	**-**	**(80.0)**
Derivative instruments – at fair value through income statement(1)		-	-	-	-	(79.8)
Derivative instruments – cash flow hedges		(0.1)	-	(0.1)	-	(0.2)
Derivative instruments – fair value hedges		-	-	-	-	-
Current financial liabilities	**23**	**(304.2)**	**(0.1)**	**(197.7)**	**(106.4)**	**(24.6)**
Derivative instruments – at fair value through income statement(1)		(120.7)	-	(14.3)	(106.4)	(1.7)
Derivative instruments – cash flow hedges		(179.8)	-	(179.8)	-	(17.8)
Derivative instruments – fair value hedges		(3.7)	(0.1)	(3.6)	-	(5.1)
TOTAL		(288.3)	(0.1)	(183.2)	(105.0)	19.5

(1) Including the fair value of the derivative (option) embedded within the bond exchangeable for PUMA shares amounting to €106.4 million as of December 31, 2021 (December 31, 2020: €74.1 million).

22.7 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, 2021 the Group held confirmed undrawn lines of credit totaling €3,035.0 million and available cash of €5,248.7 million (see Note 21.1).

(in € millions)	Dec. 31, 2021 Carrying amount	Dec. 31, 2021 Cash flow	Less than one year	One to five years	More than five years
Non-derivative financial instruments	**7,159.0**	**(7,287.8)**	**(4,193.2)**	**(2,117.0)**	**(977.6)**
Bonds	3,370.2	(3,375.0)	(825.0)	(1,600.0)	(950.0)
Commercial paper	702.6	(702.0)	(702.0)	-	-
Other borrowings	1,344.3	(1,468.9)	(924.3)	(517.0)	(27.6)
Trade payables and accrued expenses	1,741.9	(1,741.9)	(1,741.9)		
Derivative financial instruments	**288.3**	**(221.8)**	**(213.4)**	**(8.4)**	**-**
Interest rate risk	**0.1**	**(0.1)**	**(0.1)**	**-**	**-**
Interest rate swaps	-	*(0.1)*	*(0.1)*	-	-
Other interest rate derivatives	-	-	-	-	-
Foreign exchange risk	**183.2**	**(223.3)**	**(214.9)**	**(8.4)**	**-**
Currency forwards and currency swaps	-	*(224.0)*	*(215.6)*	*(8.4)*	-
Outflows	-	*(7,569.2)*	*(7,365.8)*	*(203.4)*	-
Inflows	-	*7,345.2*	*7,150.2*	*195.0*	-
Other foreign currency derivatives	-	*0.7*	*0.7*	-	-
Outflows	-	*(251.9)*	*(251.9)*	-	-
Inflows	-	*252.6*	*252.6*	-	-
Other market risks	**105.0**	1.6	1.6	**-**	**-**
Precious metals hedges	*(1.4)*	*1.6*	*1.6*	-	-
Embedded derivative relating to bonds exchangeable into PUMA shares	*106.4*	*N/A*	-	-	-
TOTAL	7,447.3	(7,509.6)	(4,406.6)	(2,125.4)	(977.6)

(in € millions)	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	**7,081.1**	**(7,706.3)**	**(3,394.5)**	**(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 and accrued expenses	1,489.6	(1,489.6)	(1,489.6)		
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	7,061.6	(7,627.5)	(3,313.3)	(2,825.2)	(1,489.0)

NOTE 23 – FINANCIAL LIABILITIES

The accounting policies and methods applied in respect of financial liabilities are set out in Notes 33.16 and 33.17.

23.1 Breakdown of financial liabilities

(in € millions)	Notes	Dec. 31, 2021	Dec. 31, 2020
Derivative instruments	22.6	0.1	80.0
Non-current financial liabilities		**0.1**	**80.0**
Derivative instruments	22.6	304.2	24.6
Kering SA interim dividend	20.2	436.4	312.5
Other		2.4	1.0
Current financial liabilities		**743.0**	**338.1**

23.2 Financial liabilities measured at fair value

(in € millions)	Notes	Dec. 31, 2021	Dec. 31, 2020
Derivative instruments	22.6	304.3	104.6
Financial liabilities measured at fair value		**304.3**	**104.6**

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 24 – 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 33.22.

24.1 Description of the main pension plans and other post-employment benefits

In accordance with the laws and practices in each country, Group employees receive long-term or post-employment benefits in addition to their short-term remuneration. These additional benefits take the form of defined contribution or defined benefit plans.

Under defined contribution plans, the Group is not obliged to make any additional payments beyond contributions already made. Contributions to these plans are expensed as incurred.

An actuarial valuation of defined benefit plans is carried out by independent experts. These benefits primarily concern mandatory supplementary pension plans in Switzerland, statutory dismissal compensation in Italy, and retirement termination payments and long-service bonuses in France.

Mandatory supplementary pension plans (LPP) – Switzerland

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

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

Statutory dismissal compensation (TFR) – Italy

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

Retirement termination payments and long-service bonuses – France

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

Retirement termination benefits are not related to other statutory retirement benefits such as pensions paid by social security bodies or top-up pension funds such as ARRCO and AGIRC in France, which are defined contribution plans.

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

24.2 Provisions for pensions and other post-employment benefits

(in € millions)	Dec. 31, 2021	Dec. 31, 2020
Non-current provisions	88.9	107.5
Current provisions	12.3	12.2
Provisions for pensions and other post-employment benefits	**101.2**	**119.7**

	2021					2020
				Change during the period		
(in € millions)	Present value of benefit obligation	Fair value of plan assets	Provisions for pensions and other post-employment benefits	Gains and losses recognized in equity	Income statement	Provisions for pensions and other post-employment benefits
As of January 1	**224.4**	**104.7**	**119.7**	**-**	**-**	**115.4**
Current service cost	13.7	-	13.7	-	(13.7)	14.5
Plan amendments	-	-	-	-	-	-
Interest cost on the benefit obligation	1.1	-	1.1	-	(1.1)	1.2
Interest income on plan assets	-	(0.2)	0.2	-	(0.2)	(0.3)
Past service cost	(2.1)	-	(2.1)	-	2.1	(6.6)
Actuarial gains and losses:	(18.4)	(0.4)	(18.0)	(18.2)	-	(1.3)
Changes in demographic assumptions	*(8.3)*	-	*(8.3)*	-	-	*(5.9)*
Changes in financial assumptions	*(5.5)*	-	*(5.5)*	-	-	*0.4*
Experience adjustments	*(4.6)*	-	*(4.6)*	-	-	*0.4*
Return on plan assets (excluding interest)	-	*(0.4)*	*0.4*	-	-	*3.8*
Benefits paid	(24.6)	(18.4)	(6.2)	-	-	(3.5)
Contributions paid by employees	3.9	3.9	-	-	-	-
Contribution paid by employer	-	3.8	(3.8)	-	-	(6.0)
Insurance contracts	(0.7)	(0.7)	-	-	-	-
Administrative expenses	-	(0.3)	0.3	-	(0.3)	0.4
Changes in Group structure	1.0	0.4	0.6	-	-	5.8
Assets held for sale	(52.3)	(46.2)	(6.1)	-	-	-
Foreign exchange differences	6.1	4.3	1.8	-	-	0.1
As of December 31	**152.1**	**50.9**	**101.2**	**(18.2)**	**(13.2)**	**119.7**
Obligation funded by plan assets	81.8	-	-	-	-	151.7
Obligation not funded by plan assets	70.3	-	-	-	-	72.7

24.3 Actuarial assumptions used to estimate the present value of the benefit obligation

	France		Switzerland		Italy	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Average maturity of plans *(in years)*	11.7	14.4	14.0	12.8	10.1	10.0
Discount rate	1.20%	1.00%	0.40%	0.20%	1.20%	1.00%
Expected rate of increase in salaries	2.96%	2.48%	1.15%	1.15%	3.00%	3.00%
Inflation rate	1.75%	1.75%	0.70%	0.70%	1.75%	1.75%

Sensitivity tests on actuarial assumptions show that the impact of a 50 basis-point increase or decrease in the discount rate would not be material and would represent less than 0.5% of consolidated equity as of December 31, 2021.

24.4 Breakdown of the present value of the benefit obligation by country

(in € millions)	**Dec. 31, 2021**	**Dec. 31, 2020**
Switzerland	78.3	147.5
Italy	43.4	42.8
France	22.2	26.6
Other	8.2	7.5
Present value of benefit obligation	**152.1**	**224.4**

24.5 Fair value of plan assets by type of financial instrument

(in € millions)	**Dec. 31, 2021**	**%**	**Dec. 31, 2020**	**%**
Debt instruments	12.1	23.6%	40.6	38.8%
Equity instruments	20.1	39.6%	28.5	27.2%
Real estate	9.8	19.1%	23.8	22.7%
Insurance contracts	-	0.0%	-	0.0%
Derivative instruments	4.1	8.0%	4.1	3.9%
Cash and cash equivalents	1.8	3.5%	1.4	1.3%
Other assets	3.0	6.1%	6.3	6.0%
Fair value of plan assets	**50.9**	**100.0%**	**104.7**	**100.0%**

In 2021, the Group intends to contribute €2.7 million to funded plans.

NOTE 25 – PROVISIONS AND CONTINGENT LIABILITIES

The accounting policies and methods applied in respect of provisions are set out in Note 33.23.

(in € millions)	Dec. 31, 2020	Charge	Reversal (utilized provisions)	Reversal (surplus provisions)	Changes in Group structure	Foreign exchange differences	Other movements	Dec. 31, 2021
Non-current provisions	18.4	2.0	(2.3)	(2.6)	-	0.1	0.8	16.4
Current provisions	212.4	73.1	(63.2)	(61.1)	0.6	2.9	(27.0)	137.7
TOTAL	230.8	75.1	(65.5)	(63.7)	0.6	3.0	(26.2)	154.1

(in € millions)	Notes	Dec. 31, 2021	Dec. 31, 2020
Provision for restructuring costs	8	28.4	45.1
Vendor warranties	31.1	24.4	54.7
Disputes and other contingencies		101.3	131.0
TOTAL		154.1	230.8

Litigation and disputes

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

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

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

Vendor warranties

Provisions recorded in respect of vendor warranties decreased in 2021 following the sale of historical assets held by Kering (mainly Conforama and Redcats), which eliminated the related risks and warranties.

Contingent liabilities

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

NOTES ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

NOTE 26 – CASH AND CASH EQUIVALENTS AS REPORTED IN THE STATEMENT OF CASH FLOWS

(in € millions)	Notes	Dec. 31, 2021	Dec. 31, 2020
Cash and cash equivalents as reported in the balance sheet	**21.1**	**5,248.7**	**3,442.8**
Bank overdrafts	21.2	(733.0)	(442.7)
Cash and cash equivalents as reported in the statement of cash flows		**4,515.7**	**3,000.1**

NOTE 27 – CASH FLOW RECEIVED FROM OPERATING ACTIVITIES

(in € millions)	Notes	2021	2020
Net income from continuing operations		**3,244.8**	**2,189.7**
Net recurring charges to depreciation, amortization and provisions on non-current operating assets		1,453.2	1,439.0
Other non-cash income and expenses		17.7	(282.8)
Non-cash recurring operating income and expenses:	4.1	(49.4)	(189.9)
Fair value of operating foreign exchange rate hedges		*(34.5)*	*(56.3)*
Other		*(14.9)*	*(133.6)*
Other non-cash income and expenses:		67.1	(92.9)
Capital gain on PUMA disposal		-	*(704.6)*
Impairment of goodwill, brands and other non-current assets	*8*	*69.1*	*446.6*
Fair value of foreign exchange rate hedges in financial result	*8*	*83.8*	*79.7*
Deferred tax expense (income)		*(178.1)*	*102.2*
Share in earnings (losses) of equity-accounted companies		*(1.0)*	*7.6*
Other		*93.3*	*(24.4)*
Cash flow received from operating activities		**4,715.7**	**3,345.9**

NOTE 28 – CHANGE IN WORKING CAPITAL REQUIREMENT

(in € millions)	2021	2020
Change in inventories	(429.4)	48.6
Change in trade receivables and accrued income	(12.5)	172.4
Change in trade payables and accrued expenses	173.2	(142.7)
Change in other operating receivables and payables	230.7	(33.9)
Change in working capital requirement	**(38.0)**	**44.4**

NOTE 29 – ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(in € millions)	Notes	2021	2020
Acquisitions of property, plant and equipment	16	(714.8)	(580.1)
Acquisitions of intangible assets	13	(253.6)	(215.5)
Change in amounts due in respect of non-current assets		49.3	28.7
Lease set-up costs	15.4	(14.9)	(20.0)
Acquisitions of property, plant and equipment and intangible assets		**(934.0)**	**(786.9)**

NOTE 30 – FINANCING ACTIVITIES AND CHANGE IN BORROWINGS

	Borrowings					
(in € millions)	Current	Non-current	Lease liabilities	Other assets and liabilities	Equity	Total
As of January 1, 2021	**1,776.2**	**3,815.3**	**-**	**-**	**-**	**-**
Dividends paid to shareholders of Kering SA	-	-	-	-	(998.3)	(998.3)
Dividends paid to minority interests in consolidated subsidiaries	-	-	-	-	(26.7)	(26.7)
Transactions with minority interests	(109.0)	-	-	20.8	90.4	2.2
(Acquisitions) disposals of Kering treasury shares	-	-	-	-	(538.3)	(538.3)
Issuance of bonds and bank debt	10.4	52.1	-	-	-	62.5
Redemption of bonds and bank debt	(583.0)	(0.2)	-	-	-	(583.2)
Issuance (redemption) of other borrowings	135.7	16.5	-	-	-	152.2
Repayment of lease liabilities	-	-	(775.5)	-	-	(775.5)
Interest paid and equivalent	(52.1)	-	(106.1)	(63.6)	-	(221.8)
Net cash received from (used in) financing activities	**(598.0)**	**68.4**	**(881.6)**	**(42.8)**	**(1,472.9)**	**(2,926.9)**
Changes in Group structure	-	(4.7)	-	-	-	-
Foreign exchange differences	(8.5)	(3.5)	-	-	-	-
Changes in put options granted to minority interests	(0.2)	13.2	-	-	-	-
Other movements	1,272.1	(913.2)	-	-	-	-
As of December 31, 2021	**2,441.6**	**2,975.5**		**-**	**-**	**-**

	Borrowings					
(in € millions)	Current	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**	**-**	**-**	**-**	**-**

OTHER DISCLOSURES

NOTE 31 – OFF-BALANCE SHEET COMMITMENTS

31.1 Main vendor warranties granted in connection with asset disposals

In relation to the disposal of certain businesses, the Group has granted customary vendor warranties in respect of certain fundamental representations, along with some specific capped and time-limited warranties. Provisions have been set aside in respect of some vendor warranties (see Note 25).

31.2 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 15), property, plant and equipment (Note 16), inventories (Note 18), trade receivables (Note 19) and derivative instruments (Note 22.6). Other commitments given and received in the course of the Group's operations can be analyzed as follows:

	Payments due by period				
(in € millions)	**Less than one year**	**One to five years**	**More than five years**	**Dec. 31, 2021**	**Dec. 31, 2020**
Binding purchase commitments	75.1	105.3	-	180.4	222.9
Customs deposits and other guarantees in respect of operations	126.2	2.3	4.1	132.6	44.6
Other commitments given	**201.3**	**107.6**	**4.1**	**313.0**	**267.5**
Other commitments received	**24.8**	**0.6**	**0.9**	**26.3**	**22.7**

NOTE 32 – TRANSACTIONS WITH RELATED PARTIES

32.1 Related party controlling the Group

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

	Notes	**Dec. 31, 2021**	**Dec. 31, 2020**
% capital held by the Artémis group in Kering SA		41.7%	41.4%
% voting rights held by the Artémis group in Kering SA		58.7%	58.2%
Dividend paid for Year Y-1 *(in € millions)*	20.2	414.4	413.9
Interim dividend paid for Year Y *(in € millions)*	20.2	182.2	129.4
Fees for the period *(in € millions)*		6.3	4.7

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.

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

(in € millions)	**2021**	**2020**
Wages and salaries	28.9	32.3
Payroll taxes	3.7	7.1
Termination indemnities	0.0	1.6
Short-term remuneration	**32.6**	**41.0**
Post-employment benefits	0.8	0.9
Other long-term benefits	12.7	6.8
Share-based payment	25.1	18.5
Long-term remuneration	**38.7**	**26.2**
TOTAL	71.3	67.2

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

NOTE 33 – ACCOUNTING POLICIES AND METHODS

33.1 Basis of preparation of the consolidated financial statements

33.1.1 Changes to the IFRS basis

The amendments and interpretations that have entered into force since January 1, 2021 are as follows:

- the amendments to IFRS 9 and IFRS 7 – Interest Rate Benchmark Reform – Phase 2. This amendment has no impact for the Group;
- the amendment to IFRS 16 adopted by the IASB in March 2021 and endorsed by the European Union in August 2021, extending the period of application of COVID-19-related rent concessions to June 30, 2022 (see Note 33.13.6);
- the IFRIC's interpretation of IAS 19 relating to the allocation of employee benefits to periods of service, which clarifies the attribution periods to be taken into account to determine the benefit expense: the impacts are non-material for the Group;
- the IFRIC's interpretation of IAS 38 regarding the recognition of the costs of configuring or customizing software used in a SaaS (Software as a Service) arrangement, which provides details about criteria for recognizing those costs as intangible assets or expenses. The impact is currently being analyzed by the Group but is likely to be non-material.

33.1.2 Balance-sheet presentation and ESEF reporting

With the first-time application of ESEF to its 2021 consolidated financial statements, the Group amended the presentation of some of its balance sheet items in line with the XBRL taxonomy as from its first-half 2021 financial statements. This change of presentation concerns the line items previously entitled "Trade receivables" and "Trade payables", which have been renamed "Trade receivables and accrued income" and "Trade payables and accrued expenses", respectively. Certain amounts have therefore been reclassified from the "Other current assets" and "Other current liabilities" lines, respectively. The amounts presented for the comparative period (i.e. the year ended December 31, 2020) have also been reclassified. This change of presentation does not affect the calculation of working capital requirement, but alters the breakdown between operating working capital requirement and the non-operating component of working capital requirement.

33.1.3 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.

33.1.4 Climate risks

The implementation of the Group's 2025 sustainability strategy – particularly measures relating to the supply chain, production and transportation, along with initiatives to promote a circular economy and to preserve natural resources – will affect some of the Group's operational performance indicators to some extent. In particular, the strategy could result in an increase in raw materials and production costs, higher expenditure on research and development, certification and training costs and changes in the useful lives and residual values of certain assets. However, those impacts are not currently material for the Group.

When preparing its impairment tests, the Group also took into account the short-term costs of implementing the 2025 sustainability strategy within its business plans. As regards the other aspects of those business plans – such as revenue, growth targets and discount rates – since the financial impacts are not currently quantifiable and in the absence of market data on the subject, sensitivity analyses were adjusted and applied using riskier assumptions.

33.1.5 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 8).

"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 4).

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 4).

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 8 and 10).

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 9). Borrowings include put options granted to minority interests (see Note 33.21).

33.2 Consolidation principles

The Group's consolidated financial statements include the financial statements of the companies listed in Note 34. They include the financial statements of companies acquired as from the acquisition date and companies sold up until the date of disposal.

33.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group exercises control. Control is defined according to three criteria: power over the investee; exposure, or rights, to variable returns from involvement with the investee; and the ability to exert power over the investee to affect the amount of the investor's returns. This definition of control implies that power over an investee can take many forms other than simply holding voting rights. The existence and effect of potential voting rights are considered when assessing control, if the rights are substantive. Control generally implies directly or indirectly holding more than 50% of the voting rights but can also exist when less than 50% of the voting rights are held.

Subsidiaries are consolidated from the effective date of control.

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

33.2.2 Associates

Associates are all entities in which the Group exercises a significant influence over the entity's management and financial policy, without exercising control or joint control. This generally implies holding 20% to 50% of the voting rights.

Associates are recognized using the equity method and initially measured at cost, except when the associates were previously controlled by the Group, in which case they are measured at fair value through the income statement as of the date control is lost.

Subsequently, the share in profits or losses of the associate attributable to the Group is recognized in "Share in earnings (losses) of equity-accounted companies", and the share in other comprehensive income of associates is carried on a separate line of the statement of comprehensive income. If the Group's share in the losses of an associate equals or exceeds its investment in that associate, the Group no longer recognizes its share of losses, unless it has legal or constructive obligations to make payments on behalf of the associate.

Goodwill related to an associate is included in the carrying amount of the investment, presented separately within "Investments in equity-accounted companies" in the balance sheet.

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

33.2.3 Business combinations

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

Business combinations are recognized and measured in accordance with the provisions of the 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 non-controlling 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 of control over the acquired entity is obtained and may not be adjusted after the measurement period. No additional goodwill is recognized on any subsequent acquisition of minority interests. Acquisitions and disposals of minority interests are recognized directly in equity attributable to the Group.

The accounting for a business combination must be completed within 12 months of the acquisition date. This applies to the measurement of identifiable assets and liabilities, consideration transferred and minority interests.

33.3 Foreign currency translation

33.3.1 Functional and presentation currency

Items included in the financial statements of each Group entity are valued using the currency of the primary economic environment in which the entity operates (functional currency). The Group's consolidated financial statements are presented in euros, which serves as its presentation currency.

33.3.2 Foreign currency transactions

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

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

Non-monetary items in foreign currencies valued at historical cost are translated at the rate prevailing on the transaction date, and non-monetary items in foreign currencies measured at fair value are translated at the rate prevailing on the date the fair value is determined. When a gain or loss on a non-monetary item is recognized directly in equity within other comprehensive income, similar treatment is applied to the foreign exchange component of this gain or loss. Otherwise, the component is recognized in the income statement.

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

33.3.3 Currency translation of foreign subsidiaries' financial statements

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

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

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

33.3.4 Net investment in a foreign business

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

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

33.4 Operating segments

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

An operating segment is a separate component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker, and for which discrete financial information is available. Each operating segment is monitored separately for internal reporting purposes, according to performance indicators common to all of the Group's segments. The segments presented are operating segments or groups of similar operating segments.

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

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

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

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

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 region is based on the geographic location of clients. Non-current segment assets are not broken down by region 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.

33.5 Revenue

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

33.5.1 Sales of goods and associated services

Sales of goods, whether through a 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. An asset (with an offsetting adjustment corresponding 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.

33.5.2 Royalties from operating licenses

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

33.6 Personnel expenses

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

33.7 Share-based payment

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

Cash-settled plans result in the recognition of personnel expenses in the income statement spread over the rights vesting period and a matching liability in the balance sheet. The fair value of the benefit granted to the beneficiaries is remeasured at the end of each reporting period, taking into account any changes in market-based or internal performance conditions.

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

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

33.8 Income taxes

Income tax expense comprises the current and deferred tax expense.

Deferred tax is calculated using the liability method on all temporary differences between the carrying amount recorded in the consolidated balance sheet and the tax value of assets and liabilities, except for goodwill that is not deductible for tax purposes and certain other exceptions. The valuation of deferred tax balances depends on the way in which the Group intends to recover or settle the carrying amount of assets and liabilities, using tax rates that have been enacted or substantively enacted at the 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 and credit carry-forwards to the extent that their future offset is probable.

A deferred tax liability is recognized on taxable temporary differences relating to investments in subsidiaries and associates unless the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

33.9 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, i.e. without taking account of the weighted average number of Kering treasury shares held by the Group during the period.

Diluted earnings per share 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 consolidating 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 33.1.5).

33.10 Goodwill

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

Goodwill is allocated as of the acquisition date to cash-generating units (CGUs) 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 33.12.

33.11 Brands and other intangible assets

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

Brands and intangible assets acquired as part of a business combination, which are controlled by the Group and are separable or arise from contractual or other legal rights, are recognized separately from goodwill.

Brands, which represent the majority of intangible assets within the Group, are intangible assets with indefinite useful lives and are therefore not amortized but are tested for impairment when there is an indication that an impairment loss has taken place.

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

Software acquired as part of recurring operations is usually amortized over a period not exceeding 12 months. Software configuration and customization costs are generally expensed over the period of the service.

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

Impairment tests are described in Note 33.12.

33.12 Cash-generating units and impairment tests

The Group tests the value of its assets for impairment by allocating them to cash-generating units (CGUs) 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 33.4).

Impairment tests seek to determine whether the recoverable amount of a CGU is less than its net carrying amount. The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value in use. The value in use is determined with respect to future cash flow projections, taking into account the time value of money and the specific risks attributable to the 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 33.1.3).

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.

33.13 Leases

33.13.1 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.

Lease payments associated with these leases that fall outside the scope of IFRS 16 are expensed on a straight-line basis over the lease term.

If a lease includes explicitly identifiable non-lease components relating to services, those components are recognized in the appropriate line item under recurring operating expenses.

33.13.2 Recognition of leases under IFRS 16

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

- a lease liability, corresponding to the present value of all fixed future payments for the estimated term of the lease. The current and non-current portions of the liability are presented separately. Fixed future lease payments include the remeasurement of any payments that depend on an index or a growth rate established in the lease. They may also include the value of any purchase options or estimated penalties for terminating the lease, where the Group is reasonably certain to exercise these options. In addition, any lease incentives receivable as of the commencement date are deducted from fixed payments;
- a lease right-of-use asset, corresponding to the value of the lease liability less any incentives received from the lessor and plus any prepaid lease payments, initial direct costs and the estimated cost of restoring the asset where required by the terms and conditions of the lease.

After the commencement date and at each reporting date:

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

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

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

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

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

33.13.3 Estimation of lease terms

The lease term corresponds to the non-cancelable period for which a lessee has the right to use an underlying asset, adjusted for:

- any periods covered by an 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 real-estate 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, 2019, 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.

33.13.4 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.

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

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

33.13.6 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 endorsed by the European Union on October 9, 2020, along with the amendment to IFRS 16 adopted by the IASB in March 2021 and endorsed by the European Union in August 2021, extending the period of application of COVID-19-related rent concessions to June 30, 2022. 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.

33.14 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 three to ten years for equipment.

Property, plant and equipment are tested for impairment when an indication of impairment exists, such as a scheduled closure of a store or site, a redundancy plan or a downward revision of market forecasts. When an asset's recoverable amount is less than its net carrying amount, an impairment loss is recognized. Where the recoverable amount of an individual asset cannot be determined precisely, the Group determines the recoverable amount of the CGU or group of CGUs to which the asset belongs.

33.15 Financial assets

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

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

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

33.15.1 Financial assets measured at amortized cost

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

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

These financial assets are initially recognized at fair value and subsequently at amortized cost using the effective interest method.

The effective interest rate is determined for each transaction and corresponds to the rate that would provide the net carrying amount of the financial asset by discounting its estimated future cash flows until maturity. The calculation includes transaction costs and any premiums and/or discounts. Transaction costs correspond to the costs directly attributable to the acquisition or issue of a financial asset. Net gains and losses on loans and receivables relate to interest income and impairment allowances.

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

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

33.15.2 Financial assets measured at fair value through the income statement

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

This category includes:

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

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

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

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

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

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

33.15.4 Fair value hierarchy and associated valuation methods

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

- Level 1: financial assets quoted on an active market;
- Level 2: financial assets whose fair value is determined using valuation techniques drawing on observable market inputs;
- Level 3: financial assets whose fair value is determined using valuation techniques drawing on non-observable inputs (inputs whose value does not result from the price of observable market transactions for the same instrument or from observable market data available as of the end of the reporting period) or inputs which are only partly observable.

33.16 Financial liabilities

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

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

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

33.16.1 Financial liabilities measured at amortized cost

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

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

These financial liabilities are initially recognized at fair value less transaction costs, and subsequently at amortized cost using the effective interest method.

The effective interest rate is determined for each transaction and corresponds to the rate that would provide the net carrying amount of the financial liability by discounting its estimated future cash flows until maturity. The calculation includes transaction costs and any premiums and/or discounts. Transaction costs correspond to the costs directly attributable to the acquisition or issue of a financial liability.

The net carrying amount of financial liabilities measured at amortized cost that qualify as hedged items as part of a fair value hedging relationship is adjusted with respect to the hedged risk (see Note 33.17.1).

33.16.2 Financial liabilities measured at fair value through the income statement

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

33.16.3 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.

Therefore, 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.

33.17 Derivative instruments

33.17.1 Derivative instruments designated as hedging instruments

The Group uses various derivative instruments to reduce its exposure to foreign exchange, 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 the income statement 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, in other financial income and expenses 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.

33.17.2 Derivative instruments designated as trading instruments

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

33.17.3 Embedded derivative instruments

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

33.18 Inventories

Inventories are 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 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.

33.19 Cash and cash equivalents

Cash and cash equivalents recorded on the assets side of the balance sheet include cash, mutual or similar funds, short-term investments and other highly liquid instruments that are readily convertible to known amounts of cash, subject to an insignificant risk of changes in value, and have a maximum maturity of three months as of the purchase date.

Investments with a maturity exceeding three months, and blocked or pledged bank accounts, are excluded from cash and cash equivalents.

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

33.20 Kering treasury shares

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

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

33.21 Put options granted to minority interests

The Group has undertaken to repurchase the minority interests of shareholders of certain subsidiaries. The strike price of these put options may be set or determined according to a predefined calculation formula, and the options may be exercised at any time or on a specific date.

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

The financial liability recognized in respect of put options granted to minority interests is shown in the balance sheet within current and non-current borrowings, as appropriate. Put options granted to minority interests are therefore included in consolidated net debt (see Note 33.1.3).

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.

33.22 Provisions for pensions and other post-employment benefits

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

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 the plans' financial assets under wholly funded pension plans.

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

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

33.23 Provisions

Provisions for litigation, disputes and miscellaneous contingencies and losses are recognized as soon as a present obligation arises from past events, which is likely to result in an outflow of resources embodying economic benefits, the amount of which can be reliably estimated.

Provisions maturing in more than one year are valued at their discounted amount, representing the best estimate of the expense necessary to extinguish the current obligation at the end of the reporting period. The discount rate used reflects current assessments of the time value of money and specific risks related to the liability.

A provision for restructuring costs is recognized when there is a formal and detailed restructuring plan and the plan has begun to be implemented or its main features have been announced before the end of the reporting period. Restructuring costs for which a provision is made essentially represent employee costs (severance pay, early retirement plans, payment in lieu of notice, etc.), work stoppages and compensation for breaches of contract with third parties.

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

The Group applies IFRS 5, which requires the separate recognition and presentation of assets (or disposal groups) held for sale and discontinued operations.

Non-current assets, or groups of assets and liabilities directly associated with those assets, are considered as held for sale if it is highly probable that their carrying amount will be recovered principally through a sale rather than through continuing use. Non-current assets (or disposal groups) held for sale are measured and recognized at the lower of their net carrying amount and their fair value less the costs of disposal. These assets are no longer depreciated from the time they qualify as assets (or disposal groups) held for sale. They are presented on separate lines in the consolidated balance sheet, without restatement for previous periods.

A discontinued operation is defined as a component of a group that generates cash flows that can be clearly distinguished from the rest of the Group and represents a separate line of business or geographical area of operations. For all periods presented, the net income or loss from these activities is shown on a separate line of the income statement within discontinued operations and is restated in the statement of cash flows.

NOTE 34 – LIST OF CONSOLIDATED ENTITIES

Consolidation method

Full consolidation: C

Equity method: E

Company	% interest			
	Dec. 31, 2021		Dec. 31, 2020	
KERING SA		**Parent company**		**Parent company**
LUXURY HOUSES				
France				
ALEXANDER MCQUEEN FRANCE SAS	C	100.00	C	100.00
ARCADES PONTHIEU SA	C	95.00	C	95.00
BALENCIAGA OPERATIONS SAS	C	100.00		Formation
BALENCIAGA SAS	C	100.00	C	100.00
BOTTEGA VENETA FRANCE SAS	C	100.00	C	100.00
BOUCHERON PARFUMS SAS	C	100.00	C	100.00
BOUCHERON SAS	C	100.00	C	100.00
BRIONI FRANCE SAS	C	100.00	C	100.00
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 SAS	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				
ALEXANDER MCQUEEN TRADING GMBH	C	100.00		Formation
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
YVES SAINT LAURENT GERMANY GmbH	C	100.00	C	100.00
Austria				
ALEXANDER MCQUEEN GmbH	C	100.00	C	100.00
BALENCIAGA AUSTRIA GmbH	C	100.00	C	100.00
BOTTEGA VENETA AUSTRIA GmbH	C	100.00	C	100.00
BRIONI AUSTRIA GmbH		Liquidation	C	100.00
GUCCI AUSTRIA GmbH	C	100.00	C	100.00
YVES SAINT LAURENT AUSTRIA GmbH	C	100.00	C	100.00

Company	% interest			
	Dec. 31, 2021		Dec. 31, 2020	
Belgium				
GUCCI BELGIUM SA	C	100.00	C	100.00
Denmark				
BALENCIAGA DENMARK APS	C	100.00		Formation
LUXURY GOODS DENMARK AS	C	51.00		Formation
Spain				
BALENCIAGA SPAIN SL	C	100.00	C	100.00
BOTTEGA VENETA ESPANA SL	C	100.00	C	100.00
BRIONI RETAIL ESPANA SL		Liquidation	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 & JEWELLERY OUTLETS Ltd	C	100.00	C	100.00
LUXURY TIMEPIECES UK Ltd	C	100.00	C	100.00
PAINTGATE Ltd	C	100.00	C	100.00
POMELLATO (UK) Ltd	C	100.00	C	100.00
YVES SAINT LAURENT UK Ltd	C	100.00	C	100.00
Greece				
LUXURY GOODS GREECE AE	C	99.80	C	99.80
SAINT LAURENT GREECE AE	C	100.00		Formation
Hungary				
GUCCI HUNGARY RETAIL LTD	C	100.00	C	100.00
Ireland				
BOTTEGA VENETA IRELAND LTD	C	100.00		Formation
GUCCI IRELAND Ltd	C	100.00	C	100.00
SAINT LAURENT IRELAND LTD	C	100.00		Formation
Italy				
ACCADEMIA DELLA PELLETTERIA SRL	C	51.00	C	51.00
ALEXANDER MCQUEEN ITALIA SRL	C	100.00	C	100.00
ALEXANDER MCQUEEN LOGISTICA SRL	C	100.00	C	100.00
ALEXANDER MCQUEEN ONLINE ITALIA SRL	C	100.00	C	100.00
B.V. ITALIA SRL	C	100.00	C	100.00
BALENCIAGA LOGISTICA SRL	C	100.00	C	100.00
BALENCIAGA ONLINE ITALIA SRL	C	100.00	C	100.00
BALENCIAGA RETAIL ITALIA SRL	C	100.00	C	100.00
BOTTEGA VENETA LOGISTICA SRL	C	100.00	C	100.00
BOTTEGA VENETA SRL	C	100.00	C	100.00

Company	% interest Dec. 31, 2021		Dec. 31, 2020	
BRIONI GERMANICS HOLDING SRL	C	100.00	C	100.00
BRIONI ITALIA SRL	C	100.00	C	100.00
BRIONI SpA	C	100.00	C	100.00
BV ECOMMERCE SRL	C	100.00	C	100.00
CARAVEL PELLI PREGIATE SpA	C	100.00	C	100.00
CHEM – TEC SRL	C	51.00	C	51.00
COLONNA SpA	C	51.00	C	51.00
CONCERIA 800 SpA	C	51.00	C	51.00
CONCERIA BLUTONIC SpA	C	51.00	C	51.00
DESIGN MANAGEMENT 2 SRL	C	100.00	C	100.00
DESIGN MANAGEMENT SRL	C	100.00	C	100.00
E-LITE SRL	C	100.00	C	100.00
FALCO PELLAMI SpA	C	51.00	C	51.00
G COMMERCE EUROPE SpA	C	100.00	C	100.00
GARPE SRL	C	100.00	C	100.00
GGW ITALIA SRL	C	100.00	C	100.00
GJP SRL	C	100.00	C	100.00
GPA SRL	C	100.00	C	100.00
GT SRL	C	100.00	C	100.00
GUCCI GARDEN SRL	C	100.00	C	100.00
GUCCI IMMOBILIARE LECCIO SRL	C	100.00	C	100.00
GUCCI LOGISTICA SpA	C	100.00	C	100.00
GUCCIO GUCCI SpA	C	100.00	C	100.00
IMMOBILIARE ARMEA SRL	C	100.00	C	100.00
K RETAIL SRL	C	100.00	C	100.00
KERING FASHION OPERATIONS SRL	C	100.00	C	100.00
LECCIO SRL	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	C	70.00
PIGINI SRL	C	100.00	C	100.00
POMELLATO EUROPA SpA	C	100.00	C	100.00
POMELLATO SpA	C	100.00	C	100.00
ROMAN STYLE SpA	C	100.00	C	100.00
SAINT LAURENT ECOMMERCE SRL	C	100.00	C	100.00
SAMMEZZANO OUTLET SRL	C	100.00	C	100.00
SL LUXURY RETAIL SRL	C	100.00	C	100.00
SOWIND ITALIA SRL	C	100.00	C	100.00
TEST & INNOVATION LAB SRL	C	100.00	C	100.00
TIGER FLEX SRL	C	100.00	C	100.00
TRAMOR SRL	C	100.00	C	100.00
ULYSSE NARDIN ITALIA SRL	C	100.00	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 INVESTMENT SARL	C	100.00	C	100.00
GUCCI LUXEMBOURG SA	C	100.00	C	100.00
QEELIN HOLDING LUXEMBOURG SA	C	100.00	C	100.00

Company	% interest			
	Dec. 31, 2021		Dec. 31, 2020	
Monaco				
BOUCHERON SAM	C	100.00	C	100.00
GUCCI SAM	C	100.00	C	100.00
KERING RETAIL MONACO SAM	C	100.00	C	100.00
SAM YVES SAINT LAURENT OF MONACO	C	100.00	C	100.00
SOCIETE MONEGASQUE DE HAUTE JOAILLERIE S.A.M.	C	99.79	C	99.79
Norway				
LUXURY GOODS NORWAY AS	C	51.00		Formation
Netherlands				
ALEXANDER MCQUEEN (THE NETHERLANDS) BV	C	100.00		Formation
BALENCIAGA NETHERLANDS BV	C	100.00		Formation
BOTTEGA VENETA NETHERLANDS BV	C	100.00	C	100.00
G DISTRIBUTION BV	C	100.00	C	100.00
GG MIDDLE EAST BV	C	51.00	C	51.00
GG OTHER TERRITORIES BV	C	100.00	C	100.00
GUCCI NETHERLANDS BV	C	100.00	C	100.00
KERING ASIAN HOLDING BV	C	100.00	C	100.00
YVES SAINT LAURENT NETHERLANDS BV	C	100.00	C	100.00
Portugal				
BOTTEGA VENETA PORTUGAL, UNIPESSOAL LDA	C	100.00	C	100.00
GUCCI PORTUGAL UNIPESSOAL, LDA	C	100.00		Formation
SAINT LAURENT PORTUGAL SL	C	100.00		Formation
Czech Republic				
BALENCIAGA CZECH REPUBLIC SRO	C	100.00		Formation
BRIONI CZECH REPUBLIC SRO	C	100.00	C	100.00
LUXURY GOODS CZECH REPUBLIC SRO	C	100.00	C	100.00
YVES SAINT LAURENT CZECH REPUBLIC, SRO	C	100.00	C	100.00
Romania				
SIFA INTERNATIONAL SRL	C	100.00	C	100.00
Russia				
BOUCHERON RUS OOO	C	100.00	C	100.00
GUCCI RUS OOO	C	100.00	C	100.00
ULYSSE NARDIN RUSSIA LLC	C	100.00	C	100.00
Serbia				
F.LLI ROSSI SHOES DOO	C	70.00	C	70.00
LUXURY TANNERY DOO	C	51.00	C	51.00
Sweden				
GUCCI SWEDEN AB	C	51.00		Formation
Switzerland				
BALENCIAGA SWITZERLAND SA	C	100.00	C	100.00
BOTTEGA VENETA SWISS RETAIL SA	C	100.00	C	100.00
BOUCHERON (SUISSE) SA	C	100.00	C	100.00
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
GUCCI SWISS RETAIL SA	C	100.00	C	100.00
GUCCI SWISS TIMEPIECES SA	C	100.00	C	100.00
LUXURY GOODS OUTLETS EUROPE SAGL	C	100.00	C	100.00
ROUD' HOR SA	E	35.00	E	35.00
SIGATEC SA	E	50.00	E	50.00

	% interest			
Company	**Dec. 31, 2021**		**Dec. 31, 2020**	
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
MANUFACTURE ET FABRIQUE DE MONTRES ET CHRONOMETRES 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				
ALEXANDER MCQUEEN TRADING CANADA INC.	C	100.00		Formation
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
BALENCIAGA AMERICA Inc.	C	100.00	C	100.00
BOTTEGA VENETA Inc.	C	100.00	C	100.00
BOUCHERON JOAILLERIE (USA) Inc.	C	100.00	C	100.00
BRIONI AMERICA HOLDING Inc.	C	100.00	C	100.00
BRIONI AMERICA Inc.	C	100.00	C	100.00
E-LITE US Inc.	C	100.00	C	100.00
G GATOR USA LLC	C	100.00	C	100.00
GUCCI AMERICA Inc.	C	100.00	C	100.00
GUCCI CARIBBEAN Inc.	C	100.00	C	100.00
GUCCI OSTERIA USA LLC	C	100.00	C	100.00
GUCCI OSTERIA USA TRUST	C	100.00	C	100.00
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
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.		Merger	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

Company	% interest			
	Dec. 31, 2021		Dec. 31, 2020	
RETAIL LUXURY SERVICIOS S.A. DE C.V.		Merger	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.		Merger	C	100.00
SERVICIOS DE PERSONAL BALENCIAGA S. DE R.L. DE C.V.		Merger	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				
ALEXANDER MCQUEEN NEW ZEALAND LTD	C	100.00		Formation
BALENCIAGA NEW ZEALAND LTD	C	100.00		Formation
GUCCI NEW ZEALAND Ltd	C	100.00	C	100.00
SAINT LAURENT NEW ZEALAND Ltd	C	100.00	C	100.00
Greater China				
Mainland China				
ALEXANDER McQUEEN (SHANGHAI) TRADING Ltd	C	100.00	C	100.00
BALENCIAGA FASHION SHANGHAI CO. Ltd	C	100.00	C	100.00
BOTTEGA VENETA (CHINA) TRADING Ltd	C	100.00	C	100.00
BRIONI (SHANGHAI) TRADING Ltd	C	100.00	C	100.00
GUCCI (CHINA) TRADING Ltd	C	100.00	C	100.00
GUCCI WATCHES MARKETING CONSULTING (SHANGHAI) Ltd	C	100.00	C	100.00
KERING (SHANGHAI) WATCHES AND JEWELRY Ltd	C	100.00	C	100.00
POMELLATO SHANGHAI CO. Ltd	C	100.00	C	100.00
QEELIN TRADING (SHANGHAI) CO. Ltd	C	100.00	C	100.00
YVES SAINT LAURENT (SHANGHAI) TRADING Ltd	C	100.00	C	100.00
Hong Kong SAR				
ALEXANDER MCQUEEN (HONG KONG) Ltd	C	100.00	C	100.00
BALENCIAGA ASIA PACIFIC Ltd	C	100.00	C	100.00
BOTTEGA VENETA HONG KONG Ltd	C	100.00	C	100.00
BOUCHERON HONG KONG Ltd	C	100.00	C	100.00
BRIONI HONG KONG Ltd	C	100.00	C	100.00
GUCCI ASIA COMPANY Ltd	C	100.00	C	100.00
GUCCI GROUP (HONG KONG) LTD	C	100.00	C	100.00
LUXURY TIMEPIECES (HONG KONG) Ltd		Merger	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

	% interest			
Company		**Dec. 31, 2021**		**Dec. 31, 2020**
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		Liquidation	C	100.00
ULYSSE NARDIN (TAIWAN) Ltd	C	100.00	C	100.00
South 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
GUCCI KOREA LLC	C	100.00	C	100.00
KERING WATCHES & JEWELRY KOREA Ltd	C	100.00	C	100.00
YVES SAINT LAURENT KOREA Ltd	C	100.00	C	100.00
Guam				
BOTTEGA VENETA GUAM Inc.	C	100.00	C	100.00
GUCCI GROUP GUAM Inc.	C	100.00	C	100.00
India				
LUXURY GOODS RETAIL PRIVATE LTD	C	51.00	C	51.00
Japan				
BALENCIAGA JAPAN Ltd	C	100.00	C	100.00
BOTTEGA VENETA JAPAN Ltd	C	100.00	C	100.00
BOUCHERON JAPAN Ltd	C	100.00	C	100.00
BRIONI JAPAN CO. Ltd	C	100.00	C	100.00
E-LITE JAPAN Ltd		Liquidation	C	100.00
GUCCI OSTERIA JAPAN G.K.	C	100.00		Formation
POMELLATO JAPAN CO. Ltd	C	100.00	C	100.00
SOWIND JAPAN KK	C	100.00	C	100.00
Malaysia				
AUTUMNPAPER MALAYSIA SDN BHD	C	100.00	C	100.00
BALENCIAGA SEA MALAYSIA SDN BHD	C	100.00	C	100.00
BOTTEGA VENETA MALAYSIA SDN BHD	C	100.00	C	100.00
GUCCI (MALAYSIA) SDN BHD	C	100.00	C	100.00
KERING WATCHES AND JEWELRY (MALAYSIA) SDN BHD	C	100.00	C	100.00
SAINT LAURENT (MALAYSIA) SDN BHD	C	100.00	C	100.00
Mongolia				
ULYSSE NARDIN MONGOLIA LLC	E	50.00	E	50.00
Philippines				
LUXURY GOODS PHILIPPINES INC	C	100.00		Formation
Singapore				
ALEXANDER MCQUEEN (SINGAPORE) PTE Ltd	C	100.00	C	100.00
BALENCIAGA SINGAPORE PTE Ltd	C	100.00	C	100.00
BOTTEGA VENETA SINGAPORE PRIVATE Ltd	C	100.00	C	100.00
GUCCI SINGAPORE PTE Ltd	C	100.00	C	100.00
KERING (SINGAPORE) WATCHES AND JEWELRY PTE Ltd	C	100.00	C	100.00
SAINT LAURENT (SINGAPORE) PTE Ltd	C	100.00	C	100.00

Company	% interest			
	Dec. 31, 2021		Dec. 31, 2020	
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		Disposal	C	48.00
G OPERATIONS FRASEC Ltd		Disposal	C	49.00
GUCCI (THAILAND) CO. Ltd		Liquidation	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
Vietnam				
GUCCI VIETNAM CO. Ltd	C	100.00	C	100.00
South Africa				
GG LUXURY RETAIL SOUTH AFRICA PTE Ltd	C	62.00	C	62.00
Saudi Arabia				
LUXURY GOODS ARABIA LTD	C	75.00		Formation
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 FASHION GULF LLC	C	49.00	C	49.00
LUXURY GOODS 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	C	49.00
B.A.L FOR READY-TO-WEAR APPAREL AND ACCESSORIES WLL	C	49.00	C	49.00
BOTTEGA VENETA LEATHER GOODS KUWAIT WLL	C	49.00	C	49.00
LUXURY GOODS KUWAIT WLL	C	26.01	C	26.01
YSL KUWAIT FOR READYMADE CLOTHES AND ACCESSORIES WLL	C	49.00	C	49.00
Qatar				
LUXURY GOODS QATAR LLC	C	25.50	C	25.50
SAINT LAURENT PARIS LLC	C	24.00	C	24.00
Turkey				
GUCCI TURKEY LUXURY GOODS TRADE LLP	C	100.00	C	100.00
POMELLATO MUCEVHERAT VE AKSESUAR DAGITIM VE TICARET Ltd SIRKETI		Liquidation	C	100.00

CORPORATE AND OTHER

KERING EYEWEAR ET KGS

France				
KERING EYEWEAR FRANCE SAS	C	67.07	C	63.23
MANUFACTURE KERING EYEWEAR SAS	C	67.07	C	63.23
Germany				
KERING EYEWEAR DACH GmbH	C	67.07	C	63.23
Croatia				
KERING EYEWEAR SOUTH EAST EUROPE DOO	C	67.07	C	63.23
Denmark				
LINDBERG AS	C	67.07		Acquisition

Company	% interest			
	Dec. 31, 2021		Dec. 31, 2020	
Spain				
KERING EYEWEAR ESPANA SA	C	67.07	C	63.23
United Kingdom				
KERING EYEWEAR UK Ltd	C	67.07	C	63.23
Italy				
KERING EYEWEAR SpA	C	67.07	C	63.23
TRENTI INDUSTRIA OCCHIALI SPA	C	36.86	E	18.97
Switzerland				
LINDBERG AG	C	67.07		Acquisition
United States				
KERING EYEWEAR USA Inc.	C	67.07	C	63.23
Australia				
KERING EYEWEAR AUSTRALIA PTY Ltd	C	67.07	C	63.23
Greater China				
Mainland China				
GUANGZHOU KGS CORPORATE MANAGEMENT & CONSULTANCY Ltd	C	100.00	C	100.00
KERING EYEWEAR SHANGHAI TRADING ENTERPRISES Ltd	C	67.07	C	63.23
LINDBERG SHANGHAI TRADING LTD	C	67.07		Acquisition
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	67.07	C	63.23
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	67.07	C	63.23
South Korea				
KERING EYEWEAR KOREA Ltd	C	67.07	C	63.23
India				
KERING EYEWEAR INDIA Ltd	C	67.07	C	63.23
KGS SOURCING INDIA PTE Ltd	C	100.00	C	100.00
Japan				
KERING EYEWEAR JAPAN Ltd	C	67.07	C	63.23
Malaysia				
KERING EYEWEAR MALAYSIA SDN BHD	C	67.07	C	63.23
United Arab Emirates				
KERING EYEWEAR MIDDLE EAST FZ-LLC	C	67.07	C	63.23
Turkey				
KGS SOURCING TURKEY LIMITED	C	100.00	C	100.00
CORPORATE				
France				
DISCODIS SAS	C	100.00	C	100.00
GG FRANCE 13 SAS	C	100.00	C	100.00
GG FRANCE 14 SAS	C	100.00	C	100.00
KERING FINANCE SNC	C	100.00	C	100.00
KERING FRANCE PARTICIPATIONS SAS	C	100.00	C	100.00
KERING SIGNATURE	C	100.00	C	100.00
KERING VENTURE SAS	C	100.00	C	100.00
SOCIETE CIVILE KERING CAPITAL SAS	C	100.00	C	100.00

Company	% interest			
	Dec. 31, 2021		Dec. 31, 2020	
Spain				
KERING SPAIN SL	C	100.00	C	100.00
United Kingdom				
KERING INTERNATIONAL Ltd	C	100.00	C	100.00
KERING UK SERVICES Ltd	C	100.00	C	100.00
Italy				
KERING ITALIA SpA	C	100.00	C	100.00
KERING SERVICE ITALIA SpA	C	100.00	C	100.00
Luxembourg				
E-KERING LUX SA	C	100.00	C	100.00
GEMINGA SARL	C	100.00	C	100.00
KERING INVESTMENTS SA	C	94.13	C	94.13
KERING RE	C	100.00	C	100.00
Netherlands				
GUCCI PARTICIPATION BV	C	100.00	C	100.00
K OPERATIONS BV	C	100.00	C	100.00
KERING HOLLAND NV	C	100.00	C	100.00
KERING INVESTMENTS EUROPE BV	C	100.00	C	100.00
KERNIC-MET BV	C	100.00	C	100.00
KTK NETHERLANDS BV		Merger	C	100.00
Switzerland				
LUXURY GOODS INTERNATIONAL SA	C	100.00	C	100.00
LUXURY GOODS LOGISTICS SA	C	51.00	C	51.00
LUXURY GOODS OPERATIONS SA	C	51.00	C	51.00
Brazil				
KERING BRASIL SERVICOS ADMINISTRATIVOS LTDA	C	100.00		Formation
Canada				
KERING CANADA SERVICES INC	C	100.00		Formation
United States				
KERING AMERICAS Inc.	C	100.00	C	100.00
YOUR FRIENDS IN NEW YORK HOLDINGS, LLC	E	22.22	E	22.22
Mexico				
KERING MEXICO S. DE R.L. DE C.V.	C	100.00	C	100.00
Australia				
KERING AUSTRALIA PTY Ltd	C	100.00	C	100.00
Greater China				
Mainland China				
KERING INVESTMENT MANAGEMENT GROUP CO., Ltd	C	100.00	C	100.00
Hong Kong SAR				
KERING ASIA PACIFIC Ltd	C	100.00	C	100.00
South Korea				
KERING KOREA 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 SOUTH EAST ASIA PTE Ltd	C	100.00	C	100.00
United Arab Emirates				
KERING SERVICES MIDDLE EAST	C	100.00	C	100.00

NOTE 35 – STATUTORY AUDITORS' REMUNERATION

Fees for fiscal year 2021 *(in € thousands, excluding tax and disbursements)*	**KPMG**				**Deloitte**			
	Statutory Auditor		**Network**		**Statutory Auditor**		**Network**	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Kering SA	638.8	39%	N/A	N/A	641.2	59%	N/A	N/A
Fully-consolidated subsidiaries	859.5	52%	3,759.0	72%	182.4	17%	1,841.8	73%
Statutory audit	**1,498.3**	**91%**	**3,759.0**	**72%**	**823.6**	**75%**	**1,841.8**	**73%**
Kering SA	113.5	7%	N/A	N/A	269.0	25%	375.0	15%
Fully-consolidated subsidiaries	37.0	2%	1,446.9	28%	N/A	N/A	322.7	13%
Non-audit services	**150.5**	**9%**	**1,446.9**	**28%**	**269.0**	**25%**	**697.7**	**27%**
TOTAL	1,648.8	100%	5,205.9	100%	1,092.6	100%	2,539.5	100%

2 - EXCERPT FROM THE KERING SA FINANCIAL STATEMENTS

2.1 Balance sheet

Assets

(in € millions)	Gross	Depreciation, amortization and provisions	Dec. 31, 2021 Carrying amount	Dec. 31, 2020 Carrying amount
Investments	9,424.4	(1,654.6)	7,769.8	7,972.7
Other long-term investments[1]	497.3	(22.7)	474.6	157.4
Total investments	**9,921.7**	**(1,677.3)**	**8,244.4**	**8,130.1**
Property, plant and equipment and intangible assets	472.5	(109.3)	363.2	367.4
Total non-current assets	**10,394.2**	**(1,786.6)**	**8,607.6**	**8,497.5**
Receivables[2]	225.8	(1.1)	224.7	489.6
Marketable securities	76.9		76.9	53.9
Cash[2]	3,244.8		3,244.8	2,154.0
Total current assets	**3,547.5**	**(1.1)**	**3,546.4**	**2,697.5**
TOTAL ASSETS	13,941.7	(1,787.7)	12,154.0	11,195.0
(1) o/w due in less than one year:			0.0	122.7
(2) o/w concerning associates:			3,384.5	2,339.0

Equity and liabilities

(in € millions)	Dec. 31, 2021	Dec. 31, 2020
Share capital	498.8	500.1
Additional paid-in capital	2,052.3	2,052.3
Reserves	1,345.0	1,344.9
Retained earnings	1,420.8	671.4
Net income for the year	2,769.1	2,079.6
Total equity	**8,086.0**	**6,648.3**
Provisions	**35.3**	**34.9**
Bonds[1]	3,375.0	3,842.2
Other borrowings[1][2]	26.1	25.5
Other liabilities[2]	631.5	644.1
Total liabilities	**4,032.6**	**4,511.8**
TOTAL EQUITY AND LIABILITIES	12,154.0	11,195.0
(1) o/w due in more than one year:	2,571.9	3,398.7
(2) o/w concerning associates:	62.5	145.6

2.2 Income statement

(in € millions)	2021	2020
Operating income	478.6	432.0
Operating expenses	(501.5)	(458.9)
Net operating income (loss)	**(22.9)**	**(27.0)**
Dividends	2,026.7	1,630.7
Other financial income and expenses	(26.1)	(27.7)
Financial result	**2,000.6**	**1,603.0**
Recurring income before tax	**1,977.7**	**1,576.1**
Net non-recurring income (expense)	566.8	421.1
Employee profit-sharing	(7.1)	(1.3)
Income tax expense	231.7	83.7
Net income for the year	**2,769.1**	**2,079.6**

2.3 Statement of cash flows

(in € millions)	2021	2020
Dividends received	2,026.7	1,630.7
Interest on borrowings	(38.8)	(45.5)
Income tax (paid) received	134.0	178.3
Other	229.2	(268.7)
Change in cash resulting from operating activities	**2,351.1**	**1,494.9**
(Acquisitions) disposals of operating assets	(133.3)	(123.6)
Change in long-term investments	338.0	733.2
Change in cash resulting from investing activities	**204.7**	**609.5**
Net change in borrowings	(466.6)	698.6
Share capital increases	-	-
Dividends paid by Kering	(998.4)	(1,000.1)
Change in cash resulting from financing activities	**(1,465.0)**	**(301.5)**
Change in cash and cash equivalents	**1,090.8**	**1,802.9**
Cash and cash equivalents at beginning of year	**2,154.0**	**351.1**
Cash and cash equivalents at end of year	**3,244.8**	**2,154.0**

Kering

Société anonyme (a French corporation) with a share capital of €498,771,664
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