

K E R I N G



2018
Integrated Report

To craft tomorrow’s Luxury, at Kering we are convinced that we must continually exceed our limits, support our Houses and engage with the entire industry and our stakeholders. Inspired by the guidelines of the International Integrated Reporting Council (IIRC), this publication is aligned with extending this strategic initiative. It presents an overall picture of the Group and its history, our strategic vision and perspective, and our integrated business model designed to create value in every aspect of our activities – creative, financial, environmental, ethical, and social.

Scope
The data presented in this document are for the entire Kering group for 2018. We note that 2017 data have been restated to exclude PUMA, Volcom, Stella McCartney and Christopher Kane. Information relating to these activities is outlined within discontinued operations in Kering’s 2018 Reference document.

The definition of “comparable” for the data presented in this report as such is detailed in the Reference document (p. 248).

Change
In order to strengthen understanding of its activities, Kering has enhanced this edition with a presentation of its exceptional craftsmanship (p. 32) and outlines three capitals that are key to its value creation (p 56). The report concludes with an infographic summarizing the Group’s approach to value creation (p. 68).

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“We are convinced that the Group’s responsible business approach is an integral part of our vision of modern Luxury.”



Kering’s vision of Luxury, which places creativity at the heart of all our activities, demonstrated its relevance once again in 2018. It was an excellent year for Kering and its Houses. The Group achieved revenue of €13.7 billion, up 29% from 2017 on a comparable basis, generating €2.8 billion in incremental revenues through organic growth and further development of our synergies.

Credit for this strong, profitable, and healthy growth goes first of all to the Group’s 35,000 employees and their unfailing commitment. Every day, they work with passion, audacity, and determination to make our Houses even more dynamic and more appealing to our customers.

This growth also testifies to the soundness of our business model and our approach to creating value – financial, creative, ethical, environmental, and social value – for our

customers, our employees, our shareholders, and all our stakeholders. Because we do not separate economic imperatives from the ambition that motivates us and that goes beyond achieving outstanding economic performance. Every day, we make sure the ethical principles that guide our responsible business practices are respected. We believe the Group’s responsible business approach is an integral part of our vision of modern Luxury. That is why we have made a culture of integrity, diversity, inclusivity, and sustainability the core of our integrated model.

At Kering, crafting tomorrow’s Luxury calls for continual dialogue and interaction – within the Group, of course, but beyond it as well, with civil society as a whole, with our suppliers and our partners, with innovators, with educational and research institutions, and with non-governmental organizations that we work with to protect the

planet and promote respect of human rights. It also means committing through our Foundation to supporting women and combating the violence suffered by so many of them. These coalitions and continual exchanges strengthen and sustain our performance. Our goal is ambitious: to be the world’s most influential Luxury group in terms of creativity, sustainability, and long-term economic performance. Each day we work with passion and dedication to achieve it.

François-Henri Pinault
Chairman and
Chief Executive Officer

A GROUP GUIDED BY ENTREPRENEURIAL SPIRIT

1963

1988

1999

2013

2018



ORIGINS

1963 — François Pinault establishes the Pinault group, specializing in lumber trading

1988 — Listing of Pinault SA on the Paris Stock Exchange

GROWTH OF A LEADER IN RETAIL DISTRIBUTION

1990 — Acquisition of Cfao

1991 — Acquisition of Conforama

1992 — Takeover of Au Printemps SA (majority shareholder of La Redoute and Finaref)

1994 — Takeover of Fnac; the Group's name is changed to Pinault - Printemps-Redoute

THE MOVE INTO LUXURY

1999 — Acquisition of a 42 % stake in Gucci Group, then incremental increase until 99.4 % stake in 2004

2000 - 2004 — Acquisition of Yves Saint Laurent, Boucheron, Bottega Veneta, and Balenciaga; partnership agreements with Stella McCartney and Alexander McQueen

2007 — Equity interest in PUMA is increased to 62.1 %

2008 - 2014 — Acquisitions in the Jewelry and Watchmaking sectors

2003 - 2014 — Divestment of retail distribution activities

AN INTEGRATED LUXURY GROUP

2013 — PPR becomes Kering

Acquisition of strategic tanneries

2015 — Launch of Kering Eyewear

2016 — Integration within Supply chain

KERING, A LUXURY PURE PLAYER

2018 — Distribution in kind of PUMA shares to Kering's shareholders (70 % out of the 86 % owned) and withdrawal from Volcom

Group's withdrawal announced from Stella McCartney, Christopher Kane, and Thomas Maier

Group Profile and Vision

From a conglomerate of diversified retail activities, Kering has transformed itself into a luxury pure player with Houses focusing on personal Luxury goods.

Group Profile – p. 6
Vision – p. 10
Market trends – p. 12

KERING, A GLOBAL
LUXURY GROUP WITH
EXCEPTIONAL HOUSES

€13.7 bn
in revenue

€3.94 bn
in recurring operating
income

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

34,795
employees

expression while crafting tomorrow's Luxury in a sustainable and responsible way. We capture these beliefs in our signature: "Empowering Imagination."

In 2018, Kering had almost 35,000 employees and revenue of €13.7 billion.

The Kering share is listed on Euronext Paris (ISIN: FR 0000121485, Reuters: PRTP.PA, Bloomberg: KER.FP). It is notably listed on the CAC 40 and EURO STOXX 50 indexes.

AN ENSEMBLE OF HOUSES WITH DISTINCTIVE
IDENTITIES AND A TRADITION OF EXCELLENCE

- GUCCI
- SAINT LAURENT
- BOTTEGA VENETA
- BALENCIAGA
- ALEXANDER MCQUEEN
- BRIONI
- BOUCHERON
- POMELLATO
- DODO
- QEELIN
- ULYSSE NARDIN
- GIRARD-PERREGAUX
- KERING EYEWEAR

KEY
FIGURES

FIND OUT MORE:

— 2018 Reference document:
Chapter 4. Report on corporate
governance

SUSTAINABLE GROWTH
SUPPORTED BY A STABLE
SHAREHOLDER STRUCTURE

Having grown out of a family, Kering is 40.9% owned by Art  mis, controlled by the Pinault family. With the support of institutional shareholders, individual shareholders and employees, this strong and long-lasting shareholder structure enables the Group to ensure effective decision-making, aligning with its long-term strategy vision. The solidity of this structure is combined with internationalized capital over 10 years, which reflects the Group’s worldwide growth and its transformation.

LOYAL SHAREHOLDERS
REWARDED FOR THEIR
SUPPORT

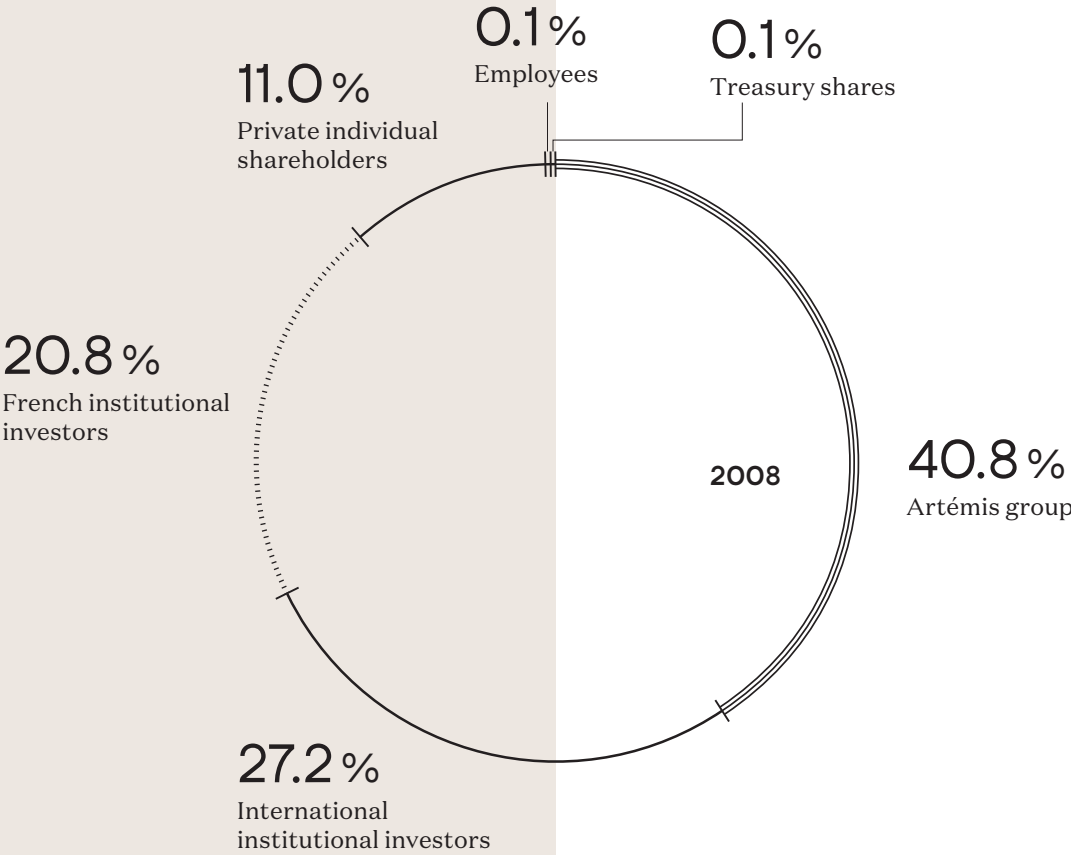
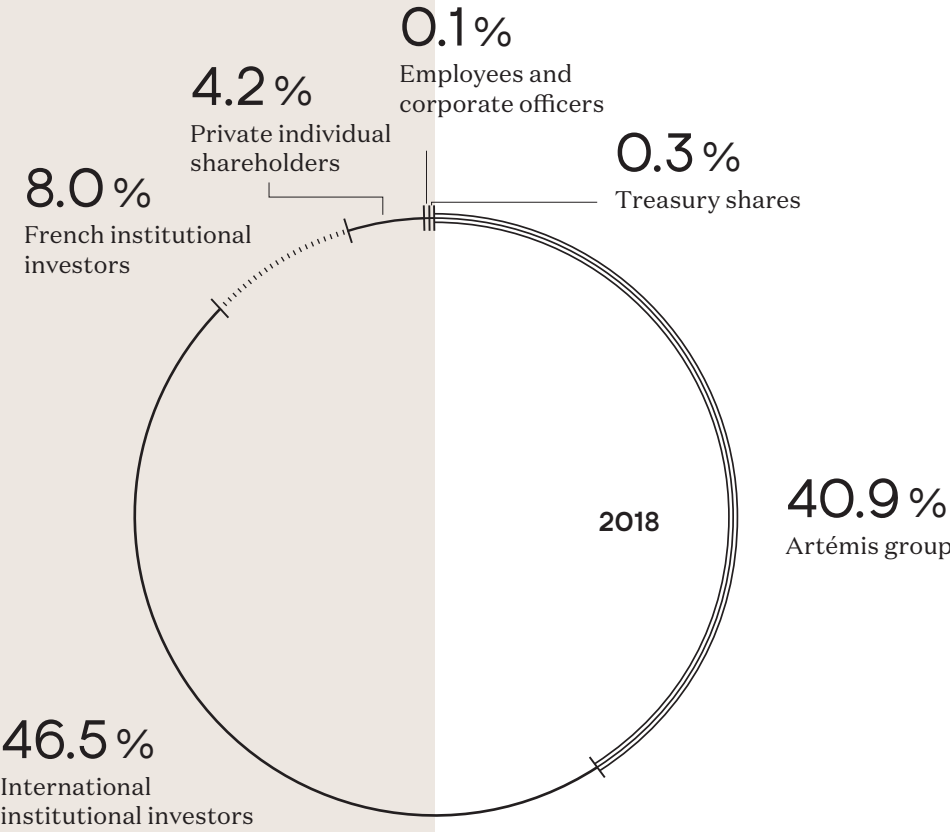
Shareholders’ trust is rewarded through the share’s performance on financial markets, confirmed again this year, up 13% on 2018, clearly outperforming the entire CAC 40 (-11%). Kering gives priority to a balanced and attractive payout policy. In 2018, the dividend in cash was up 75%, at   10.50*. The year was also marked by an exceptional payout of the Group’s interest in PUMA (70% out of the total 86% owned, at 1 PUMA share for 12 Kering shares held).

The Group also rewards its shareholders’ loyalty through

double voting rights granted to each share held in registered form for at least two years.

Lastly, Kering is committed to developing a relationship of trust and regular discussions with all its investors and shareholders, using formats tailored to each audience: participation in industry conferences, one-to-one meetings, roadshows, site visits and letters to shareholders.

*Subject to the approval at the Annual General Meeting from April 24, 2019



CHANGE IN SHARE OWNERSHIP (AS OF DECEMBER 31)

**KERING'S VISION:
EMBRACING CREATIVITY FOR
A MODERN, BOLD VISION OF LUXURY**

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

Our ambition: to be the world’s most influential Luxury group in terms of creativity, sustainability and long-term economic performance.

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

A new generation of consumers means new customer expectations. Tradition and expertise, which many luxury brands have relied on for decades, are no longer enough. Consumers today want to express their unique

individuality – and our vision of Luxury supports this radical shift. We dare to take risks, think differently, and constantly propose fresh and innovative ideas that inspire emotion and enthusiasm for our exceptional products capable of expressing each consumer’s distinctive personality.

What Kering and its Houses propose is an experience. Our values are closely tied to a powerful, creative content imbued with modernity and are complemented by the entrepreneurial spirit that permeates each of our brands and by the vision of our creative

teams. Kering is made up of women and men who strive each day to create authentic, ever-changing Luxury.

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

Pronounced “caring”, Kering is much more than a play on words – it gives meaning to everything we do.

LUXURY: A DYNAMIC MARKET WITH NEW CHALLENGES

Guided by a strong and bold vision, Kering has become a leader in the continually evolving luxury industry. In pursuit of sustainable growth, the Group has adopted a business model and a strategy perfectly aligned with the challenges of tomorrow’s Luxury, while establishing itself as an industry trendsetter. Every day, Kering seeks to combine our rich heritage of exceptional know-how with the expectations of new generations of customers.

Although fragmented, the luxury industry is characterized by a few major global players such as Kering, and it is currently undergoing significant structural changes. In an environment shaped by strong uncertainty – geopolitical tensions, volatile exchange rates, less consistent global GDP growth – in 2018, the market confirms more normalized growth, up 6% at comparable exchange rates, to reach €260 billion.

Chinese and American consumers were the main contributors to this growth: in 2018, they account

for more than half of the market in value. Sales in China saw outstanding growth of 20%. Online sales also contributed to the industry’s robustness since they were up 22% represented nearly 10% of sales in Luxury. More connected, Luxury consumers are also more diverse. Coming from a middle class background, emerging countries, millennials, and notably generations Y and Z, they are seeking a strong creative and differentiated product offering together with a customer experience that is both personalized and integrated

across physical and digital distribution channels.

To tap into the full potential of this revitalized market, Kering has identified four major trends from the multiple changes that impact the industry:

- New growth drivers
- Increasing environmental and technological challenges
- New consumption habits
- Increased demand for transparency

IMPACTS

NEW GROWTH DRIVERS

Fast-growing middle classes in emerging countries
Larger number of wealthy individuals worldwide
Increase in discretionary spending
Increased global mobility



Outlook for 2025

€320–365 bn

estimation for personal
Luxury goods market

Emergence of new consumer categories, notably middle class
Relevance of the omnichannel approach and development of travel retail
Development of local and tourist customers

INCREASING ENVIRONMENTAL AND TECHNOLOGICAL CHALLENGES

Growing consumer concern about environmental issues
Increased competition for high-quality raw materials
New challenges related to data management
Development of artificial intelligence (AI), a new, extra performance driver



Outlook for 2025

25 %

share of e-commerce
in total personal luxury
goods sales

Reserves of creativity and innovation for products and processes
Exemplarity of Kering and recognition by all stakeholders
Acceleration of digital transformation and sophistication of the CRM approach
Personalization of customer service and stronger relations with our audiences

NEW CONSUMPTION HABITS

Young customers, more connected, searching for quality, innovation, and a sense of purpose (millennials)
Globalization and digitization of consumption habits
New consumer experiences explored (rental, subscription, etc.)



Outlook for 2025

55 %

of the market driven
by generations Y and Z

Multiplication of distribution channels (e-commerce, travel retail, etc.)
Development of the brand universe through directly operated store network
An omnichannel experience supported by global communication

INCREASED DEMAND FOR TRANSPARENCY

New stakeholders’ expectations as regards the environment, society and ethics
Increased regulatory obligations
Greater transparency in supplier relations
The need to communicate about a company’s impact beyond its economic performance



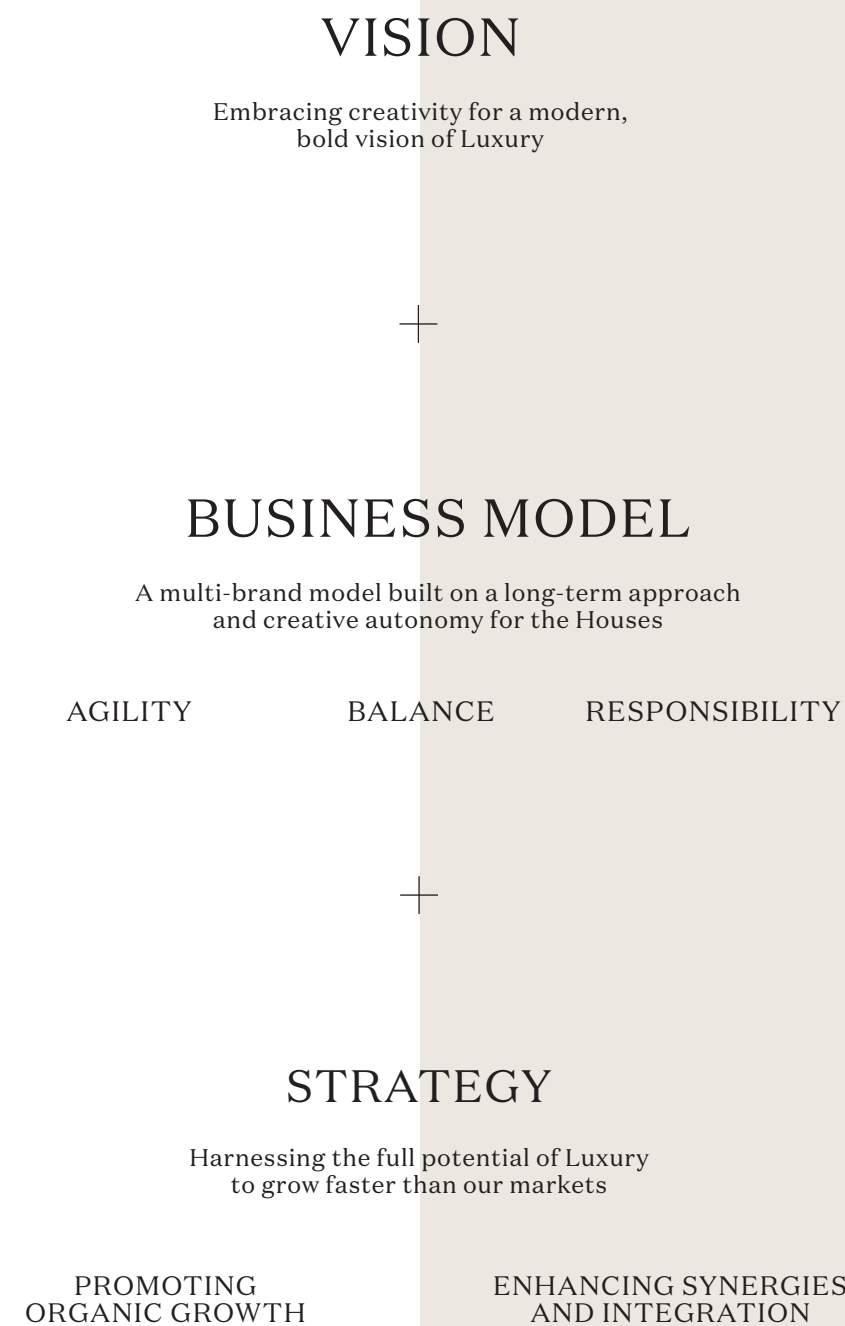
Outlook for 2025

100 %

of Group raw materials
traced back to their origin

Attraction and retention of talents by becoming the preferred employer
Improved standards throughout the entire value chain
Exemplarity of Kering and recognition by all stakeholders

OPPORTUNITIES



Business model and Strategy

Our vision leverages our multi-brand business model, guiding our strategy. Their coherence and alignment lay solid foundations in order to achieve our ambition.

Business model — p. 16
Strategy — p. 20

A MULTI-BRAND MODEL BUILT ON A LONG-TERM APPROACH AND CREATIVE AUTONOMY OF OUR HOUSES

Our international reach and strong brands along with the creative autonomy we give to each House and the unmatched quality of our products make Kering one of the foremost players in Luxury. Our integrated business model, which is unrivalled in the industry supports the rapid growth and excellence of our brands. Our multi-brand model based on a long-term vision and combining agility, balance, and responsibility is crafting tomorrow's Luxury.

AGILITY

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

Constancy

Kering began as a family owned company more than 50 years ago. With a strong and stable controlling shareholder, Kering boasts an attractive and sustainable profile conducive to developing our vision in the luxury goods market over the long-term.

Flexibility

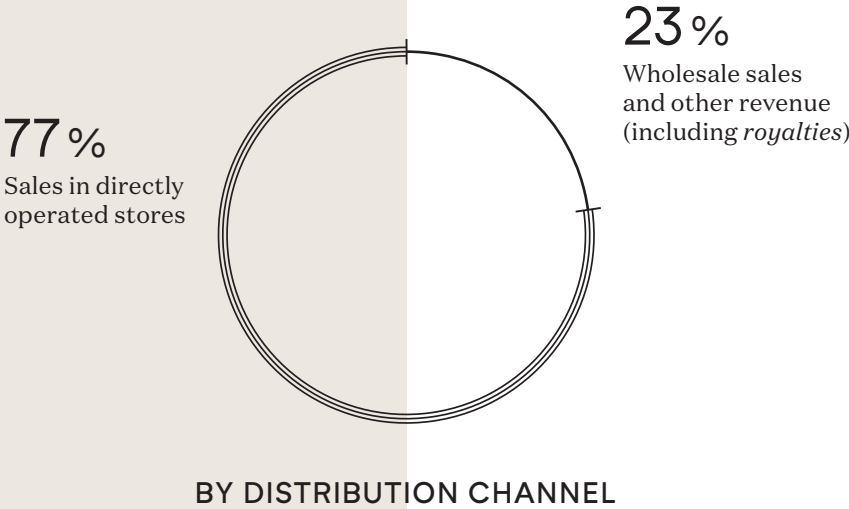
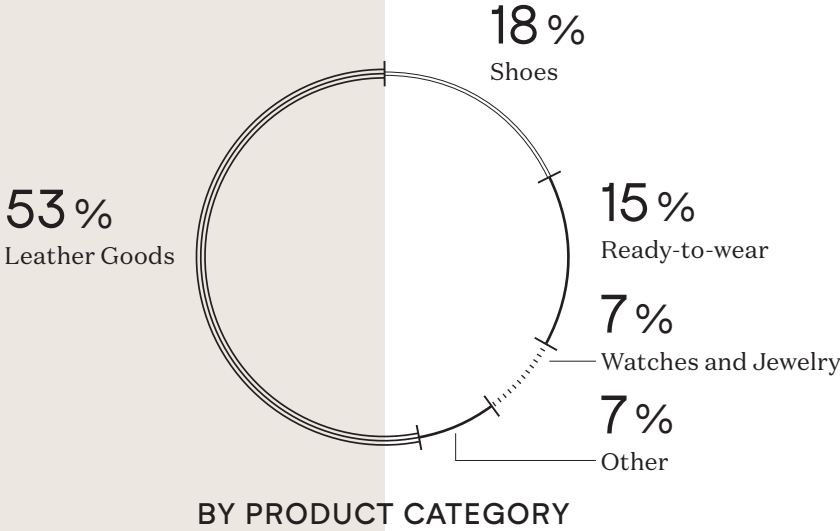
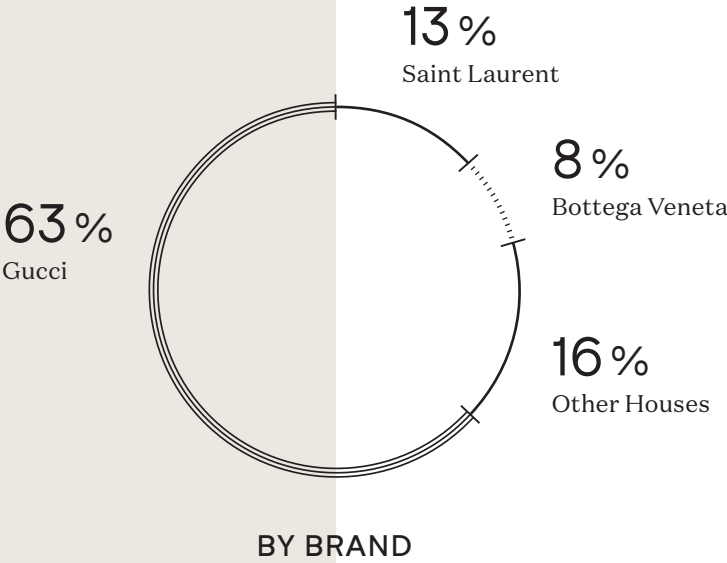
From a conglomerate of diversified retail activities until the early 2000s, Kering has transformed itself into a Luxury group focusing on personal goods. We are now an integrated group bringing together and developing some of the world's most prestigious Houses. Through the years, we have been able to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

Clarity

Kering helps its Houses realize their full growth potential. At each stage of their development, they benefit from the Group's solid integrated value chain and

pooled support functions. By encouraging imagination in all its forms, our organization fosters performance while enabling our Houses to unleash the best of their talent and creativity. The Group ensures that performance is aligned with the brands' long-term visions and objectives. Thanks to our capacity for self-reflection and big-picture thinking, we can achieve the clarity necessary to secure the performance of the Group and its Houses.

BREAKDOWN OF REVENUE IN 2018



BALANCE

Kering’s multi-brand model is reaching optimal efficiency.

An ensemble of exceptional Houses

Each of our brands evokes a unique blend of emotions and creations. With distinctive positionings, they play complementary roles in a coherent ensemble.

Multi-brand model

We use our strength as a Group to help forge a distinctive identity for each House. Our brands find ways to express their unique characters – couture and

accessories for some, jewelry or traditional watchmaking for others. The Group supports the brands by providing its expertise, improving supply chain reliability and opening up access to distribution networks, as well as enhancing customer experience, especially in digital channels, and promoting communications. It also encourages its Houses to share best practices with a view to driving innovation.

Growth prospects

Benefiting from growth drivers intrinsic to the luxury industry, Kering reinforces its growth potential by placing creative boldness at the heart of its model. So, while our most firmly established Houses are reinventing

themselves and re-engaging with their audiences, our emerging brands are focused on realizing their full potential and gaining new customers.

Ready to weather adverse market conditions

With both mature and emerging brands in various specialties, segments, and markets, Kering has an extensive footprint in geographically diverse regions. Due to the variety of its customers, products, brands and locations, the Group is well placed to weather market changes in market conditions and seize growth opportunities.

RESPONSIBILITY

All our operations are founded on Kering’s responsible business model. Our comprehensive, sustainable approach is a structural competitive advantage.

Towards sustainable Luxury

For Kering, Luxury and sustainability are one: performance will only endure if it applies across the Group. Having set itself measurable sustainability targets, Kering is changing the way it designs Luxury products through the inclusion of non-financial criteria to create sustainable value for customers as well as for society. Sustainability is an economic opportunity, a source of inspiration and innovation.

A people-centered approach

The aim of the responsible model is to rethink Kering’s relationships with its stakeholders so as to ensure fair and ethical treatment that constantly takes into account the social and environmental impacts of the Group’s operations. The model impacts all dimensions of Kering’s ecosystem, from the Group’s strategy and the Houses’ creative decisions to operational production, processing and distribution choices. Placing people at the heart of the model brings fresh entrepreneurial spirit, inspiring and engaging employees and stakeholders.

Creative potential

Responsibility brings about short- and long-term competitive gains and promotes growth through ever more innovative and attractive products, it rewards best business practices such as good cost control

and process upgrading. In a context of limited natural resources, new high-quality materials are being fashioned and more sustainable processes devised. For our Houses, this represents a vast swathe of creative territory yet to be explored.

Governance and ethics

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

FIND OUT MORE

- 2018 Reference document: Chapter 1. Kering in 2018 Chapter 3. Sustainability
- Code of Ethics
- Website: 2025 Strategy

ETHICS, THE CORNERSTONE OF OUR BUSINESS PRACTICES.

Ethics and sustainability are central to our activities and the way we do business. No company is sustainable if it is

not trustworthy. We earn trust by demonstrating every day our commitment to responsible business practices.

1996

Group's first Ethics Charter

2005

Deployment of the Group's first Code of Ethics and creation of the Ethics Committee

2013

Overhauled Code of Ethics

Set up of two regional Ethics Committees (Asia-Pacific and Americas) and an Ethics hotline for all Group employees worldwide

2014

Launch of a worldwide ethics training campaign for all Group employees, which is repeated each year

2018

Kering's Ethics hotline expanded to the Group's partners and suppliers

Update of Code of Ethics with commitment from the Group Executive Committee and reviewed by Board of Directors, to be released in 2019

In 2018:
— 84.9 % have completed the annual training on Code of Ethics
— 38 complaints handled by the Group's Ethics Committees

HARNESSING THE FULL POTENTIAL OF LUXURY TO GROW FASTER THAN OUR MARKETS

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

PROMOTING ORGANIC GROWTH

The Group aims to build on its outstanding performance to strengthen and sustain this momentum in the coming years, giving priority to the development of its Houses.

Above-market performance in a growth industry

The future of the luxury goods market is structurally bright and offers Kering major sources of value creation. The challenge for each of our Houses is to outperform its respective market in all segments and categories.

Product innovation

Energized by new creative teams, our Houses are setting trends in most of their specialties. Backed by the Group, they are moving into new product categories and coming up with ever more fresh ideas. Their offerings meet their

customers' expectations and aspirations by arousing desire, inspiring dreams, and tapping into emotions.

Sales efficiency

In their networks of directly operated stores, our brands deploy initiatives to optimize comparable store sales performance through an increasingly effective merchandising and in-store operational excellence, supported by the Group and its dedicated teams.

Customer experience

Improving the quality of in-store customer experience is central to driving sales performance. Personalization, support for customer before, during and after the purchase must be as distinctive as our collections and enable us to create and sustain lasting connections with our customers.

Omni-channel approach

Our customer relations strategy is epitomized by continuity on all

communication and distribution channels. This holistic omni-channel approach is supported by targeted directly operated store extensions and strategies for distribution agreements, travel retail, e-commerce, social media and digital communication in a strategy to control the entire value chain.

Digital expertise, CRM and innovation

Digital is accelerating and deepening our customer relations, offering exceptional customer experiences. A number of projects have been set up, driven by a dedicated data science team, under the leadership of the Group's Chief Digital Officer. The goal is to instill an internal culture of innovation and produce personalized customer experiences. These projects are rolled out to support Kering's digital transformation and drive e-commerce, CRM, data science and innovation activities whilst considering future scenarios in sales and sustainability.

PROMOTING ORGANIC GROWTH

Above-market performance in a growth industry
Product innovation
Sales efficiency

Customer experience
Omni-channel approach
Digital expertise, CRM and Innovation

HARNESSING THE FULL POTENTIAL OF LUXURY TO GROW FASTER THAN OUR MARKETS

Resource pooling
Cross-business expertise

Vertical integration
Talent excellence

ENHANCING SYNERGIES AND INTEGRATION

ENHANCING SYNERGIES
AND INTEGRATION

Our integrated model gives us a distinct advantage. Each of our Houses benefits from Group-wide synergies while preserving their unique characters and exclusivity.

Resource pooling

To enable our Houses to concentrate on what really counts – creation, production quality, product range development and renewal, customer relations, etc.– the Group pools resources and streamlines certain strategic functions (logistics, purchasing, legal affairs, property, advertising space buying, IT systems, etc.).

Cross-business expertise

To enrich its brands’ offerings, the Group draws on cross-business expertise. Kering Eyewear is a notable example. Our Houses benefit from a dedicated specialist

that ensures full control over the value chain of their frame and sunglasses businesses. This innovative management model enables Kering to harness the full growth potential of its brands in this category and to generate significant value creation opportunities.

Vertical integration

From 2013, the Group strengthened its upstream positioning in the luxury goods value chain, in particular via targeted acquisitions to secure raw materials sourcing. Logistics activities for its Couture & Leather Goods Houses and ready-to-wear prototyping have been centralized. Kering is constantly improving and adapting its operating model to ensure its structures are always more up-to-date and flexible.

Talent excellence

Thanks to an ambitious worldwide human resources framework based on ever-greater mobility, Kering facilitates the growth of

its Houses through a shared pool of talented individuals, expertise and excellence. The Group helps employees reach their potential and express their creativity by developing skills and performance, as well as by offering aspirational development opportunities. Kering also pays careful attention to the role of women, who make up the majority of its employees and customers. Internal systems are in place to guarantee gender equality. The Kering Foundation, which combats violence against women, and the Women in Motion initiative, which showcases the contribution of women to the film industry, strengthen the Group’s commitment to support women.

OUR
TARGETS
FOR 2025

Being a responsible Luxury group means crafting tomorrow’s Luxury. Kering perceives changes as an opportunity and a growth lever. With this in mind, the Group has set itself ambitious targets for 2025.

CARE
FOR THE PLANET

- Reduce EP&L (Environmental Profit & Loss Account) by 40%
- Reduce CO₂ emissions by 50% (Science Based Target)
- Ensure 100% traceability in Group’s key raw materials
- Achieve 100% compliance with the Kering Standards for Group suppliers
- Define and achieve the highest standards in animal welfare

COLLABORATE
WITH PEOPLE

- Preserve the richness of our heritage
- Promote diversity and achieve gender parity in all positions and business lines and at all hierarchical levels of the Group
- Guarantee equal pay across all positions
- Be the preferred employer in the Luxury sector and develop progressive policies in employment

CREATE
NEW BUSINESS MODELS

- Imagine disruptive innovations that can transform conventional processes in Luxury
- Explore new solutions and technologies to promote the circular economy
- Support future generations within the Luxury industry

	2018	2017	VARIATION*
Revenue (in € millions)	13,665	10,816	+26.3 %
EBITDA (in € millions)	4,436	3,123	+42.0 %
Recurring operating income (in € millions)	3,944	2,691	+46.6 %
Recurring operating margin (as a % of revenue)	28.9 %	24.9 %	+4 pts
Net income attributable to owners of the parent (in € millions)	3,715	1,786	+108.1%
Net income from continuing operations (excluding non-recurring items) attributable to owners of the parent (in € millions)	2,817	1,887	+49.3 %
Gross operating investments (in € millions)	828	605	+36.8 %
Free cash flow from operations (in € millions)	2,955	2,206	+34.0 %
Net debt (Gross borrowings – cash in € millions)	1,711	3,049**	-1,337**
Solvency ratio (Net debt / EBITDA)	0.4	0.9	-0.5 pt
Percentage of employees on permanent contract	92.50 %	90.55 %**	+1.95 pt
O/w full-time employees	91.79 %	88.64 %**	+3.19 pts
Percentage of employees trained	58.05 %	56.18 %	+1.87 pt
Percentage of women managers	50.49 %	50.69 %	-0.21 pt
DJSI score	80/100 Silver Class	82/100 Industry Leader	-2 pts Maintained in DJSI World
CDP Climate score	A	A	Maintained in A-list
Global 100 ranking - Corporate Knights	2 nd /100	47 th /100	+45 improvement in ranking
	2017	2015	CHANGE
EP&L intensity (€EP&L/K€ revenue)	€44	€48	-10 %
* Reported			
** Not restated			
24			

Performance

2018 was an excellent year for Kering and its Houses, which once again outperformed the Luxury industry.

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AN OUTSTANDING 2018 PERFORMANCE WITH A FURTHER YEAR OF STRONG PROFITABLE GROWTH

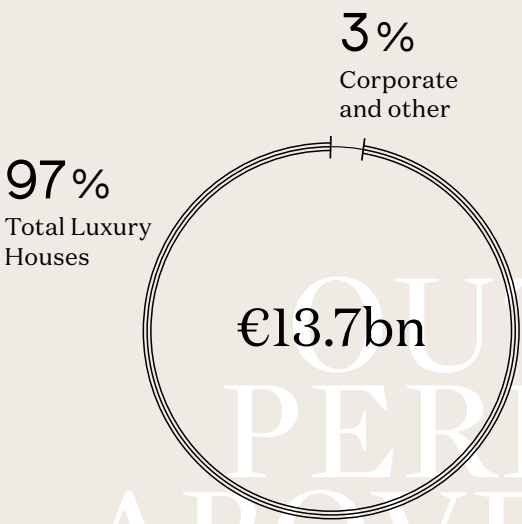
At each stage of our value chain, we express our vision for a modern and bold Luxury, which combined with top-notch execution, has enabled us to outperform our peers and deliver excellent operating and financial results in 2018. This year demonstrated the relevance of our multi-brand model, harnessing the growth of the Luxury goods market across the various segments, regions and consumer groups.

In 2018, the Group achieved €13.7 billion in revenue, thus generating €2.8 billion in incremental revenues. Its recurring operating income doubled in two years, to reach €3.944 billion, thereby achieving record-high profitability. These excellent results are the product of the strength and creative power of our Houses, which have outstanding growth potential.

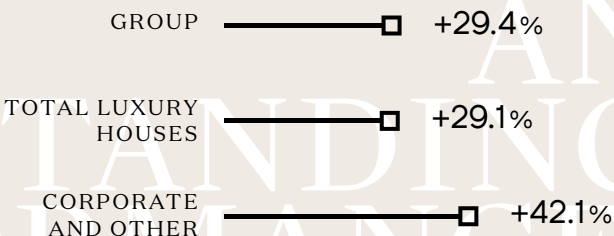
Kering continued to implement its strategy and vision, enabling the Group to anticipate changes in its market environment and continue to win market share, in line with two principles:

- Promoting long-term value creation, and combining boldness and imagination, creativity and assured risk taking, adaptability and agility;
 - Nurturing each House’s potential, with priority given to organic growth and operating cash flow generation.
- Kering achieved another year of record results, along with the completion of its transformation into a luxury pure player, and the distribution to its shareholders of the bulk of its stake in PUMA.

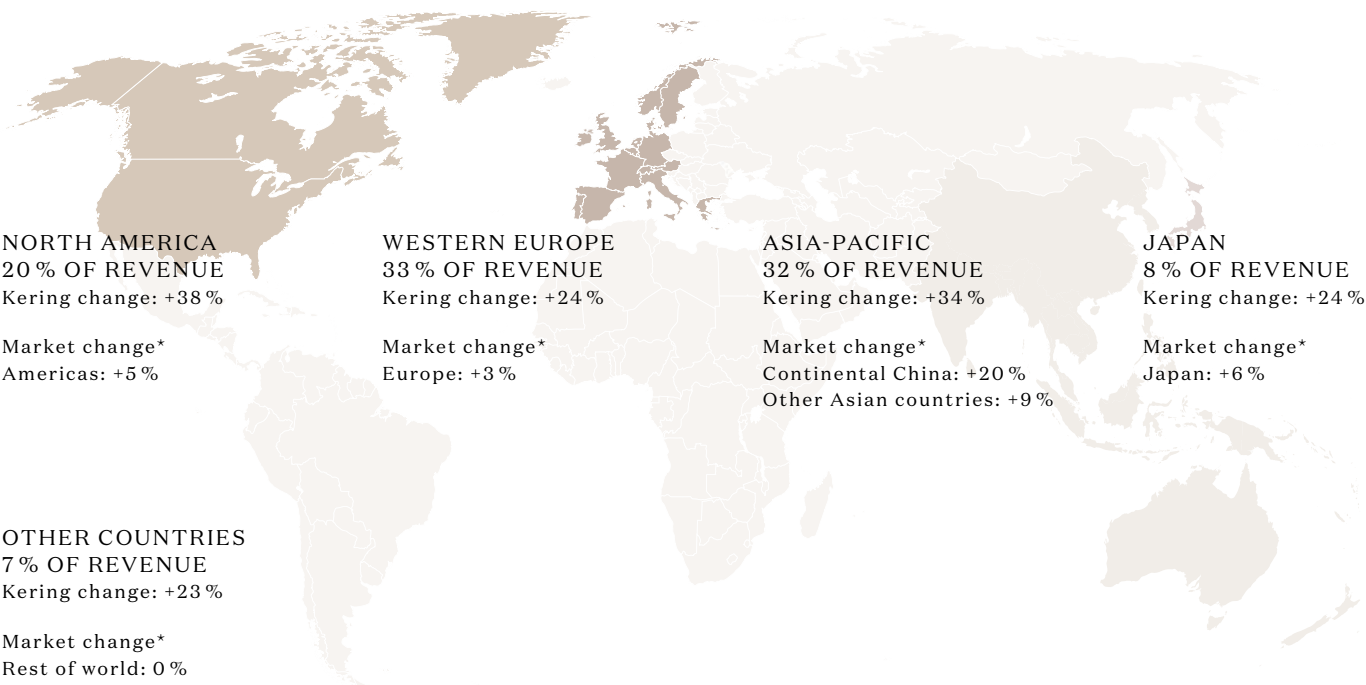
BREAKDOWN OF 2018 REVENUE FROM CONTINUING OPERATIONS



GROUP REVENUE 2018 VS 2017, RESTATED COMPARABLE CHANGE



REVENUE BREAKDOWN AND COMPARABLE CHANGE BY REGION 2018 VS 2017



*Source: The data on the annual market change in the global Luxury Market come from the Bain Luxury Study — Altagamma Worldwide Market Monitor, published in November 2018 and present the annual change at exchange rates on a comparable basis.

Organic growth
Organic growth is our priority in an ever-changing industry

In 2018, the generation of €3 billion in revenue and more than €1 billion in additional recurring operating income was exclusively owing to extraordinary organic growth in our Houses and related operating leverage:

- Growth of 29.1% (on a comparable exchange rate basis) of Luxury activities, bolstered by 31.0% growth in the retail chain, which represents 77% of sales, exceeding €10 billion for the first time, including a significant increase in online sales (above 70%), and sales momentum in the Wholesale chain (growth of 24.1% on a comparable basis);
- Outstanding performances from Gucci with very high comparatives (36.9% increase in comparable revenue)

and Saint Laurent (18.7% on a comparable basis);

- Accelerated growth in the Group’s other luxury brands (32.1% on a comparable basis), driven by Couture and Leather Goods, particularly Balenciaga, which delivered record revenue growth for the second year.

Integration
Every day, Kering leverages the robust model of an integrated group for its brands. The improved efficiency in its structures and the progress made in its integration have significantly contributed to its improved performance in 2018, including Kering Eyewear, whose net contribution to Kering’s revenue totaled €391 million, representing 46.0% growth, at constant exchange rates.

Inseparable from our financial performances, our non-financial achievements result from our

ambition to protect the future of our industry as well as the communities with which we interact:

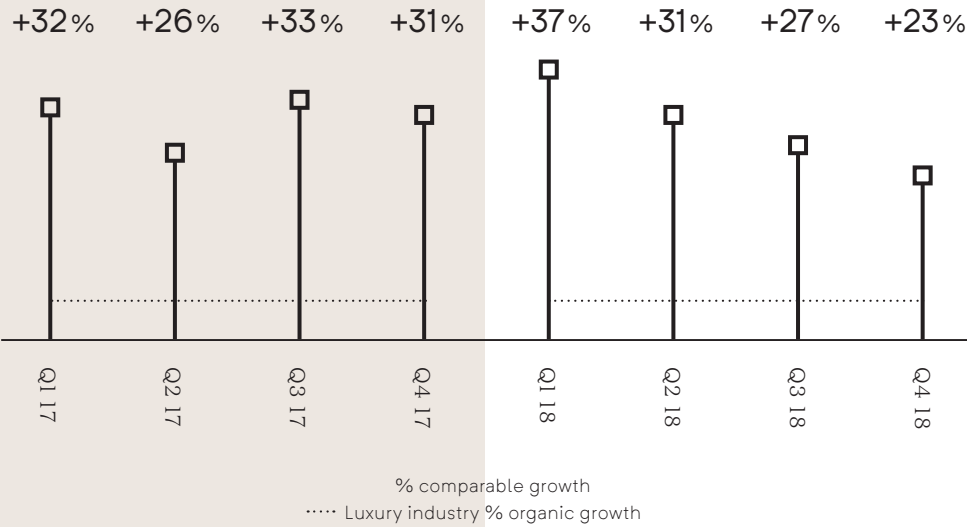
- Kering Standards published in January 2018, covering sourcing and manufacturing processes. They provide all our Houses and their suppliers with the key guidelines for reducing our environmental footprint;
- Improved scores obtained in the SRI (Socially Responsible Investment) indices, and particularly our position in second within the Corporate Knights 2018 Global 100 ranking (all industries) and our position maintained in the CDP’s Climate A-list for the second consecutive year;
- More than 10% reduction in the intensity of our environmental impacts (€EP&L/K€ revenue) between 2015 and 2017.

CONTINUED AND SUSTAINED
OUTPERFORMANCE OF OUR HOUSES
COMPARED WITH THE MARKET

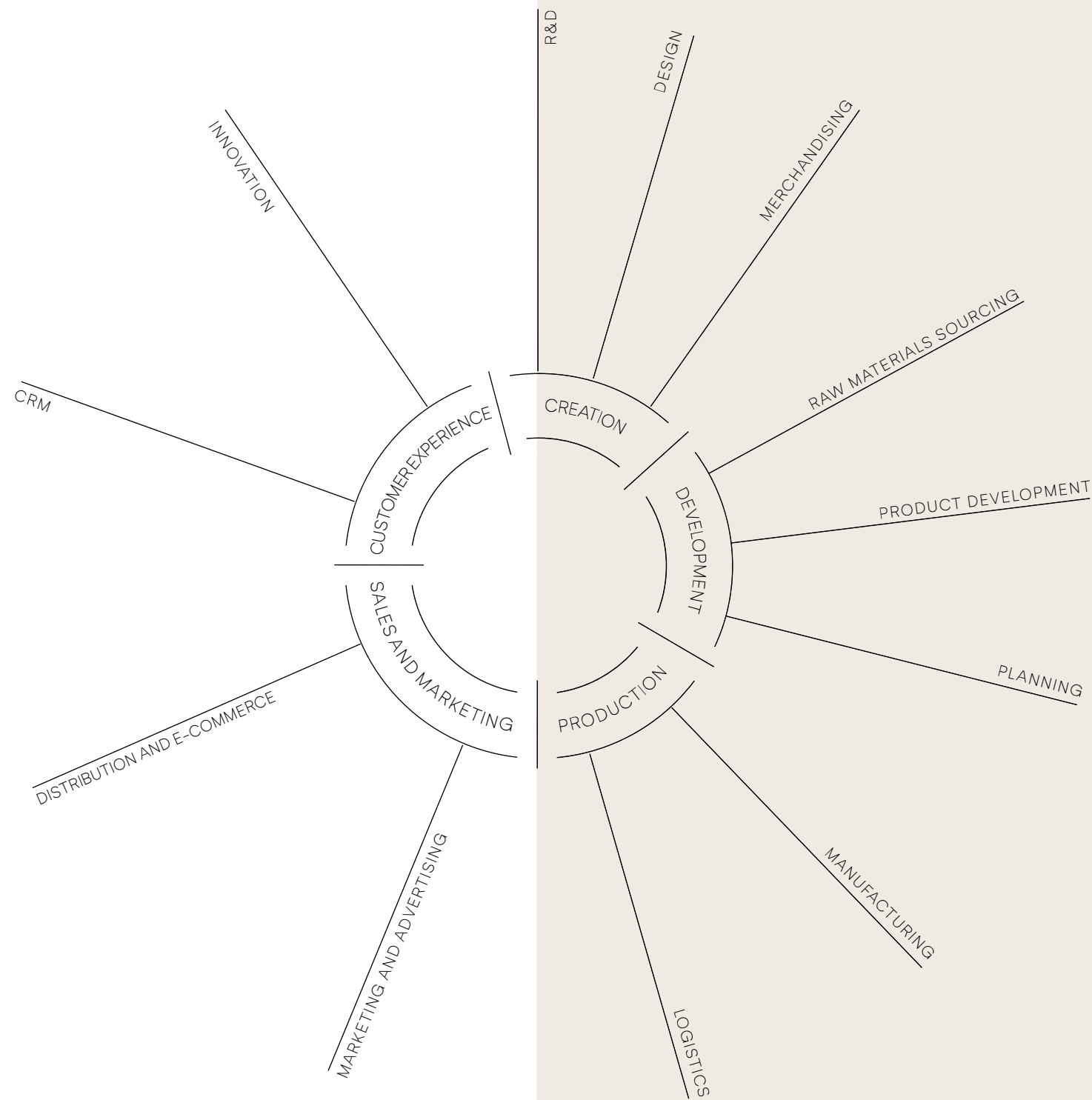
€13,247m
Houses’ revenue

+26.0 %
reported

+29.1 %
comparable



8 CONSECUTIVE QUARTERS
OF COMPARABLE GROWTH
ABOVE 20 %



In light of the Group's activities,
it directly addresses 7 out of the 17 SDGs:



SDG 3
Good health and
well-being



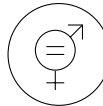
SDG 6
Clean water
and sanitation



SDG 12
Responsible
consumption
and production



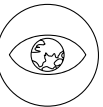
SDG 15
Life on land



SDG 5
Gender
equality



SDG 8
Decent work and
economic growth



SDG 13
Climate action

OUR VALUE CHAIN: FIVE KEY STAGES, FROM CREATION TO CUSTOMER EXPERIENCE

From creation to the customer experience, all Kering's Houses are focused on five key stages. The integration and sharing of support activities throughout this value chain enables the Group to support the rapid growth of its brands, particularly in sourcing raw materials and in terms of logistics and innovation – and its centralized expertise, such as Kering Eyewear. The Houses focus on what is key: creating and developing exceptional products for a unique customer experience.

If it fosters innovation and cost synergies, this value chain is also conducive to driving an ambitious and shared sustainability approach within the Group and its Houses, strengthened by the mobilization of a team of 20 specialists and a dedicated network. Each of Kering group's Houses

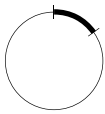
includes the demands and the need for quality and sustainability in its codes.

As a participant in the UN Global Compact since 2008, the Group contributes to the Sustainable Development Goals (SDGs) in each stage.

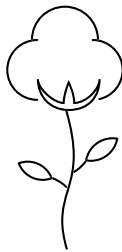
EXCEPTIONAL CRAFTSMANSHIP TO GIVE LIFE TO THE CREATIVE VISION

COUTURE

Made by the tailor’s refined and expert hands, each item of clothing creates a perfect silhouette.

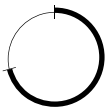


Weight of revenue
3,800
fabrics classified
in MIL*

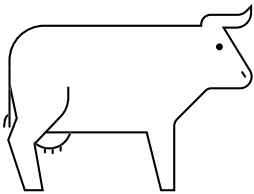


LEATHER GOODS AND SHOES

Cut, shaped, and stitched by the artisan, the leather offers a delicate balance between durability, elegance and softness.

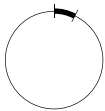


Weight of revenue
83%
in leather
traceability

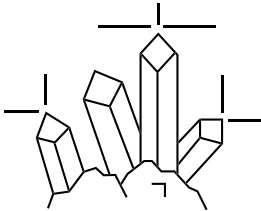


WATCHES AND JEWELRY

Inspired by the most precious materials, striking a balance between a long list of constraints: transforming a design into a work of art, making the metal and stones ethereal, combining precision and esthetics, ensuring beauty from every perspective.

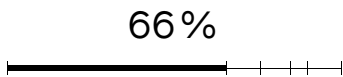


Weight of revenue
55%
responsible gold



MAPPING OF ENVIRONMENTAL IMPACTS (EP&L)

* Materials Innovation Lab



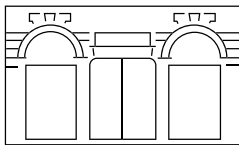
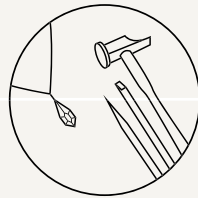
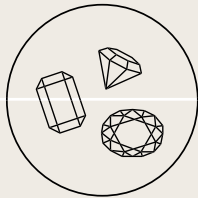
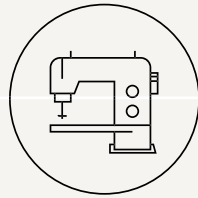
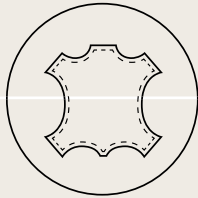
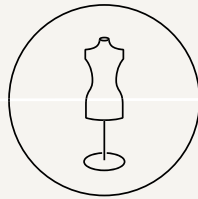
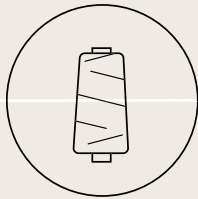
A CREATIVE VISION
and exceptional quality standards that guide the selection of raw materials

PROGRESSIVE TRANSFORMATION
of materials

A FIT AND FINISH
by craftsmen with unique expertise

EXCEPTIONAL PIECES
in all product categories

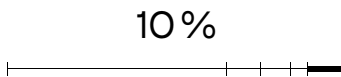
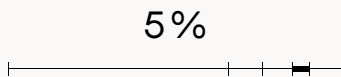
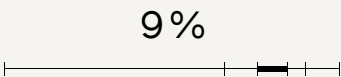
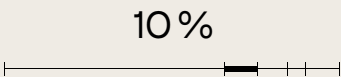
THE BOUTIQUE.
the setting reflecting the world of each House



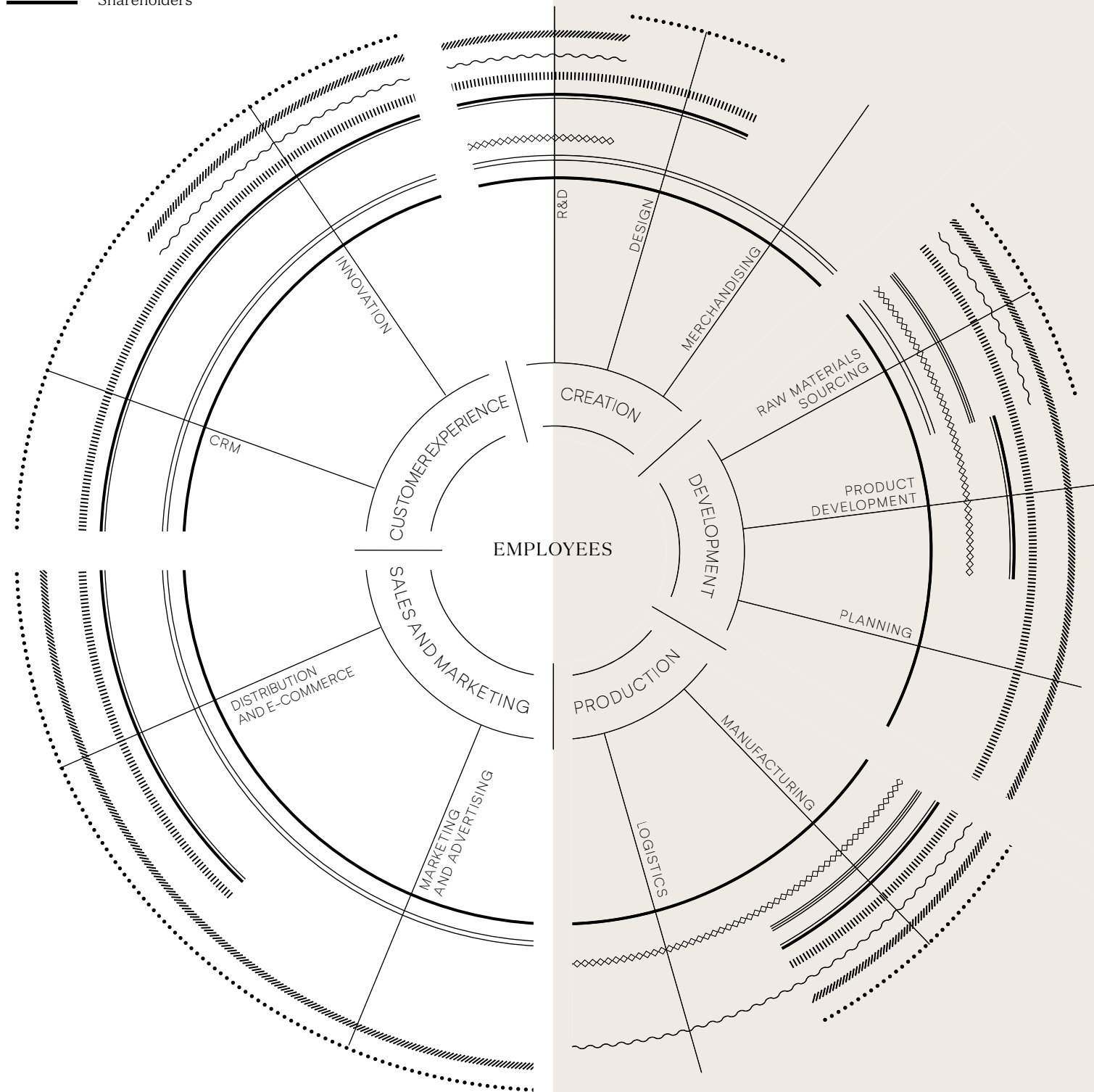
22 stages and
220 hours of
craftsmanship to make
a suit by Brioni

96
hours to make
a *cabat intrecciato*
by Bottega Veneta

2 700
hours of work to create
the *Flocon impérial*
necklace by Boucheron



- NGOs and civil society
- ////// Financial community
- ~~~~~ Competitors
- ||||| Innovation players
- ===== Creative talent and excellence in craftsmanship
- ===== Local communities
- ◇◇◇◇◇ Suppliers and Subcontractors
- ===== Customers and consumers
- ===== Shareholders



THE STAKEHOLDERS WITH WHOM WE INTERACT

A CHAIN OF ACTORS CRAFTING TOMORROW'S LUXURY

Through the diversity of its businesses, Kering focuses its actions and every stage of the value chain on an extensive network of stakeholders: customers, creative talents, innovators, sales partners, NGOs and actors of civil society. The diversity of this network is a source of distinctive creativity for the Group and its Houses.

Convinced that only mobilization and the mutual enhancement of these actors enable disruptive innovations to promote a more sustainable Luxury, Kering is committed to fostering dialogue and interactions with and between its stakeholders. A partner of the Plug and Play – Fashion for Good accelerator, in 2018 the Group launched a pilot project – partnering up with start-ups and suppliers – to ensure cotton traceability thanks in particular to blockchain technologies. The Group is also undertaking some of its R&D programs jointly with

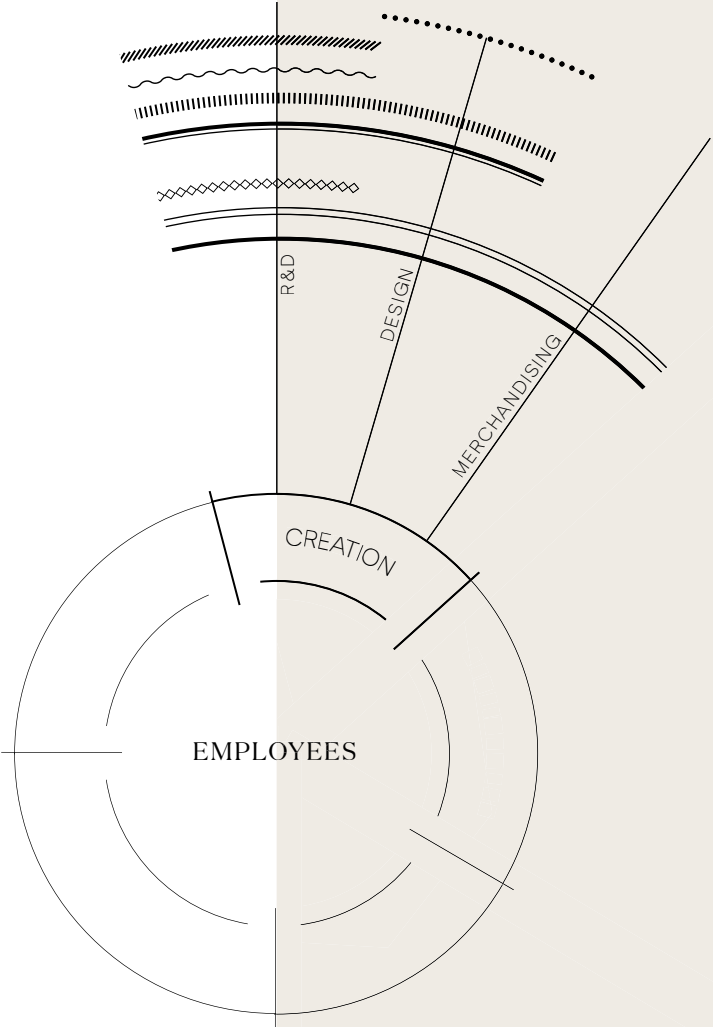
its suppliers and research institutes that include the Hong Kong Research Institute of Textile & Apparel.

Kering seeks to share its breakthroughs and pioneering tools with companies in the luxury sector and beyond. As of 2013, the Group has been partnering up with leading experts and published its EP&L (Environmental Profit & Loss Account) methodology in open-source, a major breakthrough for implementing a sustainable business model. Extending this shared and open approach, in

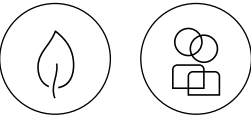
2018, the Group published its first white paper for the Planetary Boundaries for Business series with the Cambridge Institute for Sustainability Leadership (CISL). The series provides companies with guidance on setting goals whilst taking account of planetary boundaries.

These exchanges fully contribute to a global and shared value creation, outlined in the following pages, by stages in the value chain.

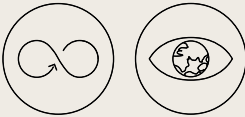
- NGOs and civil society
- ////// Financial community
- ~~~~~ Competitors
- ||||| Innovation players
- ===== Creative talent and excellence in craftsmanship
- ===== Local communities
- ◇◇◇◇◇ Suppliers and Subcontractors



MARKET TRENDS ASSOCIATED WITH THE STAGE



OUR CONTRIBUTION TO THE SDGS



SDG 12 SDG 13

STAGE 1: CREATION

STAGE 1 – CREATION,
AT THE CENTER OF OUR
VISION AND OUR PRODUCTS

Inspiration, audacity, the search for new, high-quality, sustainable materials, risk-taking, responses to the aspirations of customers who are increasingly connected: these are the drivers of the creative process at Kering, a process which, through its stages of R&D, design, and merchandising, brings the brands’ creative vision to stores and crafts tomorrow’s Luxury.

Commercial appeal

Kering is able to rely on its strong creative teams and well-known Artistic Directors to anticipate and respond to consumers’ constantly changing expectations. The Group supports the Houses’ creative leadership, ensuring the collections are successful and have strong commercial appeal.

Talent management and know-how

Among the keys to the Group’s success are the talent and creativity of its employees and in particular the members of the creative teams, instrumental in Houses’ identity. It is therefore essential to identify talented individuals, to attract and retain them, and to develop their skills.

Climate change

Aware of the impact of climate change on the availability and quality of crucial raw materials, Kering is tackling this challenge by reducing the impact of its activities, starting with the design of its products.

CONTEXT

Organic growth

Kering's powerful business model and ambitious human resources policy enable it to anticipate luxury trends and thus make creation a growth driver:

- CEO-Designer-Merchandiser, a three-member team that guarantees excellent management along with bold creativity and an always-balanced and innovative product range;
- A space of expression and creative codes specific to each House defining a unique aesthetic interpreted across all the supports thereby affirming their distinctive positioning;
- A team of employees with unique know-how and constant tracking of market trends (trade shows, trends forecasting agencies, consumer studies, etc.).

Creativity is the source of our operational and financial performance, outperforming the luxury industry with exceptional results for Gucci, Saint Laurent and Balenciaga and an excellent performance from the other Houses:

- Further increase in revenue (36.9% on a comparable basis), across all geographies, product categories and customer segments, thanks to the successful integration of Alessandro Michele's creative narrative at Gucci;
- After seven consecutive years of growth of more than 20%, continued success in all categories at Saint Laurent with remarkable growth of 18.7% on a comparable basis;
- In 2018, appointments of Daniel Lee as Creative Director of Bottega Veneta and Norbert Stumpf as Design Director of Brioni to continue the revitalization of these two companies;
- Solid performance in Jewelry and second consecutive year of growth for watch brands; significant increase of more than 40% in the consolidated

Integration

Besides providing the Houses with shared services, Kering keeps up a permanent dialogue with the creative world:

- Strategic know-how and skills secured through partnerships and training initiatives, in particular for future designers;
- Implementation of an Environmental Profit & Loss (EP&L), a management tool provided for all the Houses for analyzing as of the design phase the impact of the materials they use in their products.

revenue of Kering Eyewear, which now manages all the Group's Eyewear activities, including Balenciaga, Courrèges and Montblanc brands since 2018;

- Launch of an award with Plug and Play, to encourage sustainable innovation in the luxury and apparel sectors in China;
- This bold vision is recognized by the creative world, as several of the Group's Houses and designers have received awards:
 - Gucci: Brand of the Year and Business Leader of the Year at the British Fashion Council's 2018 Fashion Awards;
 - Balenciaga: Third place in the LYST Hottest Brand ranking for Q3 2018; Demna Gvasalia appointed Accessories Designer of the Year at the British Fashion Council's 2018 Fashion Awards;
- Gucci, Balenciaga, and Saint Laurent named among the six most popular brands for their Fall 2019 shows in the Vogue Runway ranking.

GUCCI, THE PINNACLE OF INFLUENCE THAT REGENERATES THE FASHION UNIVERSE

Over the past four years, Gucci has developed a unique competitive advantage within the luxury sector. By placing creativity, inclusivity and self-expression at the centre of all its collections and business activities, the Italian house has redefined luxury for the modern day. At the centre of this vision lies the unique, romantic, eclectic creative energy of Gucci's talented designer, Alessandro Michele.

THROUGH IDIOSYNCRATIC DESIGN INCORPORATING WORLD-RENOWNED ITALIAN CRAFTSMANSHIP, GUCCI HAS REVOLUTIONISED ITS PRODUCTS. THIS PROCESS HAS BEEN COMBINED WITH AGILE DECISION-MAKING, A RISK-TAKING MENTALITY AND THE CREATION OF A GENUINELY PROGRESSIVE CORPORATE CULTURE. THUS, GUCCI IS NOW UNSURPASSED IN TERMS OF THE QUALITY, ATTENTION TO DETAIL AND IMAGINATIVE DESIGN OF ITS OFFER, AND THE REVOLUTIONARY CULTURE OF ITS BUSINESS PRACTICE.

- A repositioning of the brand, rooted in Alessandro Michele's eccentric and poetic vision, inspired by a magpie approach to culture that sees everything from classical Greece and Renaissance masters to urban hip-hop and British punk rock as potential stimulus. The resulting synthesis is expressed as a perfectly coherent universe, juxtaposing the wide variety of source inspirations in a way that reconciles the apparently irreconcilable. To this is added the development of a lexicon of House codes and symbols to act as signature design elements:
 - Seeing the past as a place to mine for references; bringing these into the limelight of the present; reinterpreting Gucci's rich historical archive according to a contemporary filter;
 - A celebration of nature, the love of beauty and diversity, through the prism of Alessandro Michele's Romanticism.
- Continuous and consistent narrative across all activities of the House - from its collections to its customer touchpoints - developing an entirely new language for fashion. The effect is to position Gucci as the encyclopaedic reference point for narrative, maximalist fashion:
 - On an annual basis a third of the collection introduces new items to ensure a sustainable and healthy growth;
 - Innovative initiatives are pursued for product development, testing and training: the Gucci ArtLab and the École de l'Amour.
- An inclusive approach to building client relationships, propelled by the brand mantra of promoting "self-expression"; engaging clients across age groups, demographics and geographical locations.

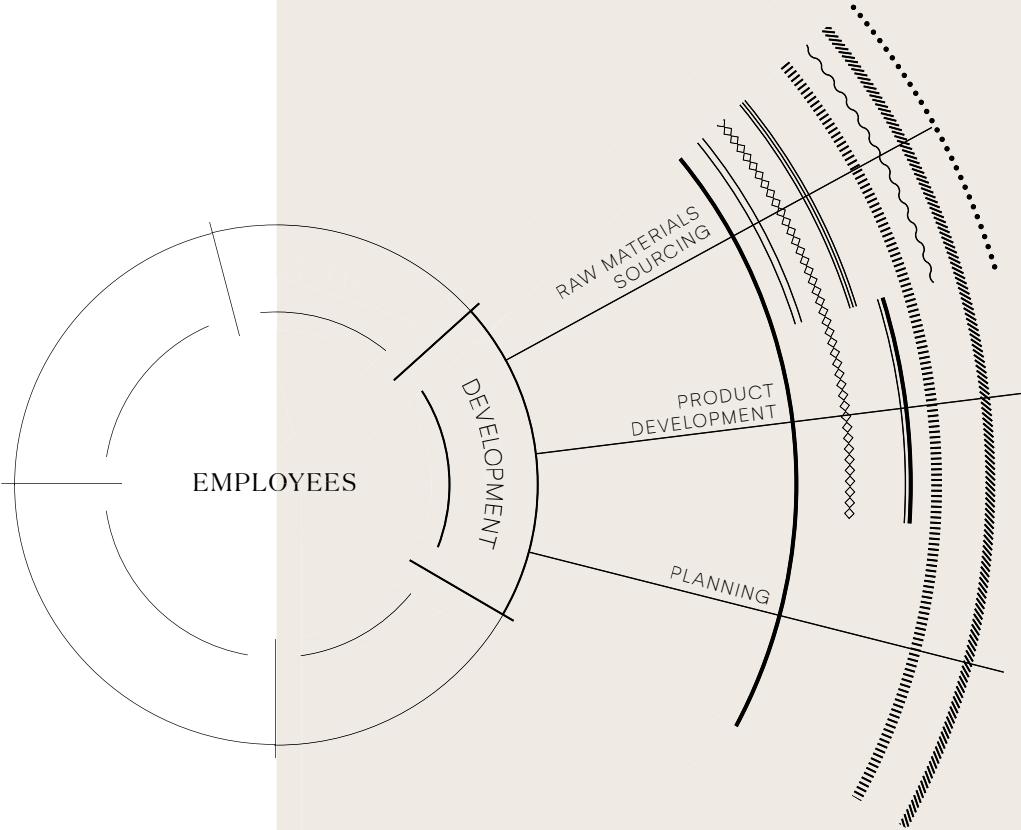
FIND OUT MORE

- 2018 Reference document: Chapter 2. Our activities
- 2018 Activity Report
- Website : The Gucci House

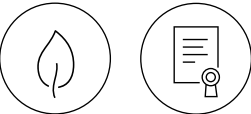
RE-ESTABLISHING GUCCI'S POSITION AS A PIVOTAL ITALIAN LUXURY FASHION BRAND — LEADING THE INDUSTRY BY SETTING THE TONE WITH INNOVATIVE RUNWAY COLLECTIONS AND GROUND-BREAKING CREATIVITY:

- A business based on creativity and emotion, yielding the CAC 40's most impressive performance, with a 36.9% increase in Gucci's turnover to over eight billion euros in 2018 and a 54.2% increase in recurring operating income;
- Continuous roll-out of new concepts reflecting the evolving brand aesthetic; almost half of the House's network of 540 stores converted into a new retail concept;
- Universal acclaim for Alessandro Michele's comprehensive reinvention of Gucci's codes and designs:
 - 4th year in a row nomination of Alessandro Michele for the BFC Fashion Awards and one of six featured in the New York Times T Magazine 2018 "Greats" issue;
 - Gucci recognised as Brand of the Year at the 2018 BFC Fashion Awards and ranked number one for the second year in a row in L2 Luxury Digital ranking;
- Fully exploiting the potential of collaborations with creatives like Ignasi Monreal, Unskilled Worker, and cultural icon Dapper Dan;
- Ground-breaking collections inspired by history, art, music and poetry, with the unique ability to allow the worlds of the Renaissance, science-fiction and Elizabethan theatre to coexist in the same show, and sometimes even in the same outfit;
- Unbridled creativity at the heart of the House's fashion shows and advertising campaigns through highly imaginative narrative ideas, with the use of dramatic scenography and props, like the set of Noah's Ark and the special visual effects of Makinarium;
- Empowering creativity everywhere: Gucci Places - The new project is dedicated to those seeking the unexpected in travel and experiences. Mapped from curious corners of the world, a lineup of special locations that hold a cultural connection to Gucci, revealing extraordinary beauty and spellbinding stories.

- NGOs and civil society
- ////// Financial community
- ~~~~~ Competitors
- ||||| Innovation players
- ===== Creative talent and excellence in craftsmanship
- ===== Local communities
- ◇◇◇◇◇ Suppliers and Subcontractors
- ===== Customers and consumers
- ===== Shareholders



MARKET TRENDS ASSOCIATED WITH THE STAGE



OUR CONTRIBUTION TO THE SDGS



SDG 13

SDG 15

STAGE 2 — DEVELOPMENT:
AT THE SOURCE OF OUR
OPERATIONAL EXCELLENCE AND
OUR ENVIRONMENTAL LEADERSHIP

From dream to reality, from catwalk to stores, from prototyping to production. The multiple tasks here are to prepare the collection and get everything ready to integrate the technical requirements and deadlines in product development; to ensure that we meet the Group’s high standards of excellence and sustainability in our sourcing; and to plan production.

Climate change

90% of Kering’s carbon footprint is found in its supply chain. That is why the Group has committed to reducing its impact at the level of the extraction, production, and initial transformation of raw materials and to be a catalyst of positive trends and rewarding innovations.

Product quality and safety / Consumer health

The products of the Houses must combine distinctive appeal and impeccable quality. The materials and the way they are extracted and processed are the subject of a specific policy to ensure that they comply with Kering’s high standards.

Image and reputation / respect for ethical rules and integrity

Kering’s reputation and its media coverage must reflect the outstanding quality of its products, its exemplary

social and environmental practices, and the robustness of its results so that consumers’ perception of the Group is as fair as possible.

Respect for human rights and fundamental freedoms

Given the diversity of its subcontractors and the type of certain materials used, such as gold or diamonds, Kering ensures that all its suppliers adhere to the Group’s supplier charter and the Kering Standards and enhances the traceability of its sourcing.

Raw materials and biodiversity

The scarcity of resources and price volatility of the raw materials used by the Houses is a challenge. In addition, biodiversity loss may threaten - or even already threatens - the production of raw materials.

Organic growth

To deal with these risks and seize opportunities, Kering capitalizes on its assets, which include operational excellence and a robust, high-quality supply chains:

- A combination of actions ensures the Group's products are of the highest quality: certification of products to quality and safety standards, selection of suppliers following a technical audit and their agreement to the Supplier Charter in the Code of Ethics, and crisis management units for products, among others;
- Sustainable and responsible sourcing while maintaining margins and guaranteeing that materials meet the highest quality standards.

Two key reasons for the Group's solid results are its excellent operational organization and its planning:

- Shared ready-to-wear prototyping and development of shared purchasing platforms, in particular for the purchase of Fairmined certified gold (one and a half tons of responsible gold purchased in 2018, bringing the volume purchased since the platform's launch to three tons, and the Group's percentage of responsible gold to 55%), as part of the Kering Group Operations division;
- More precise traceability and closer collaboration with suppliers combined with compliance with best practices and standards enabling the Group to make big strides toward the achievement of its 2025 targets:
- Development of a dedicated animal welfare standard reviewed by recognized external experts;

Integration

Kering provides its brands every day with the benefits of a powerful and integrated value chain:

- Strong upstream positioning in the value chain, notably through targeted acquisitions and the creation of the Kering Group Operations division, which pools support functions upstream;
- Actions to strengthen the resilience of its supply chains such as the implementation of the Kering standards.

- EP&L intensity decreased by 10% between 2016 and 2017, mainly due to the increasing application of the Kering Standards;
- In 2018, adoption of the first organic cotton that can be seamlessly traced throughout the value chain, a first in the fashion industry, in order to create a more sustainable business model;
- Continued internalization at Gucci, through proprietary ateliers and supervised production;
- 132,957 tons of CO₂ offset by the Group in 2018, with projects to provide strong support to local communities and biodiversity.

KERING STANDARDS: GUIDELINES FOR SUSTAINABLE GROWTH

The Kering Standards are intended to ensure the long-term success of our activities by promoting sustainable growth through the uniform implementation of the Sustainability Strategy in all the Group's Houses and through a common foundation of best practices in the areas of raw material sourcing and manufacturing processes, all to achieve the target of a 40% reduction in EP&L by 2025.

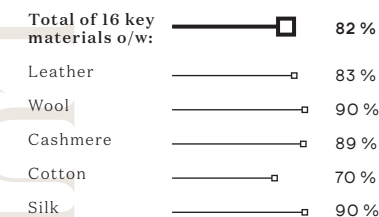
TO MEET THESE SOCIAL AND ENVIRONMENTAL CHALLENGES, KERING HAS DECIDED TO:

- Develop a set of guidelines for responsible sourcing based on five key pillars made public on the Group's website: environmental impact, social impact, animal welfare, traceability, and chemicals substances;
- Set ambitious targets: 100% of key raw materials traceable by 2025 and 100% by 2025 as well as 100% in compliance with the Kering Standards by 2025;
- Regularly update Standards to reflect current concerns in the fashion industry, such as regenerative agriculture or fake fur;
- Set up Idea Labs, working groups that bring together teams from several Houses to share knowledge, come up with new ideas, and implement concrete solutions;
- Train Group employees in the Standards, particularly through the rollout of an e-learning curriculum, and launch supplier training initiatives;
- Deploy a team of experts made up of about 60 employees from the Group and the Houses that will be fully focused on implementing the Kering Standards.

KERING IS PROGRESSING RAPIDLY TOWARD THE ACHIEVEMENT OF ITS 2025 TARGETS:

- 16 categories of materials covered (leather and precious skins, fur, cashmere, wool, cotton, paper, wood, plastic, gold, diamonds, cellulose fibers, feathers, down, silk, synthetic fibers, colored gemstones and silver);
- 3 manufacturing processes concerned: tanning, textile manufacturing, leather goods and shoe manufacturing;
- Contribution to raising standards in the luxury industry.

TRACEABILITY IN 2017 OF KERING'S KEY MATERIALS

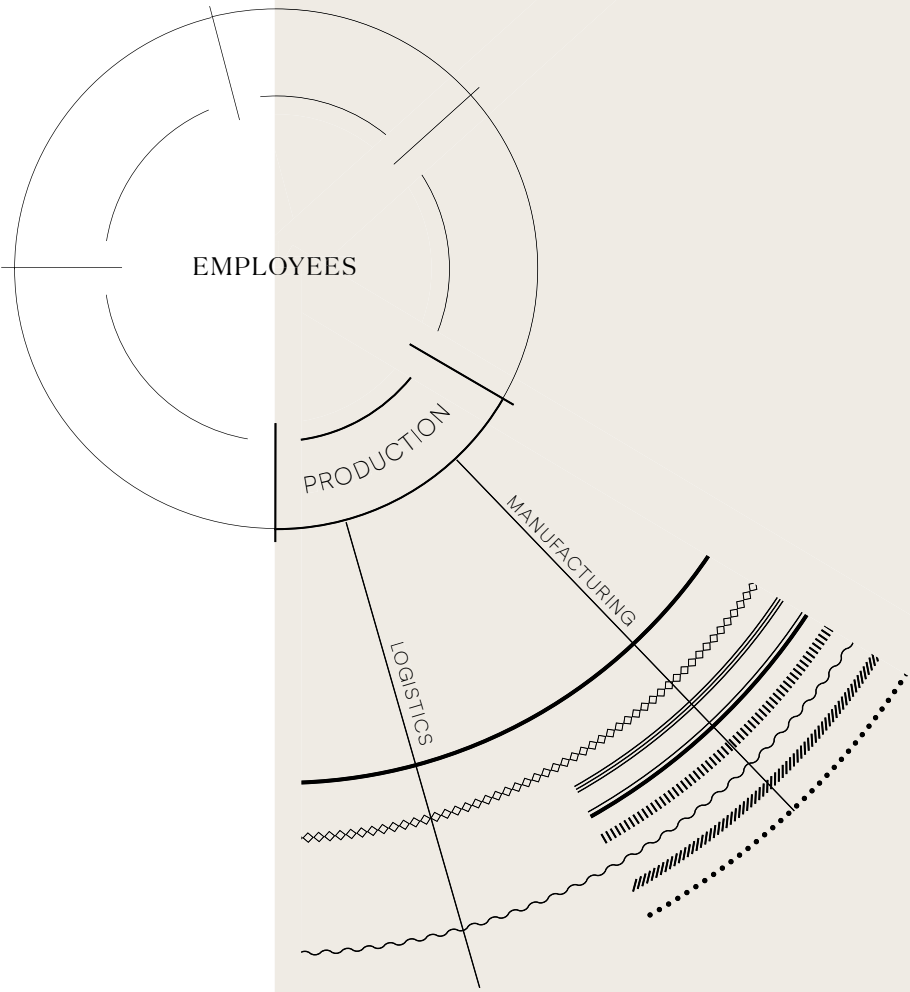


N.B.: for leather, traceability is guaranteed up to the slaughterhouse and for the other materials up to the country of origin pays.

FIND OUT MORE

- 2018 Reference document: Chapter 3. Sustainability
- Website: Kering Standards
- Website: 2025 Strategy

- NGOs and civil society
- //// Financial community
- ~~~~ Competitors
- ||||| Innovation players
- ===== Creative talent and excellence in craftsmanship
- ===== Local communities
- ◇◇◇◇◇ Suppliers and Subcontractors
- ===== Customers and consumers
- ===== Shareholders



MARKET TREND ASSOCIATED WITH THE STAGE



OUR CONTRIBUTION TO THE SDGS



STAGE 3 — PRODUCTION: QUALITY OF EXECUTION GUARANTEEING EXCEPTIONAL PRODUCTS

This is the stage at which dedicated craftsmen fully express the know-how that endows the Houses with their strong identities and unique heritage. Every day, the Group and its brands combine the purest traditions of artisanal manufacturing with exceptional methods of modern production using the most innovative and efficient tools.

CONTEXT

Talent management and know-how
Kering is able to rely not only on talented creators, but also on exceptional know-how. The Houses’ capacity to satisfy their customers’ expectations depends on maintaining the production teams’ know-how at the highest level.

Product quality and safety / Consumer health
The quality of the products sold and their compliance with high safety standards are a priority for Kering. As part of its quality approach, controls are carried out throughout the production process by engineers and accredited laboratories.

Respect for human rights and fundamental freedoms
The protection of human rights and fundamental freedoms is a key commitment, taken to the highest level

of the company. Working with several thousand suppliers to manufacture the products of its Houses, Kering takes on extended responsibility and acts to detect and address ethical and human rights risks. In this way, it preserves its reputation and that of its brands.

Intellectual property
The Group possesses a very large portfolio of famous brands and domain names along with know-how and production methods that belong to it. Preserving and protecting Kering’s exceptional heritage against counterfeiting and parallel distribution is one of the Group’s top priorities.

Organic growth

Kering has implemented processes to guard against reputational and product quality risks:

- Implementation of operational and technical support along with a set of actions to ensure product quality such as controls by engineers and certified laboratories throughout the production process and logistics for recalling defective products;
- Dissemination of a culture of ethics and integrity internally and externally, supported by the Group's Code of Ethics, its alert system and its compliance plan.

Integration

In addition to joint sourcing, key activities are pooled at the Group level to optimize the impact of operations and enable the sharing and development of technical skills and industrial capacities along with implementation of relevant vertical integration:

- Particular attention is paid to protecting the Group's know-how, products, and property (including a policy to combat counterfeiting and legal resources at the regional (Asia, Americas, Europe), local, and corporate levels);
- Stronger positioning upstream in the luxury value chain through the targeted acquisition of tanneries to secure supplies of raw materials;
- The setting-up of schools to train highly qualified young artisans (Gucci's Ecole de l'Amour, Brioni's Scuola di Alta Sartoria, Bottega Veneta's Scuola dei Maestri Pellettieri);
- Integration of sustainability at every level of the Group and its Houses by instilling a common culture of responsibility.

Kering's results are highly dependent on the quality of its operations. Every year, the Group acquires greater efficiency and expertise while improving its performance thanks to:

- A worldwide logistics platform for luxury activities providing synergies that reduce costs and the environmental impact of operations;
- Targeted investments to preserve the artisanal know-how required to achieve the highest quality standards

and ensure the continuity of key professions. These investments include the Gucci ArtLab, where 800 skilled artisans are brought together at a specialized 37,000-m² facility;

- Compliance with the Code of Ethics, notably through 2,867 social audits conducted at the Houses' suppliers in 2018;
- 10,000 due diligences conducted in 2018 as part of Kering's third-party audit procedure.

KERING GROUP OPERATIONS: UNLEASHING THE HOUSES' CREATIVE ENERGY

At a time when markets, the competition, and customers' expectations change rapidly, Kering wants to serve as a genuine partner for the Houses with all its expertise to unleash their creative energy. Supplying exceptional products and services that meet the highest sustainability standards along with all the operational and technical support the brands need are priorities of the Group.

TO SATISFY THE NEED FOR EFFICIENCY AND A HIGH LEVEL EXPERTISE, THE GROUP HAS SHARED ITS KEY ACTIVITIES AND SERVICES (SOURCING MANAGEMENT, INDUSTRIAL OPERATIONS, LOGISTICS OPERATIONS, ETC.) IN THE KERING GROUP OPERATIONS DIVISION SINCE JANUARY 2016:

- Sharing of logistics, product development (mainly for ready-to-wear), and industrial operations, with the support of dedicated Sourcing and Sustainability teams;
- Modernization of information systems and continuous improvement processes, based on ongoing innovations in the fields of data science and artificial intelligence;
- 40 sites: 6 industrial sites and 34 sites specialized in distribution and logistics.

VALUE CREATION: KERING IS STEPPING UP INTEGRATION, FACILITATING THE SHARING OF BEST PRACTICES AND ENSURING VALUE CREATION FOR THE GROUP AND ITS HOUSES:

- Securing supplies of strategic materials;
- Increasing operational and logistics efficiency thanks to a clearly structured organization, precisely defined and non-redundant roles and responsibilities, and aligned processes;
- Implementing relevant vertical integration, which is more efficient in terms of services, synergies, and scale effects;
- 31 million finished products handled and distributed through the central logistics platform in 2018;
- Consistently applying the sustainability principles and the 2025 Strategy throughout the supply and production chains.

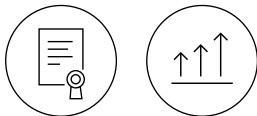
FIND OUT MORE

- 2018 Reference document:
Chapter 1. Kering in 2018
Chapter 3. Sustainability

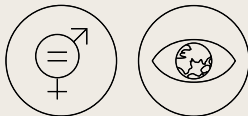
- NGOs and civil society
- //// Financial community
- ~~~~ Competitors
- ||||| Innovation players
- ===== Creative talent and excellence in craftsmanship
- ===== Local communities
- ◇◇◇◇◇ Suppliers and Subcontractors
- ===== Customers and consumers
- ===== Shareholders



MARKET TRENDS ASSOCIATED WITH THE STAGE



OUR CONTRIBUTION TO THE SDGS



SDG 5 SDG 13

STAGE 4 — SALES AND MARKETING: THE POWER OF AN OMNICHANNEL APPROACH

Kering distributes its products worldwide using an agile and complementary omnichannel approach combining directly operated store networks, e-commerce, and travel retail that is designed to fulfill the aspirations of customers and new generations. Our distribution methods are coherent and complementary, making it easy for customers to access our Houses’ collections and keeping alive the dreams and emotions inspired by their exceptional products.

Commercial appeal

Kering’s appeal is closely related to the image conveyed through its distribution network, since this network is the point of contact between the Group and its customer.

Real estate

Owing to the Group’s significant activity in the property market and the intense competition in the luxury sector, Kering is especially careful when leasing properties to obtain the best conditions as well as strategic locations.

Image and reputation / respect for ethical rules and integrity
The stores are also important points of communication between Kering and civil society. The same degree of excellence must therefore be attained in marketing and selling the Group’s products as in developing and producing them.

Macro-economic instability
Kering’s international scope means its activities are exposed to the economic conditions and geopolitical environment.

CONTEXT

Organic growth

The unique distribution network that Kering has developed for its Houses creates an extraordinary customer experience:

- Primacy of the directly operated store network to ensure the creative vision and identity of each House are preserved, with secondary support from an indirect sales network;
- Internalization of the e-commerce activities of the Couture and Leather Goods Houses from 2020 to become part of an integrated approach between physical and online shops, a source of unique, personalized and authentic experiences;
- A geographically balanced distribution network to enable organic growth despite any macroeconomic instabilities;
- Targeted investments to transform points of sale: quality of the reception, improvement of the network's operational execution and environmental footprint; adaptation according to changing market trends

By controlling the distribution of the brands' products, the Group offers an exceptional commercial environment that protects the Houses' image and ensures high-quality services:

- New omnichannel capabilities and improved customer service (expanded product range, better availability, delivery times);
- 1,439 directly operated stores for all the Houses;
- Exceptional sales growth (26.3%), particularly in online sales - more than 70% growth;
- 61% of gross operational investments focused on points of sale;
- Announcement of the end of the joint venture with Yoox - Net-a-Porter (YNAP), with a view

and expectations of the international clientele;

- Targeted store openings in growth markets as well as renovation and expansion work.

Integration

The wide scope and quality of Kering's services enable all the Houses to meet the highest standards and to market unique offerings:

- Kering's policy of responsibility extended to stores, with improvement of their environmental profile and energy efficiency (LED lighting systems, the Smart Sustainable Store guide, the NUS system for managing energy bills, etc.);
- Shared services offered by the Group for media buying and property operations;
- Deployment of new expertise such as artificial intelligence to place the customer at the heart of Kering's digital ecosystem;
- Creation of an e-commerce center of excellence at Group level.

to the internalization of e-commerce activities in H1 2020;

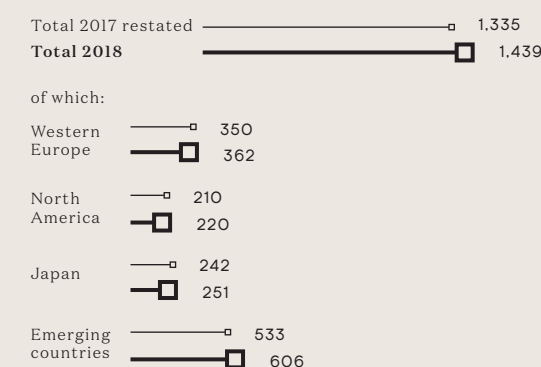
- Strong network coupled with an effective marketing strategy that anticipates the expectations and desires of the Houses' customers;
- A set of initiatives to optimize distribution: improvement of the criteria used to effectively allocate products by region and type; redefinition of the ranges as well as the depth and breadth of the offering, etc.;
- EP&L reduced on the scope of the Group's operations by 12% between 2015 and 2017 thanks to energy efficiency measures implemented by Kering and its Houses.

A STRONG DIRECTLY OPERATED STORE NETWORK REFLECTING THE UNIVERSE OF EACH HOUSE

For Kering, a store is not just a place where products are sold; it is an exceptional showcase where the identity and history of each House is expressed, a special place where a dialogue is engaged with all its customers and civil society. The selective development of directly operated store network increases the desirability and dynamism of each House and offers the possibility of reinventing the customer experience while bringing the brands and their customers closer together.

KERING ASSISTS ITS HOUSES IN EXPANDING AND RENOVATING THEIR DIRECTLY OPERATED STORE NETWORKS, THEREBY HELPING THEM TO INCREASE THEIR SALES:

- Nearly half the 540 Gucci stores developed or converted to the new store concept;
- Opening by Saint Laurent of 35 directly-operated stores worldwide, in both emerging and more mature markets, including 10 new points of sale in China;
- Consolidation of Bottega Veneta's network of directly operated stores and continued renovation scheme to offer its customers the best shopping experience.

NUMBER OF DIRECTLY OPERATED STORES**FIND OUT MORE**

- 2018 Reference document:
Chapter 1. Kering in 2018
Chapter 2. Group activities
Chapter 5. Financial information

THE STRATEGY IN TERMS OF DIRECTLY OPERATED DISTRIBUTION NETWORK WAS A SUCCESS IN 2018:

- Improvement of the Houses' sales performance:
 - Higher revenue from directly operated distribution at Gucci (33.4% on a comparable basis);
 - Higher revenue from directly operated distribution at Saint Laurent (14.4% on a comparable basis);
- Development of synergies between brick-and-mortar and online stores with cross-channel services. These include checking the online availability of articles in stores, buying online, click and collect service, reserving-reservation, etc.;
- 100% increase in sales per m² in Gucci stores since 2015, to more than €40,000/m²;
- Benefits in terms of an improved energy profile, energy savings, and lower costs for the Houses:
 - Improvement in energy efficiency of 40% between 2012 and 2018 for Saint Laurent;
 - The Group's electricity produced with renewable energies now reaching 60% worldwide and 75% for Europe.

- NGOs and civil society
- //// Financial community
- ~~~~ Competitors
- ||||| Innovation players
- ===== Creative talent and excellence in craftsmanship
- ===== Local communities
- ◇◇◇◇◇ Suppliers and Subcontractors
- ===== Customers and consumers
- ===== Shareholders



MARKET TRENDS ASSOCIATED WITH THE STAGE



OUR CONTRIBUTION TO THE SDGS



SDG 3

STAGE 5 — AN EXCLUSIVE CUSTOMER EXPERIENCE

Today, Luxury is experienced not only as the embodiment of heritage and craftsmanship, but also as a recognized vehicle of self-expression and a statement of a refined and unique personality. Beyond the product, it is the experience that arouses emotion and represents for the customer what makes him or her unique. Digital communication and dialogue on social networks enrich the relationship between the brand and its customers.

CONTEXT

Commercial appeal

Our customers change, and so do their expectations. They are younger and continually connected, they have at their fingertips an inexhaustible quantity of information to help them decide what to buy, and they are continually searching for meaning. To attract them and gain their loyalty, we must offer them an incomparable experience.

Information systems

The digital transformation has led to an increasing need to improve the security of information systems, which now play a vital role in the operational and support processes.

Data protection

The management analysis and protection of data are key challenges particularly regarding theft or loss of data, cyber-attacks, phishing, etc. and the rise of new compliance requirements to regulation such as GDPR.

Image and reputation / respect for ethical rules and integrity

Houses interact more directly with their customers and society on social networks. Negative discussions or controversies could not only damage their image and reputation but also lead to a misperception of their products.

Organic growth

The Houses' success depends more than ever on their ability to offer an exceptional shopping experience and to maintain a privileged and direct relationship with their customers:

- The development and continual improvement of CRM tools, of clienteling, etc.;
- Training of sales consultants in best practices for loyalty building, shopping process, and customer experience within each House and via the Kering Retail Academy;
- Creation of an Innovation team to think about new commercial (rental, subscription, etc.) and sustainability opportunities;
- Coherent distribution channels so that each House remains a unique entity, thereby promoting robust organic growth (a seamless experience between the brick-and-mortar and online stores, special events, etc.).

With support from the Group, each House expresses its world and invites its customers to live constantly renewed experiences:

- A personalized dialogue:
 - Continued rollout of Kering Signature, a dedicated after-sales team;
 - Development and availability to 6,500 salespeople of an app allowing tailor-made style recommendations, with real-time access to in-store stocks;
 - Strong physical positioning of the Group on all the most influential social media in the world of Luxury;
 - Launch of Gucci Equilibrium, a disruptive sustainability program shared via an online platform presenting the history and environmental and social ambitions of the House;

Integration

Kering supports its Houses in every aspect of the customer experience, as well as in their communication. By doing so, it helps each House to offer a unique customer buying experience:

- Exceptional and responsible service promoted by sharing best practices (e.g. Sustainable Retail Guide, etc.);
- Launch of a database combining customer information from multiple channels and to modernize, harmonize, and optimize the IT system and the Group's operational processes;
- Rollout of a multiannual investment program to securely store customer data, enhance the efficiency and security of the IT system, and support the brands with the Group's digital capabilities;
- Creation of a team dedicated to data science to improve the services offered to the Houses' customers through better use of available data.

- An omnichannel experience:
 - New record for online sales of Luxury products, up 71%;
 - Deployment by all Houses of WeChat mini-programs to consolidate their relationship with Chinese customers and offer social commerce;
- Permanent promotion of the product offer and innovations:
 - Expansion of the Gucci Do It Yourself personalization program to mesh;
 - Offer of a personalized monogram "When your initials are enough" by Bottega Veneta;
 - More in-store initiatives highlighting materials and sustainable product offerings such as Brioni sustainable and Balenciaga x Farfetch capsule collections to help endangered species.

OFFERING AN UNFORGETTABLE AND INTIMATE EXPERIENCE, BASED ON EMOTION

Redefining the codes of customer experience, the Houses are radically taking ownership of the space of experimentation and expression encompassed by the boutique. If the sales advisors embody and initiate an authentic and personal relationship between the House and its customers, the boutique - a more open and protean setting - is transformed into a true living space for a unique experience.

THE HOUSES ARE CONSTANTLY RETHINKING THE WAY THEY EMOTIONALLY ENGAGE THEIR CUSTOMERS. IN 2018, GUCCI, BOUCHERON AND ALEXANDER MCQUEEN OPENED SPACES THAT CHALLENGED THE BOUTIQUE'S TRADITIONAL CODES. EMPATHETIC AND INNOVATIVE, THIS APPROACH IS BASED ON:

- Customer hospitality reassessed to strengthen the proximity between sales advisors and customers such as the replacement of sales offices by round tables at Boucheron's Hôtel de Nocé or more contemporary uniforms, for a more friendly and warm experience;
- A richer and more experiential customer experience that goes beyond the commercial dimension of the purchasing act, with for example "Gucci connectors» that forge more emotional links with customers and assist them in their discovery of the space and the Gucci world;
- Less intimidating and more inclusive spaces with for instance Alexander McQueen holding on Old Bond Street events and conferences aimed mainly at students to create an inclusive creative community around the space.

BOLD, THESE NEW SPACES OPEN THE BOUTIQUE UP TO NEW ARTISTIC, CREATIVE OR LIFESTYLE EXPERIENCES, THEREBY STRENGTHENING THE DISTINCTIVE IDENTITY AND DESIRABILITY OF THE HOUSES:

- The Gucci Wooster in New York, a hybrid space embodying the House's eclectic and creative philosophy:
 - A 930 m² hybrid flagship store offering nearly 2,000 art and lifestyle books, as well as all the collections;
 - A 3D projection room and a connected system in augmented reality, the Gucci DIY, to simulate the customization of bag items or the Ace sneaker;
- The Hôtel de Nocé of Boucheron in Paris, a historical setting that resembles a family home:
 - A renovation of the building, constructed in 1717 and classified as a Historic Monument, combining modernity and classicism, designed to welcome the House's friends: its customers;
 - The unique opportunity for major customers to take a break, have a drink or spend a night in the Boucheron apartment on the second floor;
- Alexander McQueen on Old Bond Street in London, a space inspired by nature, traditional techniques, design and innovation:
 - Dynamic architecture enhanced to the rhythm of the seasons with the materials created by the House's studio;
 - An experiential second floor exploring Alexander McQueen's creative process through from the house's archive and current collections along with photography and artwork.

FIND OUT MORE

- 2018 Reference document: Chapter 2. Our activities
- 2018 Activity Report

OUR CAPITAL

Luxury goods owe their enduring appeal to the insistence on the highest standards of quality – to their unfailing excellence, to the way they are created, and to the materials that go into them as well as to the systematic consideration given to environmental, social, and societal issues along the entire value chain. In addition, by protecting traditions and craftsmanship, Kering preserves human and economic resources essential to its activities and strengthens its capacity to create value long into the future.

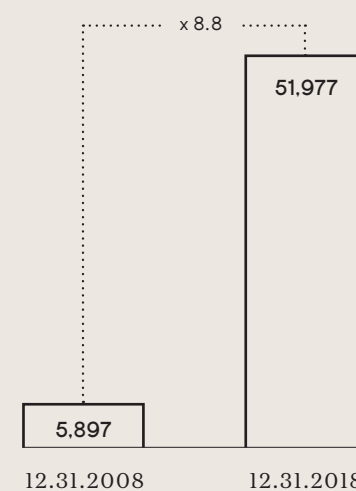
This exemplary approach, on which Kering's modern Luxury is founded, is central to the Group's ongoing success and contributes to preserving the image of our Houses.

Understanding our dependence and impact on all the resources and all the types of capital essential to our activities is absolutely crucial to our success. Our business model enables us to optimize and exploit in a responsible manner the full potential of the various

types of capital we employ – financial, manufacturing, natural, human, social, relational, and intellectual – to drive sound, balanced, and profitable growth.

While all these types of capital come into play at some point in the five-basic links of our value chain, three of them – financial capital, human capital, and natural capital – span the entire chain and highlight the global value creation on issues essential to the Group.

GROUP STOCK MARKET CAPITALIZATION (IN €M)



FINANCIAL CAPITAL

Kering's capacity to generate sound, balanced, and profitable growth affords tremendous leverage for optimizing investment in the organic growth of all its Houses. Through consideration of the vitality of each House and their respective degrees of maturity as well as the needs of the entire Group, Kering optimizes investment, thereby creating value for its shareholders.

Recurring operating income up 47 % on 2017 restated to €3,944m, with a twofold increase over two years

Free cash flow from operations in 2018 of €2,955m, up 1.3 x on 2017 restated

Net debt reduced by half to €1,711m at 12.31.2018

A 75 % increase in the dividend proposed to the 2019 Annual General Meeting for FY 2018 (€10.50)

Mindful of its responsibilities as manager of the capital entrusted to it, Kering implements strict financial discipline aimed at generating substantial cash flow, improving return on capital employed, reducing its debt, and remunerating its shareholders, while safeguarding the interests of all its other stakeholders.

Thanks to these skills, established and recognized by global market players, Kering is able to attract the financial capital necessary for its long-term growth, and in particular to seize opportunities in the high structural growth markets in which the Group is active.

FIND OUT MORE:

— 2018 Reference document:
Chapter 5. Financial information

HUMAN CAPITAL

Imagination, boldness, and exceptional expertise are the keys to Kering’s success. It is with its employees and its partners – artisans, suppliers, and others – that the Group and its Houses are redefining Luxury to make it modern, sustainable, and influential. Encouraging creativity, developing its employees’ talents and skills, promoting diversity and seeing that human rights are respected through an inclusive approach are priorities set by the Group to preserve the wealth of its human capital.

Kering provides an open, diverse and stimulating work environment where people can be bold, advance, and fully realize their potential. Talent Committees identify talented individuals at Kering and its Houses and support their development in ways that will help meet the Group’s current and future needs. Through its Kering Campus, Kering expanded its digital training program in 2018 by adding subjects related to management and leadership as well as to the image, history, and know-how of the Houses. With the launch of a new company social network, Kering is forging strong bonds with its employees through a shared history and common values and culture, thereby reinforcing their sense of being part of an integrated Luxury group.

With some 35,000 employees worldwide, Kering firmly believes that promoting diversity is a source of creativity and innovation. In 2018, Kering earned recognition once again for its gender equality efforts with high rankings in the Thomson Reuters Diversity & Inclusion Index, Equileap, and the Bloomberg Gender-Equality Index. Relatedly, Gucci, for example, regularly holds events to heighten awareness of discrimination by sexual orientation with its Italian employees, and it partners with the UNHCR and local organizations in support of a project to integrate refugees in Italy.

Kering is committed to seeing that those who contribute to its value creation – not just employees, but everyone working in its supply

chains outside the company – show respect for human rights. It relies on its Code of Ethics and its whistleblower system, updated and strengthened in 2018 and applicable to all Kering employees and suppliers, to meet this goal. Additionally, a Charter on working relations with fashion models was issued in 2017.

Kering’s commitment to human rights is also expressed through the Kering Foundation’s initiatives to combat violence against women. The Foundation supports local NGO projects, works with social entrepreneurs, organizes awareness campaigns, and enlists the Group’s employees in this cause, across three geographic regions for a dedicated cause for each: sexual violence on the American continent, harmful traditional practices in Western Europe, and domestic violence in Asia. Its annual White Ribbon campaign, which targeted cyber harassment in 2018, reaches more than 489 million people. It regularly organizes events to unify the support of employees, who may also benefit from time off to work with outside organizations.

All these actions create a continual basis of trust between Kering, its employees, and all its stakeholders.

TO FIND OUT MORE

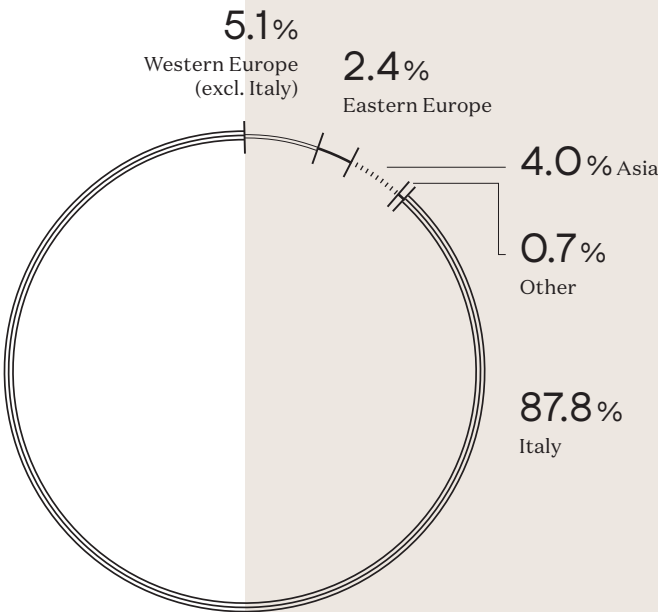
- 2018 Reference document: Chapter 3. Sustainability
- Code of Ethics

PROTECTION OF HUMAN RIGHTS

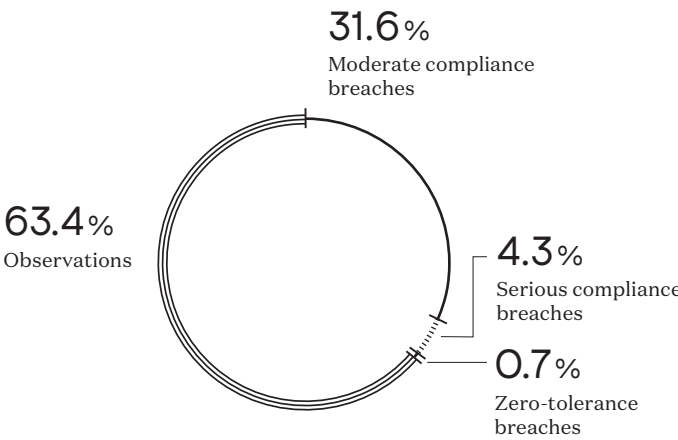
4 Houses are engaged alongside Kering and its partners, the Camera Nazionale della Moda Italiana and Valore D, in programs to develop the skills of female workers in the supply chains of the Italian luxury industry

2 Houses are certified to SA8000 for all their activities

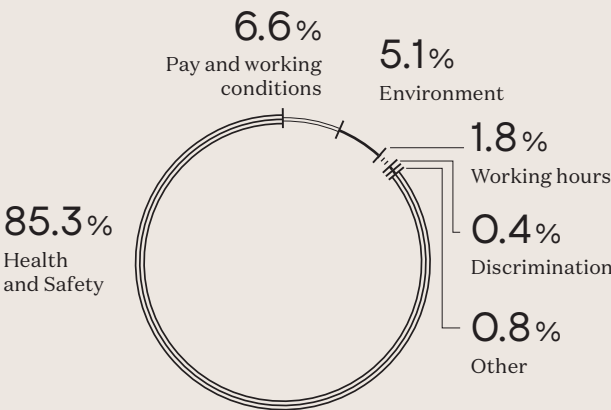
Total respect of human rights is a key priority and central component of Kering’s identity. The Group is fully vigilant in combatting child labor, forced labor, human trafficking, and the exploitation of the most vulnerable people. The Group participates in numerous international initiatives to promote human rights, particularly in supply chains, such as the Sustainable Apparel Coalition, the Social and Labor Convergence Project, and the Global Business Coalition Against Human Trafficking (GBCAT). It also conducts many social audits at its thousands of suppliers.



GEOGRAPHICAL BREAKDOWN OF SUPPLIERS MANAGED CENTRALLY BY KERING FOR ITS HOUSES



BREAKDOWN BY SEVERITY OF ANOMALIES RECORDED WITHIN THE KERING GROUP AS OF DECEMBER 31, 2018



BREAKDOWN BY THEME OF THE TOP 5 ANOMALIES RECORDED WITHIN THE KERING GROUP AS OF DECEMBER 31, 2018

FIND OUT MORE

- 2018 Reference document: Chapter 3. Sustainability
- Website: 2025 Strategy
- Website: Environmental Profit & Loss Account

NATURAL CAPITAL

The products developed by Kering's Houses and the standard of perfection applied to them mean the Group depends to a great degree on natural raw materials (wool, cashmere, leather, cotton, silk, and so on) whose quality and availability can be jeopardized by climate change or a loss of biodiversity. By making sustainability the central focus of its corporate strategy and business model, Kering is being more attentive than ever to its impact on the planet and taking care to preserve its natural capital. The Group thus ensures that its activities can continue within the planet's limits.

The cornerstone of its environmental policy, the Environmental Profit & Loss (EP&L) account enables the Group to assess its impact on natural capital by assigning a monetary value to each impact. It provides a detailed analysis both in its own operations and across its entire supply chain. The outcome of extensive research conducted with civil society, its partners, and its Houses, this innovative tool provides a better understanding of the risks and opportunities stemming from the new environmental challenges and makes sustainability a key factor in the company's decision-making.

The results of the EP&L for 2017 – an environmental impact of €482 million – confirm the major role played by the impact of the Group's supply chains. They account for 90% of the impact, with 76% attributable to the production and initial transformation of raw materials. These results confirm the relevance of Kering's roadmap for its environmental strategy.

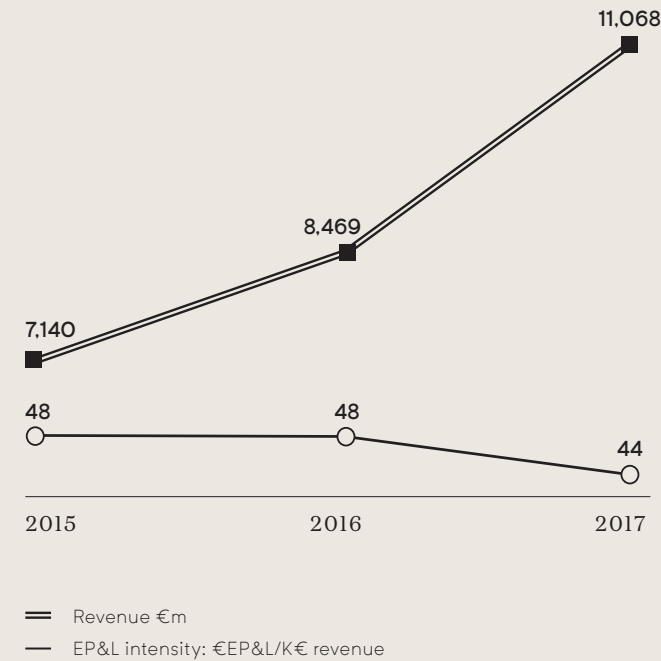
The goal of reducing its EP&L by 40% by 2025 is reflected in the Kering Standards, which were published in 2018 and shared with all the Group's Houses and suppliers.

The Group is assisting its suppliers in this effort through the Clean by Design program. In this initiative for textile manufacturers, audits are conducted to identify investment opportunities to reduce their consumption of water and energy.

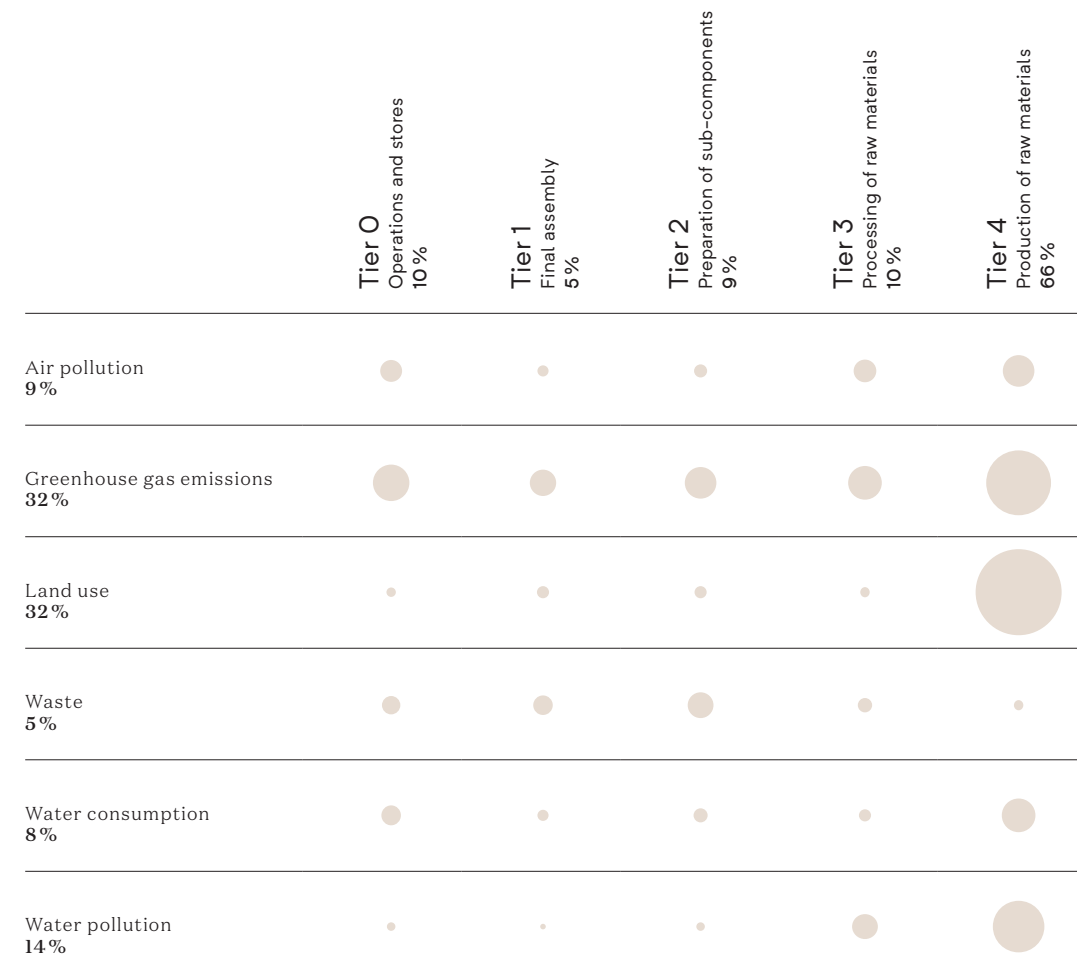
The conclusions of the EP&L also guide the search for Kering's disruptive innovations in the areas of raw materials and manufacturing processes. The development of innovative technologies (circular economy, biotechnologies, etc.) are targeted in other projects carried out by the Group and its Houses, notably regarding the choices of materials and design guidelines (use of recycled metals, less use of cashmere, etc.).

Aware that in dealing with sustainability issues, everyone involved must take action to make a difference, Kering works actively to communicate widely about issues related to natural capital. A longtime member of the Natural Capital Coalition, it regularly presents its best practices such as its EP&L methodology in this forum, thereby contributing to the sustainability efforts of other companies and organizations.

CHANGE IN EP&L



In line with its commitment to transparency, Kering publishes the conclusions of its EP&L every year. In 2017, for the first time, the scope and analyses of the EP&L presented Kering as a pure player Luxury group. The results reflect the effectiveness of the Group's efforts to reduce its environmental impact and confirm that Kering is on track to achieve its ambitious target of reducing its EP&L by 40% by 2025.



MAPPING OF 2017 IMPACTS

ENVIRONMENTAL PROFIT & LOSS ACCOUNT

ENGAGED GOVERNANCE
WITH A LONG-TERM VISION

Kering’s governance structure ensures efficient strategic decision-making, optimizes the Group’s financial and extra-financial performance, and contributes to robust and consistent communication.

Kering’s governance is based on the Board of Directors, which defines strategic direction, and the Executive Committee, which implements the Group’s strategy. Kering has opted for the single functions of Chairman of the Board and Chief Executive Officer, considering that this governance approach also responds to the Group’s shareholder structure, which includes individual shareholders, a controlling shareholder

and an institutional shareholder, all of whom are committed to Kering’s long-term development.

The Group ensures that the membership of the Board of Directors is balanced, diverse, and well suited to the challenges facing the luxury industry. The Executive Committee, the Group’s operational management body, reflects Kering’s transformation into an integrated group as well as its increasingly internationalized activities. It gives the heads of Kering’s activities and major brands the opportunity to participate alongside the senior corporate executives in setting the key strategic direction of the Group.

With 64% of the Board of Directors, 33% of the Executive Committee and 50.5% of managers being women, the Group is proud to be one of the most gender-balanced companies in the CAC 40. Kering is also the only Luxury group to appear in the Bloomberg Gender-Equality Index. The Group aims to achieve gender parity and equal pay at all levels of the hierarchy and in all Group functions. The Leadership and Mixity program promotes women’s access to the highest levels of management and contributes to the dissemination of a culture of equality.



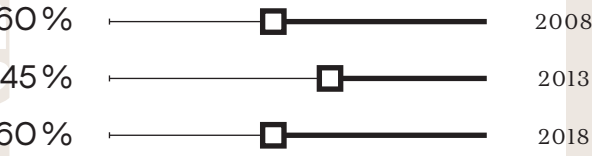
AVERAGE AGE*



PROPORTION OF WOMEN



SIGNIFICANT INTERNATIONAL EXPERIENCE



INDEPENDENCE

*Ages are determined at 12/31 of the year concerned.

BOARD OF DIRECTORS' INITIATIVES TO LEVERAGE KERING'S STRATEGY

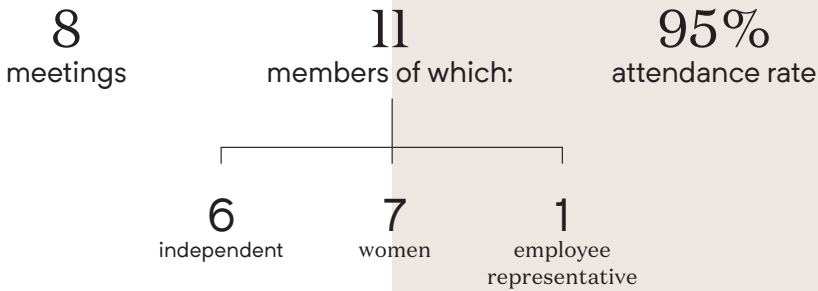
The Board of Directors determines and assesses Kering's strategic direction, objectives and performance and ensures their implementation. Among its main activities, the Board examined the following items in 2018:

- Kering's strategy and its implementation, including: proposal and approval of the exceptional plan payout in kind plan in the form of PUMA shares, 3-year financial trajectory, Balenciaga strategy;
- Activities and results (business performance, financial and consolidated statements, risk mapping, specific studies);

- Corporate governance (composition of Board and its specialized committees, executives' succession plan, assessment of the Board's work, rules for corporate officers' remuneration, long-term profit-sharing plan); and particularly the appointment of Financière Pinault and Ginevra Elkann to the Board of Directors;
- Review of specialized committees' work.

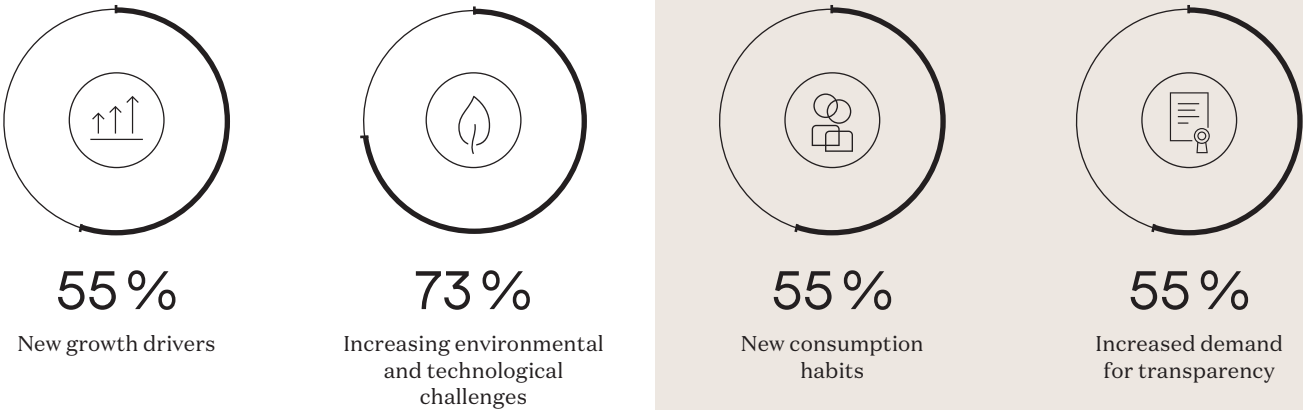
On February 11, 2019, the Board of Directors designated Sophie L'Hélias as lead independent Director. Alongside the typical duties associated with this position, she will notably act as the Board's spokesperson vis-à-vis investors on environmental, social and governance (ESG) issues, in liaison with the Chairman.

BOARD OF DIRECTORS IN 2018



SKILLS IN LINE WITH MARKET TRENDS

% of members of the Board with the skills in line with the challenges identified in the Luxury industry



FOUR SPECIALIZED COMMITTEES

AUDIT COMMITTEE	REMUNERATION COMMITTEE	APPOINTMENTS COMMITTEE	SUSTAINABILITY COMMITTEE
4 meetings	1 meeting	1 meeting	2 meetings
100% attendance rate	100% attendance rate	100% attendance rate	100% attendance rate
4 members of which 3 independent	6 members of which 4 independent and 1 director representing employees	5 members of which 3 independent	4 members of which 2 independent

FIND OUT MORE:

— 2018 Reference document:
Chapter 4. Report on corporate
governance

FOUR SPECIALIZED
COMMITTEES

The Board of Directors has established four specialized committees to improve its functioning: the Audit Committee, the Remuneration Committee, the Appointments Committee and the Sustainability Committee. Composed of directors whose skills are specifically identified to meet expectations, these committees effectively contribute to preparing the Board of Directors’ decisions by issuing recommendations or advisory opinions.

Audit Committee
It reviews the annual and half-year financial statements, ensures the relevance and reliability of accounting methods and the implementation of internal control and risk management procedures. It also examines the work of the Statutory Auditors and their independence, their selection or renewal procedure. Finally, it conducts a review of sustainability and environmental policies

Remuneration Committee
It examines and makes proposals regarding the remuneration of executive corporate officers, proposes to the Board the method for allocating Directors’ fees allocated to the Board by the Annual General Meeting

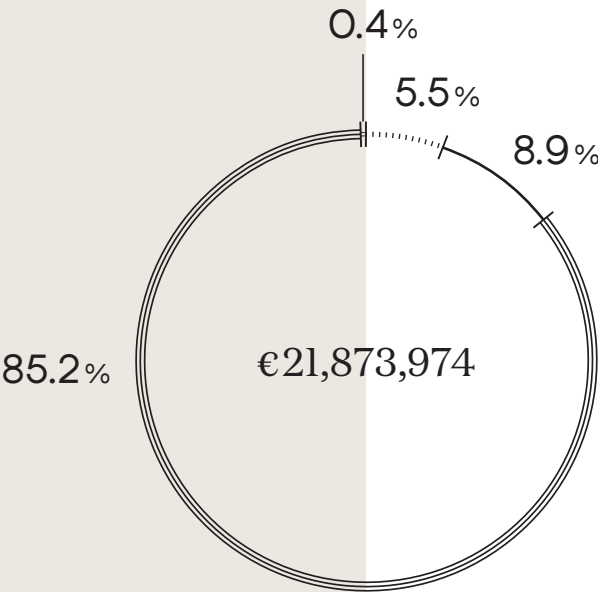
and examines the remuneration policy for executive officers as well as the remuneration and benefits received or deferred, stock option or free share plan and/or similar benefits.

Appointments Committee
It examines proposals for the appointment of Directors and their independence, the composition of specialized committees and succession plans for the Group’s executives.

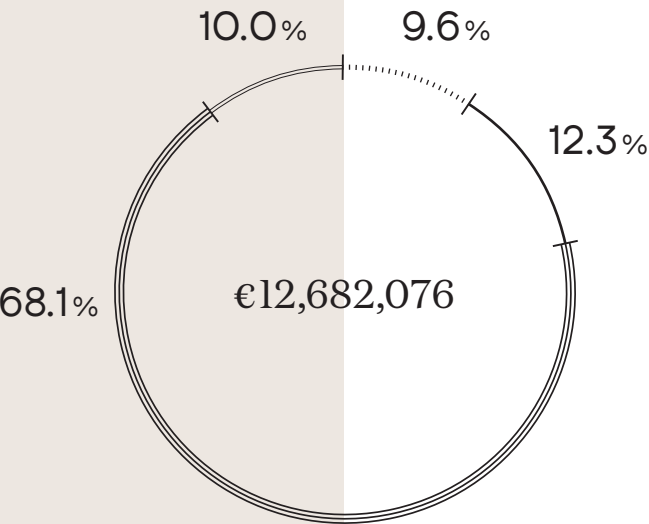
Sustainability Committee
It assesses the Group’s commitment to ethics, social, environmental and societal responsibility; It also reviews ethical measures, performance and CSR ratings.

REMUNERATION OF THE GROUP’S DIRECTORS
AND EXECUTIVE CORPORATE OFFICERS IN 2018

The remuneration of executive corporate officers includes a fixed and a variable portion, determined and approved by the Board of Directors each year, on the basis of the recommendations issued by the Remuneration Committee and in accordance with the recommendations of the AFEF-MEDEF Code and the AMF (French Financial Markets’ Authority).



FRANÇOIS-HENRI PINAULT
Chairman and Chief Executive Officer



JEAN-FRANÇOIS PALUS
Group Managing Director

- Fixed remuneration unchanged between 2017 and 2018;
- Annual variable remuneration based on the achievement of financial (70%) and extra-financial (30%) targets:
 - Financial targets: Consolidated recurring operating income (35%) and consolidated free cash flow from operations (35%);
 - Extra-financial targets: organization and talent management (10%), corporate social responsibility (10%), sustainability (10%);
- Multi-annual variable remuneration (2 exercices: years 2014 and 2015), indexed to the Group’s outstanding performance and long-term value creation.

- Fixed remuneration
- Annual variable remuneration
- Multi-annual variable remuneration
- Directors' fees and benefits in kind

BY LEVERAGING
EXCEPTIONAL QUALITY
RESOURCES



OPTIMIZED BY KERING,

A VISION

Embracing creativity for a modern, bold vision of Luxury



A MULTI-BRAND MODEL

built on a long-term approach and creative autonomy for the Houses

AGILITY

An organization that unlocks the potential for excellence of its Houses

BALANCE

An ensemble of the most prestigious global Luxury Houses with complementary positionings

RESPONSIBILITY

An ambitious approach, fueling inspiration and innovation



A VALUE CHAIN

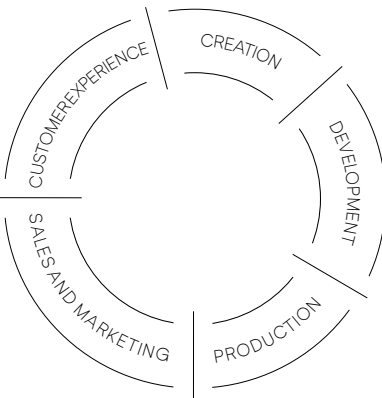
bringing key advantages

Upstream positioning and integration in the value chain: targeted acquisitions, centralized sourcing

Cross-business expertise e.g. Kering Eyewear

Shared support functions within Kering Group Operations

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



A STRATEGY

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

PROMOTING ORGANIC GROWTH

ENHANCING SYNERGIES AND INTEGRATION



TO SUPPORT
OUR AMBITION

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

THE GROUP
CREATES VALUE



THAT IT SHARES WITH
ITS STAKEHOLDERS.

EMPLOYEES

€1.62 billion paid in salaries and employer contributions

58.05% of employees trained

CREATIVE
TALENTS AND
EXCELLENCE IN
CRAFTSMANSHIP

Fifteen international partnerships with business and design schools

Launch of the 1st MOOC on sustainability and luxury fashion gathering more than 17,500 students in 144 countries

Launch of Gucci Art Lab, a center of excellence for the House

ACTORS OF
INNOVATION

Plug & Play – Fashion for Good partnership for identifying disruptive innovations and enabling a constant dialogue between the Houses and start-ups

LOCAL
COMMUNITIES

132,957 tons of CO₂ offset from projects supporting local populations and biodiversity

More than €2 million donated by the Houses to combat poverty, and for healthcare, education and training

SUPPLIERS AND
SUBCONTRACTORS

Resource optimization resulting in annual savings of nearly €1 million as part of the Clean By Design program

2,867 audits conducted with suppliers on social, environmental and sourcing issues

SHAREHOLDERS
AND FINANCIAL
COMMUNITY

A balanced and rewarding dividend distribution policy, dividend in cash, increasingly steadily: €10.50 a share in 2017 (+75%)*

NGOS AND CIVIL
SOCIETY

Over 489 million people mobilized by the Kering Foundation's annual White Ribbon For Women campaign

More than €1,300,000 paid by our Houses to cultural sector projects

ENVIRONMENT

10% reduction in EP&L impact between 2015 and 2017

Rollout of Kering Standards across all activities to reduce our environmental footprint, and ensure animal welfare and respect for human rights

82% of key materials traced back to the country of origin

* Subject to the approval of the Annual General Meeting from April 24, 2019

OUR PUBLICATIONS

**About this report:
methodology**

Assembled collaboratively with the various Kering Group’s departments involving members of the Executive Committee, this report covers the 2018 fiscal year and relies on data from the 2018 Reference document and all of the Group’s communications.

Other Kering publications

- 2018 Activity Report
- 2018 Reference document
- Financial publications and Letters to shareholders
- 2025 Sustainability Strategy: Crafting Tomorrow’s Luxury
- 2017 Kering Foundation Activity Report
- 2017 EP&L Results

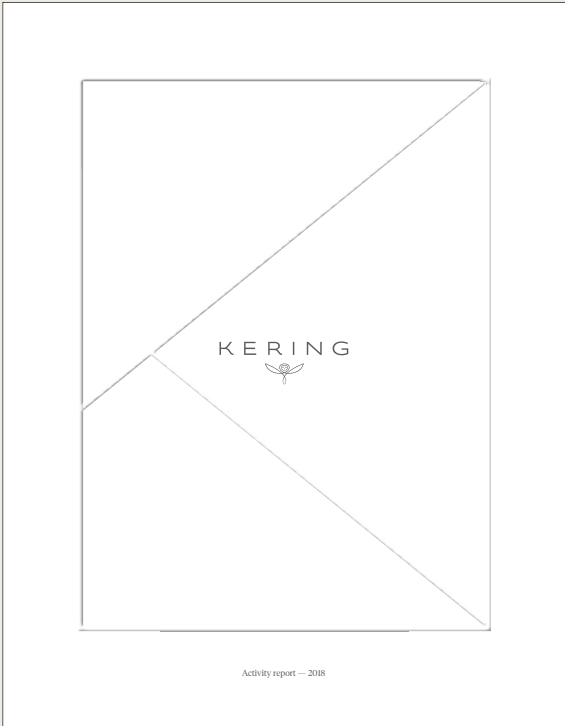


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2018 REFERENCE DOCUMENT



2018 ACTIVITY REPORT

©Kering 2019
Advisory and drafting: Capitalcom
Creation and design: Maison Sagan

Empowering Imagination