



PRESS RELEASE

July 27, 2022

VERY STRONG PERFORMANCES IN THE FIRST HALF OF 2022

**Group revenue: €9,930 million
up 23% as reported and up 16% on a comparable basis**

Recurring operating income: €2,820 million, up 26%
Recurring operating margin of 28.4%, up 60 basis points

Net income attributable to the Group: €1,988 million, up 34%

“The Group delivered sharply higher sales in the first half of 2022, sustaining last year’s topline momentum—solid performances in retail around the world more than offset the impact of Covid-related measures in China in the second quarter. We intensify our engagement with local customers across all markets, and we are also leveraging the nascent rebound in tourism in Europe. Each of our Houses contributed to the strong double-digit increase in Group operating income, leading to expanded margin for Kering as a whole. In a period of heightened macro uncertainty, Kering is in great shape to surmount short-term challenges, take advantage of new opportunities, and support the ambitious strategies and tremendous prospects of all our brands.”

François-Henri Pinault, Chairman & CEO

- Group revenue in the first half of 2022 grew 23% as reported and 16% on a comparable basis compared to the first six months of 2021. Group revenue also rose sharply compared to the first half of 2019, up 28% on a comparable basis.
 - In the second quarter of 2022, sales rose by 20% as reported and 12% on a comparable basis, the difference being mainly due to currency effects.
 - Sales from the directly operated retail network, including e-commerce, were up 12% year-on-year on a comparable basis in the second quarter and up 32% compared to the second quarter of 2019, driven by the success of Kering’s Houses with local customers and the resumption of tourism in Western Europe.
- Recurring operating income grew 26% in the first half, with all Houses contributing to growth. Recurring operating margin was 28.4%, up 60 basis points compared to the first half of 2021.
- Net income attributable to the Group hit a new record of €1,988 million, an increase of 34%.
- The Group generated substantial Free cash flow from operations of more than €2 billion.

Financial indicators

Operating performance

Revenue <i>(in € millions)</i>	H1 2022	H1 2021	Reported change	Comparable change (1)
Gucci	5,173	4,479	+15%	+8%
Yves Saint Laurent	1,481	1,046	+42%	+34%
Bottega Veneta	834	708	+18%	+13%
Other Houses	1,955	1,485	+32%	+29%
Kering Eyewear and Corporate	591	396	+49%	+26%
<i>Eliminations</i>	<i>(104)</i>	<i>(67)</i>	-	-
KERING	9,930	8,047	+23%	+16%

(1) On a comparable scope and exchange rate basis.

Recurring operating income <i>(in € millions)</i>	H1 2022	H1 2021	Change
Gucci	1,886	1,694	+11%
Yves Saint Laurent	438	275	+59%
Bottega Veneta	168	130	+29%
Other Houses	337	197	+71%
Kering Eyewear and Corporate	(7)	(63)	+90%
<i>Eliminations</i>	<i>(2)</i>	<i>4</i>	-
KERING	2,820	2,237	+26%



Gucci: ongoing brand elevation strategy

In the **first half of 2022**, Gucci's revenue amounted to €5,173 million, an increase of 15% as reported and 8% on a comparable basis. Sales from the directly operated retail network rose 8% on a comparable basis, while Wholesale was up 9%.

In the **second quarter of 2022**, revenue was up 12% as reported and up 4% on a comparable basis. Growth in sales in the directly operated retail network were robust in Western Europe, Japan, and North America, more than offsetting the impact of lockdowns in China. Momentum was also very strong in Southeast Asia.

In the first half of 2022, Gucci's **recurring operating income** totaled €1,886 million. **Recurring operating margin** was solid at 36.5%, as the House continues to invest to advance its brand elevation strategy.

Yves Saint Laurent: hitting new highs

Yves Saint Laurent's revenue **in the first half of 2022** totaled €1,481 million, up 42% as reported and up 34% on a comparable basis, reflecting the perfect execution of its strategy. Sales from the House's directly operated retail network rose by 41% on a comparable basis. Revenue from Wholesale, currently being streamlined, grew by 10% on a comparable basis due to a very high level of orders.

Sales in the **second quarter of 2022** rose by 40% as reported and by 31% on a comparable basis, driven by Western Europe, Japan and North America, while revenue in Asia-Pacific was stable compared to 2021. Growth was particularly strong in the directly operated retail network (revenue up 35% on a comparable basis), due to the success of all product categories.

Yves Saint Laurent's **recurring operating income** was €438 million in the first half of 2022. **Recurring operating margin** was 29.6%, a first-half record level, up 3.3 points compared to the year-earlier period.

Bottega Veneta: exclusivity and solid growth

In the **first half of 2022**, Bottega Veneta's revenue amounted to €834 million, an increase of 18% as reported and 13% on a comparable basis. Sales from the directly operated retail network were up 19% year-on-year. Wholesale revenue was down 4%, in line with Bottega Veneta's strategy to streamline its wholesale distribution.

In the **second quarter of 2022**, Bottega Veneta's revenue was €438 million, up 15% as reported and up 10% on a comparable basis. Sales momentum in the directly operated retail network remained very strong (revenue up 19% on a comparable basis), even though the number of stores was unchanged.

Bottega Veneta's **recurring operating income** for the first half of 2022 totaled €168 million, and its recurring operating margin rose markedly to return to the 20% level.



Other Houses: outstanding results and exceptional potential

Kering's Other Houses continued to achieve very strong growth, with revenue close to €2 billion **in the first half of 2022**, up 32% as reported and up 29% on a comparable basis. Sales from the Other Houses' directly operated retail network rose by 38%, while Wholesale was up 16% on a comparable basis relative to the first half of 2021.

In the **second quarter of 2022**, sales of the Other Houses rose 28% as reported and 24% on a comparable basis. The revenue increase from the directly operated retail network remained strong (+33% on a comparable basis), with progress across regions. Both Balenciaga and Alexander McQueen maintained their very strong growth trajectories, and Brioni confirmed its rebound. While Qeelin was affected by the situation in China in the second quarter, Boucheron and Pomellato delivered very solid performances.

The Other Houses contributed significantly to the increase in the Group's recurring operating income. They generated record **recurring operating income** of €337 million in the first half of 2022, an increase of 71%. **Recurring operating margin** was strong at 17.3%, an increase of 4.0 points.

Kering Eyewear and Corporate*

Revenue of the Kering Eyewear and Corporate segment in the **first half of 2022** amounted to €591 million. Kering Eyewear's revenue totaled €576 million, up 50% as reported including the integration of Lindberg, and up 26% on a comparable basis.

In the **second quarter**, growth in Kering Eyewear revenue continued, up 17% on a comparable basis, driven by the momentum of the brands in its portfolio. The acquisition of Maui Jim will be completed in the second half of 2022.

In the first half, Kering Eyewear's **recurring operating income** more than doubled relative to the first half of 2021, reaching €111 million. The House benefited from the integration of Lindberg and from the seasonality of its sales, a majority of which occur in the first half of the year.

Corporate costs were stable.

** The "Corporate and other" segment was renamed "Kering Eyewear and Corporate" in the first quarter of 2022. Intragroup eliminations are now reported on a separate line.*



Financial performance

Kering's **financial result**, at just (€19 million), improved sharply in the first half of 2022.

The effective tax rate on recurring income was 27.5% during the period.

Net income attributable to the Group was strong at €1,988 million.

Earnings per share were up 36%.

Cash flow and financial position

The Group's **free cash flow** from operations totaled €2,049 million in the first half of 2022.

As of June 30, 2022, Kering had a very robust financial position, with net debt of €942 million.

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.

More favorable trends, which emerged in the second half of 2020, were confirmed in 2021 and in early 2022. Although these trends remain conditioned by developments in the public health situation and associated restrictions across countries, the luxury market has witnessed a significant rebound, driven by consumer appetite for premium goods and a gradual upturn in tourist flows, particularly in Europe.

In an increasingly uncertain macroeconomic context, the Group is continuing to implement 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 remains confident in its growth potential for the medium and long term.

In its meeting on July 27, 2022, Kering's Board of Directors, chaired by François-Henri Pinault, approved the consolidated financial statements for the first half of 2022 following a limited review.

The Board of Directors also noted Jean Liu's resignation from her role as Director. François-Henri Pinault offered her his sincere thanks for her contribution to the Board's work (see "Meeting of the Board of Directors" on page 9).



AUDIOCAST

An **audiocast** for analysts and investors will be held from **6:00pm to 7:00pm (CEST)** on **Wednesday, July 27, 2022**. It may be accessed [here](#). The slides (PDF) will be available ahead of the audiocast at <https://www.kering.com/en/finance/>.

A replay of the audiocast will also be available at www.kering.com.

About Kering

A global Luxury group, Kering manages the development of a series of renowned Houses in Fashion, Leather Goods and Jewelry: Gucci, Saint Laurent, Bottega Veneta, Balenciaga, Alexander McQueen, Brioni, Boucheron, Pomellato, DoDo, Qeelin, as well as Kering Eyewear. By placing creativity at the heart of its strategy, Kering enables its Houses to set new limits in terms of their creative expression while crafting tomorrow's Luxury in a sustainable and responsible way. We capture these beliefs in our signature: "Empowering Imagination". In 2021, Kering had over 42,000 employees and revenue of €17.6 billion.

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**APPENDICES****EXCERPTS FROM THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION FOR THE SIX MONTHS ENDED JUNE 30, 2022**

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ANNOUNCEMENTS SINCE JANUARY 1, 2022

Sale of Girard-Perregaux and Ulysse Nardin to their management

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. The transaction was completed on May 31, 2022, according to the agreed terms.

Stock Repurchase Program: launch of the second tranche

February 22, 2022 – Pursuant to the Stock Repurchase Program announced on August 25, 2021, covering up to 2.0% of its share capital over a 24-month period, Kering has signed a new share buyback agreement with an investment service provider.

Kering Eyewear agrees to acquire the iconic U.S. eyewear brand Maui Jim

March 14, 2022 - Kering Eyewear has signed an agreement to acquire Maui Jim, Inc. Founded in 1987 in Hawaii, Maui Jim is the world's largest independent high-end eyewear brand, rooted in exceptional design and industry-leading technology. The transaction is subject to clearance by the relevant competition authorities and is expected to be completed in the second half of 2022.

Gianfilippo Testa appointed CEO of Alexander McQueen

March 21, 2022 - Kering announced the appointment of Gianfilippo Testa as CEO of Alexander McQueen, effective May 2022. Mr. Testa will report to François-Henri Pinault. He succeeds Emmanuel Gintzburger, who has decided to leave the Group to pursue new professional challenges outside Kering.

Partnership agreement in support of integrating young, vulnerable and disabled people

April 22, 2022 – On April 19, 2022, Kering and the French Ministry of Labor, Employment and Economic Inclusion signed a charter through which they will partner to help integrate and support young, vulnerable, and disabled people in the labor market. Kering has undertaken to take practical action to help young people gain employment and make roles accessible to disabled people through recruitment, work/study programs, mentoring and immersive work experience through the Contrat d'Engagement Jeune (youth commitment contract).

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

April 28, 2022 – Kering issued €1.5 billion of new bonds, comprising one tranche of €750 million with a three-year maturity and a coupon of 1.25% and a €750 million tranche with an eight-year maturity and a coupon of 1.875%. This issue, which forms part of the Group's active liquidity management, enhances its funding flexibility by enabling it to refinance existing debt and, in part, finance the Maui Jim acquisition.

Kering launches an employee share ownership plan

May 4, 2022 – Kering announced the launch of its first employee share ownership plan, entitled KeringForYou. The program gave eligible employees the opportunity to become Kering shareholders on preferential terms. The price for subscribing shares under the program was set at €394, corresponding to Kering's average opening share price on Euronext Paris during the 20 trading sessions from April 19 to May 16, 2022, less a 20% discount and rounded up to the nearest cent.

Stock Repurchase Program: launch of the third tranche

May 17, 2022 – Pursuant to the Stock Repurchase Program announced on August 25, 2021, covering up to 2.0% of its share capital over a 24-month period, Kering has signed a new share buyback agreement with an investment service provider.

Capital increase as part of the employee share ownership plan

July 7, 2022 – On July 7, 2022, the Group Managing Director, following decisions by the Board of Directors on December 9, 2021, and May 23, 2022, with respect to the employee share ownership plan, increased Kering SA's share capital by €411,448 through the issue of 102,862 new ordinary shares. This increased the overall share capital to €499,183,112, divided into 124,795,778 shares with a par value of €4 each.

MEETING OF THE BOARD OF DIRECTORS ON JULY 27, 2022

Changes in the membership of Board of Directors

Jean Liu tendered her resignation from her role as a member of Kering's Board of Director with effect from July 27, 2022, and the Board accepted her resignation. Ms. Liu had been an independent Director since June 16, 2020.

Vincent Schaal was appointed as Director representing employees by the Social and Economic Committee, replacing Claire Lacaze whose term of office comes to an end on July 31, 2022.

As a result, Kering's Board of Directors now consists of 13 members, including:

Six independent directors (55% of Board members excluding Directors representing employees in accordance with the AFEP-MEDEF code);

Five women (45% of Board members excluding Directors representing employees in accordance with the AFEP-MEDEF code);

Five different nationalities (British, French, Italian, Ivorian and Turkish).

Completion of the third tranche of the stock repurchase program

The third tranche of the Stock Repurchase Program (announced on August 25, 2021, with the aim of repurchasing up to 2.0% of Kering's share capital over a 24-month period) was completed on July 19, 2022. Between May 18 and July 19, 2022, 650,000 shares were repurchased at an average price of €485.53 per share, representing around 0.5% of the share capital. The Board of Directors decided at its meeting of July 27, 2022, to cancel 400,000 of the shares repurchased in this tranche by the end of 2022.

The first two tranches of the program had been completed on November 3, 2021, and April 6, 2022, respectively:

	Tranche 1	Tranche 2
Repurchase period	August 25 to November 3, 2021	February 23 to April 6, 2022
Number of shares repurchased	650,000, representing around 0.5% of the share capital	650,000, representing around 0.5% of the share capital
Average price of shares repurchased	€643.70 per share	€578.71 per share
Allocation of repurchased shares	325,000 shares were canceled on December 10, 2021, pursuant to a decision by the Board of Directors at its meeting on December 9, 2021.	The Board of Directors decided in its meeting of April 28, 2022, to cancel 325,000 shares by the end of 2022.

CONSOLIDATED INCOME STATEMENT

<i>(in € millions)</i>	First half 2022	First half 2021
CONTINUING OPERATIONS		
Revenue	9,930	8,047
Cost of sales	(2,552)	(2,105)
Gross margin	7,378	5,942
Personnel expenses	(1,376)	(1,163)
Other recurring operating income and expenses	(3,182)	(2,542)
Recurring operating income	2,820	2,237
Other non-recurring operating income and expenses	(13)	(17)
Operating income	2,807	2,220
Financial result	(19)	(126)
Income before tax	2,788	2,094
Income tax expense	(747)	(595)
Share in earnings (losses) of equity-accounted companies	2	1
Net income from continuing operations	2,043	1,500
<i>o/w attributable to the Group</i>	1,987	1,462
<i>o/w attributable to minority interests</i>	56	38
DISCONTINUED OPERATIONS		
Net income (loss) from discontinued operations	1	17
<i>o/w attributable to the Group</i>	1	17
<i>o/w attributable to minority interests</i>	-	-
TOTAL GROUP		
Net income of consolidated companies	2,044	1,517
<i>o/w attributable to the Group</i>	1,988	1,479
<i>o/w attributable to minority interests</i>	56	38

<i>(in € millions)</i>	First half 2022	First half 2021
Net income attributable to the Group	1,988	1,479
Basic earnings per share <i>(in €)</i>	16.09	11.85
Diluted earnings per share <i>(in €)</i>	16.08	11.85
Net income from continuing operations attributable to the Group	1,987	1,462
Basic earnings per share <i>(in €)</i>	16.08	11.71
Diluted earnings per share <i>(in €)</i>	16.07	11.71
Net income from continuing operations (excluding non-recurring items) attributable to the Group	1,977	1,477
Basic earnings per share <i>(in €)</i>	15.99	11.84
Diluted earnings per share <i>(in €)</i>	15.99	11.84

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(in € millions)</i>	First half 2022	First half 2021
Net income	2,044	1,517
<i>o/w attributable to the Group</i>	<i>1,988</i>	<i>1,479</i>
<i>o/w attributable to minority interests</i>	<i>56</i>	<i>38</i>
Change in currency translation adjustments relating to consolidated subsidiaries:	142	87
<i>change in currency translation adjustments</i>	<i>142</i>	<i>87</i>
<i>amounts transferred to the income statement</i>	<i>-</i>	<i>-</i>
Change in foreign currency cash flow hedges:	(84)	(116)
<i>change in fair value</i>	<i>(212)</i>	<i>(66)</i>
<i>amounts transferred to the income statement</i>	<i>123</i>	<i>(56)</i>
<i>tax effects</i>	<i>5</i>	<i>6</i>
Change in other comprehensive income (loss) of equity-accounted companies:	-	-
<i>change in fair value</i>	<i>-</i>	<i>-</i>
<i>amounts transferred to the income statement</i>	<i>-</i>	<i>-</i>
Gains and losses recognized in equity, to be transferred to the income statement	58	(29)
Change in provisions for pensions and other post-employment benefits:	13	8
<i>change in actuarial gains and losses</i>	<i>15</i>	<i>9</i>
<i>tax effects</i>	<i>(2)</i>	<i>(1)</i>
Change in financial assets measured at fair value:	(207)	56
<i>change in fair value</i>	<i>(249)</i>	<i>36</i>
<i>tax effects</i>	<i>42</i>	<i>20</i>
Gains and losses recognized in equity, not to be transferred to the income statement	(194)	64
Total gains and losses recognized in equity	(136)	35
<i>o/w attributable to the Group</i>	<i>(160)</i>	<i>30</i>
<i>o/w attributable to minority interests</i>	<i>24</i>	<i>5</i>
COMPREHENSIVE INCOME	1,908	1,552
<i>o/w attributable to the Group</i>	<i>1,828</i>	<i>1,509</i>
<i>o/w attributable to minority interests</i>	<i>80</i>	<i>43</i>

CONSOLIDATED BALANCE SHEET

Assets

<i>(in € millions)</i>	June 30, 2022	Dec. 31, 2021
Goodwill	2,921	2,891
Brands and other intangible assets	7,021	7,032
Lease right-of-use assets	4,696	4,302
Property, plant and equipment	3,054	2,967
Investments in equity-accounted companies	31	31
Non-current financial assets	884	1,054
Deferred tax assets	1,517	1,352
Other non-current assets	2	6
Non-current assets	20,126	19,635
Inventories	4,065	3,369
Trade receivables and accrued income	1,077	977
Current tax receivables	927	822
Current financial assets	84	22
Other current assets	1,128	975
Cash and cash equivalents	5,790	5,249
Current assets	13,071	11,414
Assets held for sale	-	19
TOTAL ASSETS	33,197	31,068

Equity and liabilities

<i>(in € millions)</i>	June 30, 2022	Dec. 31, 2021
Equity attributable to the Group	13,474	13,347
Equity attributable to minority interests	443	389
Equity	13,917	13,736
Non-current borrowings	4,029	2,976
Non-current lease liabilities	4,231	3,826
Non-current financial liabilities	-	-
Non-current provisions for pensions and other post-employment benefits	80	89
Non-current provisions	23	16
Deferred tax liabilities	1,465	1,452
Other non-current liabilities	216	198
Non-current liabilities	10,044	8,557
Current borrowings	2,703	2,442
Current lease liabilities	716	675
Current financial liabilities	333	743
Trade payables and accrued expenses	2,347	1,742
Current provisions for pensions and other post-employment benefits	12	12
Current provisions	136	138
Current tax liabilities	1,438	1,148
Other current liabilities	1,551	1,826
Current liabilities	9,236	8,726
Liabilities associated with assets held for sale	-	49
TOTAL EQUITY AND LIABILITIES	33,197	31,068

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(in € millions)</i>	First half 2022	First half 2021
Net income from continuing operations	2,043	1,500
Net recurring charges to depreciation, amortization and provisions on non-current operating assets	797	714
Other non-cash (income) expenses	(264)	(102)
Cash flow received from operating activities	2,576	2,112
Interest paid (received)	127	115
Dividends received	(4)	(2)
Current tax expense	804	670
Cash flow received from operating activities before tax, dividends and interest	3,503	2,895
Change in working capital requirement	(476)	12
Income tax paid	(617)	(209)
Net cash received from operating activities	2,410	2,698
Acquisitions of property, plant and equipment and intangible assets	(361)	(345)
Disposals of property, plant and equipment and intangible assets	-	1
Acquisitions of subsidiaries and associates, net of cash acquired	(11)	19
Disposals of subsidiaries and associates, net of cash transferred	-	(1)
Acquisitions of other financial assets	(119)	(90)
Disposals of other financial assets	3	823
Interest and dividends received	6	2
Net cash received from (used in) investing activities	(482)	409
Dividends paid to shareholders of Kering SA	(1,483)	(998)
Dividends paid to minority interests in consolidated subsidiaries	(22)	(9)
Transactions with minority interests	(22)	(81)
(Acquisitions) disposals of Kering treasury shares	(648)	(118)
Issuance of bonds and bank debt	1,708	39
Redemption of bonds and bank debt	(348)	(220)
Issuance (redemption) of other borrowings	223	156
Repayment of lease liabilities	(395)	(372)
Interest paid and equivalent	(128)	(130)
Net cash received from (used in) financing activities	(1,115)	(1,733)
Net cash received from (used in) discontinued operations.	(8)	4
Impact of exchange rates on cash and cash equivalents	(11)	10
Net increase (decrease) in cash and cash equivalents	794	1,388
Cash and cash equivalents at opening	4,516	3,000
Cash and cash equivalents at closing	5,310	4,388



REVENUE FOR THE FIRST AND SECOND QUARTERS OF 2022

(in € millions)

	H1 2022	H1 2021	Reported change	Comparable change ⁽¹⁾	Q2 2022	Q2 2021	Reported change	Comparable change ⁽¹⁾	Q1 2022	Q1 2021	Reported change	Comparable change ⁽¹⁾
Gucci	5 173	4 479	+15%	+8%	2 582	2 312	+12%	+4%	2 591	2 168	+20%	+13%
Yves Saint Laurent	1 481	1 046	+42%	+34%	742	529	+40%	+31%	739	517	+43%	+37%
Bottega Veneta	834	708	+18%	+13%	438	379	+15%	+10%	396	328	+21%	+16%
Other Houses	1 955	1 485	+32%	+29%	982	766	+28%	+24%	973	719	+35%	+35%
Kering Eyewear and Corporate	591	396	+49%	+26%	283	204	+39%	+17%	308	192	+60%	+35%
<i>Eliminations</i>	(104)	(67)	-	-	(53)	(33)	-	-	(51)	(34)	-	-
KERING	9 930	8 047	+23%	+16%	4 974	4 157	+20%	+12%	4 956	3 890	+27%	+21%

⁽¹⁾ On a comparable scope and exchange rate basis.

MAIN DEFINITIONS

“Reported” and “comparable” growth

The Group’s “reported” growth corresponds to the change in reported revenue between two periods.

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

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

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

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

Recurring operating income

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

Other non-recurring operating income and expenses consist of items that, by their nature, amount or frequency, could distort the assessment of the Group’s operating performance as reflected in its recurring operating income. They include changes in 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.