

2014 First-Half Results

Sound operating performance in the first-half

- ∞ Revenue up 4% and improved recurring operating margin on a comparable basis
- ∞ Solid sales growth for the Luxury activities: up 6% on a comparable basis
- ∞ Positive trends in Sport & Lifestyle
- ∞ Negative foreign currency impact
- ∞ Excellent level of free cash flow from operations

François-Henri Pinault, Chairman and Chief Executive Officer, commented: "Kering delivered a sound performance in the first half of 2014, with revenue up 4% and improved recurring operating margin on a comparable basis. The Luxury activities reported further sales growth, driven by a solid performance from directly operated stores, and their recurring operating income rose in the period. At the same time, the Sport & Lifestyle activities posted higher comparable sales - an encouraging trend as Puma's ambitious relaunch is proceeding according to plan. Our overall performance during the period confirms the strength, appeal and strategic coherence of our brands. In an unsettled operating environment, we are pursuing the implementation of our strategy, all the while keeping tight control over costs and safeguarding our gross margins. This enables us to anticipate an improvement in our operating performance in the second half of the year."

(in € million)	H1 2014	H1 2013	Change ⁽¹⁾
Revenue	4,747	4,678	+1.5 %
Recurring operating income	810	843	-3.9 %
<i>as a % of revenue</i>	<i>17.1 %</i>	<i>18.0 %</i>	
Net income, Group share	185	173	+7.0%
Recurring net income, Group share *	555	582	-4.7 %

⁽¹⁾ Reported change.

* **Recurring net income, Group share:** net income from continuing operations, Group share, excluding non-current items.



∞ Operating performance

In a weaker economic climate, Kering's **revenue from continuing operations** for the first half of 2014 amounted to €4,747 million, up 1.5% on first-half 2013 as reported and 4% based on a comparable Group structure and exchange rates. The Group recorded revenue growth of 4.1% on a comparable basis in the first quarter of 2014 and 4% in the second quarter (1.2% and 1.8% respectively on a reported basis).

Exchange rate fluctuations had a negative €196 million effect on revenue during the period.

The Luxury activities posted year-on-year revenue growth of 5.7% based on comparable data, reflecting solid performances by directly operated stores across all geographic areas. Revenue generated by the Sport & Lifestyle activities edged up 0.4% on a comparable basis in a persistently mixed operating environment and with ongoing difficult market conditions for Footwear in Western Europe.

The Group's balance in terms of geographic presence and sales formats makes it more resilient to changes in the economic environment despite the volatility in the global economy over the last several quarters. Revenue generated outside the Eurozone climbed 4.9% in the first half of 2014 (based on comparable data) and accounted for 78% of the Group total, versus 79% in 2013 (on a reported basis). Growth in mature markets was sustained at 3.1% (based on comparable data), driven by Japan and North America. Emerging markets were up 5.6% on a comparable basis, and accounted for 38.1% of sales, including 26.2% generated in the Asia-Pacific region (excluding Japan).

In first-half 2014, Kering's **recurring operating income** amounted to €810 million, down 3.9% on the first half of 2013, but up 6.2% at comparable exchange rates. **Recurring operating margin** came in at 17.1% (versus 18.0% for the first six months of 2013 and 17.0% at comparable exchange rates).

At €967 million, **EBITDA** was 1.7% lower than in first-half 2013 on a reported basis, but some 8% higher than in the first half of 2013 on a comparable exchange rate basis. The EBITDA margin stood at 20.4% in first-half 2014, down 0.6 points on a reported basis from the first half of 2013, but up 0.4 points at comparable exchange rates.

∞ Financial performance

Net finance costs totaled €105 million in the first half of 2014 and the cost of net debt decreased to just under €87 million.

Net income, Group share came to €185 million for the first six months of 2014, up 7% on the first-half 2013 figure of €173 million. The Group reported a €348 million net loss under discontinued operations during the period, of which €300 million related to Redcats.

Net income, Group share from continuing operations came in at just under €533 million versus nearly €559 million in first-half 2013. Adjusted for non-recurring items net of tax, **net income, Group share from continuing operations** totaled €555 million compared with €582 million in first-half 2013.

Earnings per share amounted to €1.47 in the first six months of 2014 (€1.37 in first-half 2013). **Earnings per share from continuing operations** stood at €4.23 (€4.44 in first-half 2013). Excluding non-recurring items, earnings per share from continuing operations totaled €4.41, versus €4.63 in the six months ended June 30, 2013.



∞ **Financial position**

At June 30, 2014, Kering had a sound financial structure.

(in € million)	June 30, 2014	June 30, 2013	Dec. 31, 2013
Capital employed	15,013	14,816	14,823
Net assets held for sale	(66)	(72)	(185)
Total equity	11,042	11,556	11,196
Net debt	3,905	3,188	3,443

In first-half 2014, **free cash flow from operations** totaled €620 million compared with €393 million in the first six months of 2013.

∞ **Highlights of first-half 2014**

Kering reorganises its Luxury activities to accelerate the growth of its brands

In order to foster the continuing expansion of its Luxury business resulting from both its organic growth and the acquisitions carried out in recent years, in April 2014, Kering announced the creation of two new divisions – “Luxury - Couture & Leather Goods” and “Luxury - Watches & Jewelry” – both reporting to François-Henri Pinault, the Group’s Chairman and Chief Executive Officer.

Marco Bizzarri has been appointed as CEO of “Luxury – Couture & Leather Goods” and Albert Bensoussan as CEO of “Luxury – Watches & Jewellery”. Gucci, whose Chairman and CEO is Patrizio di Marco, remains under the direct supervision of François-Henri Pinault.

Sale of La Redoute

On June 3, 2014, Kering announced that it had closed the sale of La Redoute and Relais Colis to Nathalie Balla, Chairman and CEO of La Redoute, and Eric Courteille, Chief Administrative Officer of Redcats.

Other highlights

In the first six months of 2014, Kering redeemed the remaining €550.1 million of the bond that was issued in 2009 and matured in April 2014. This bond was originally issued in two tranches representing an aggregate €800 million, of which €249.9 million was redeemed in 2011. Also during the period, the Group redeemed the €150 million bond issued in June 2009.

∞ **Subsequent event**

On July 30, 2014, Kering and Ulysse Nardin announced that they had signed an agreement under which Kering will acquire the *haute horlogerie* brand's entire share capital. The brand will become part of Kering's "Luxury - Watches & Jewelry" division, which is headed by Albert Bensoussan. The transaction is subject to the approval of the competition authorities and is expected to be finalised during the second half of 2014.



∞ **Outlook**

Kering will continue to implement its action plans aimed at stepping up the organic growth and operating cash flow generation of each of the brands of its Luxury activities. The results of these plans already began to feed through in the first six months of 2014 despite the difficult market context, and for Gucci in particular, they should lead to a return to positive revenue trends in the second half of the year.

Going forward, Kering will pursue its strategy of rigorously managing and allocating its resources which should enable the Group to improve its operating performance in the second half of 2014 in spite of the still unsettled business environment.

At its meeting on July 30, 2014, the Board of Directors, under the chairmanship of François-Henri Pinault, approved the condensed consolidated financial statements for the first half of 2014 that were subject to a limited review.

This press release is a free translation of the French original press release available on our website: www.kering.com.

Main definitions

IFRS 5 – Non-current assets held for sale and discontinued operations

In accordance with IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, the Group has presented certain activities as "Non-current assets held for sale and discontinued operations". The net income or loss from these activities is shown on a separate line of the income statement, "Net income (loss) from discontinued operations", and is restated in the statement of cash flows and income statement for all reported periods.

Assets and liabilities relating to assets held for sale are presented on separate lines in the Group's statement of financial position, without restatement for previous periods. Assets and liabilities relating to discontinued operations are not presented on separate lines in the Group's statement of financial position.

As stated in Note 9 to the condensed consolidated interim financial statements, Groupe Fnac and the Redcats group are classified as "Non-current assets held for sale and discontinued operations".

Definition of "reported" and "comparable" revenue

The Group's "reported" revenue corresponds to published revenue. The Group also uses "comparable" data to measure organic growth. "Comparable" revenue is 2013 revenue restated for the impact of changes in Group structure in 2013 or 2014, and for translation differences relating to foreign subsidiaries' revenue in 2013.

Definition of recurring operating income

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

"Other non-recurring operating income and expenses" consists of unusual items, notably as concerns the nature or frequency, that could distort the assessment of Group entities' economic performance, as defined by French national accounting board (Conseil national de la comptabilité – CNC) recommendation No. 2009-R-03.

Consequently, Kering monitors its operating performance using "Recurring operating income", defined as the difference between total operating income and other non-recurring operating income and expenses (see Note 5 to the condensed consolidated interim financial statements).

Recurring operating income is an intermediate line item intended to facilitate the understanding of the Group's operating performance and which can be used as a way to estimate recurring performance. This indicator is presented in a manner that is consistent and stable over the long-term in order to ensure the continuity and relevance of financial information.

Recurring operating income at comparable exchange rates for 2013 takes into account the currency impact on revenue and operational expenses, the effective portion of currency hedges and the impact of changes in exchange rates on the translation of the recurring operating income of consolidated entities located outside the eurozone.

Definition of EBITDA

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

EBITDA at comparable exchange rates is defined using the same principles as for recurring operating income at comparable exchange rates.

Definition of free cash flow from operations and available cash flow

The Group also uses an intermediate line item, "Free cash flow from operations", to monitor its financial performance. This financial indicator measures net operating cash flow less net operating investments (defined as purchases and sales of property, plant and equipment and intangible assets).

"Available cash flow" corresponds to free cash flow from operations plus interest and dividends received less interest paid and equivalent.

Definition of net debt

As defined by CNC recommendation No. 2009-R-03 of July 2, 2009, net debt comprises gross borrowings, including accrued interest, less net cash.

Net debt includes fair value hedging instruments recorded in the statement of financial position relating to bank borrowings and bonds whose interest rate risk is fully or partly hedged as part of a fair value relationship (see Note 18 to the condensed consolidated interim financial statements).

The financing of customer loans by fully-consolidated consumer credit businesses is presented in borrowings. Group net debt excludes the financing of customer loans by consumer credit businesses.



CONFERENCE CALL

Kering will hold a **conference call** for analysts and investors at **6:00pm** (Continental Europe) / 5:00pm (UK) / 12:00pm (East Coast, USA) on **Wednesday, July 30, 2014**.

The conference call will be available through a live listen-only web audiocast on www.kering.com (Finance section).

The conference call will also be available through phone, using one of the dial-in numbers and associated access code below:

France	+33 (0)1 76 77 22 20
UK	+44 (0)20 3427 1911
US	+1 (646) 254 3364

Access code: 8392165

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

PRESENTATION

The slides (PDF) will be available ahead of the conference call at www.kering.com

The 2014 First-Half report will be available at www.kering.com.

About Kering

A world leader in apparel and accessories, Kering develops an ensemble of powerful Luxury and Sport & Lifestyle brands: Gucci, Bottega Veneta, Saint Laurent, Alexander McQueen, Balenciaga, Brioni, Christopher Kane, McQ, Stella McCartney, Tomas Maier, Sergio Rossi, Boucheron, Dodo, Girard-Perregaux, JeanRichard, Pomellato, Qeelin, Puma, Volcom, Cobra, Electric and Tretorn. By 'empowering imagination' in the fullest sense, Kering encourages its brands to reach their potential, in the most sustainable manner.

Present in more than 120 countries, the Group generated revenues of €9.7 billion in 2013 and had more than 35,000 employees at year end. The Kering (previously PPR) share is listed on Euronext Paris (FR 0000121485, KER.PA, KER.FP).

Contacts

Press

Paul Michon	+33 (0)1 45 64 63 48	paul.michon@kering.com
Hélène Saint-Raymond	+33 (0)1 45 64 61 20	helene.saint-raymond@kering.com

Analysts/investors

Claire Roblet	+ 33 (0)1 45 64 61 49	claire.roblet@kering.com
Edouard Crowley	+ 33 (0)1 45 64 63 28	edouard.crowley@kering.com

Website : www.kering.com

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

<i>Contents</i>	<i>page</i>
Consolidated income statement	8
Consolidated statement of financial position	9
Consolidated statement of cash flows	10
Breakdown of recurring operating income	11
Quarterly breakdown of revenue	12

Consolidated income statement

<i>(in € millions)</i>	June 30, 2014	June 30, 2013	Dec. 31, 2013
CONTINUING OPERATIONS			
Revenue	4,747.2	4,678.4	9,748.4
Cost of sales	(1,727.1)	(1,753.0)	(3,657.9)
Gross margin	3,020.1	2,925.4	6,090.5
Payroll expenses	(760.5)	(755.5)	(1,534.7)
Other recurring operating income and expenses	(1,449.4)	(1,327.2)	(2,805.7)
Recurring operating income	810.2	842.7	1,750.1
Other non-recurring operating income and expenses	(8.1)	(25.4)	(442.5)
Operating income	802.1	817.3	1,307.6
Finance costs, net	(105.4)	(97.2)	(212.3)
Income before tax	696.7	720.1	1,095.3
Corporate income tax	(142.8)	(137.0)	(235.4)
Share in earnings (losses) of equity-accounted companies	(1.9)	(0.7)	1.6
Net income from continuing operations	552.0	582.4	861.5
o/w attributable to owners of the parent	533.0	558.8	869.4
o/w attributable to non-controlling interests	19.0	23.6	(7.9)
DISCONTINUED OPERATIONS			
Net loss from discontinued operations	(348.5)	(388.0)	(821.5)
o/w attributable to owners of the parent	(348.5)	(386.3)	(819.8)
o/w attributable to non-controlling interests		(1.7)	(1.7)
Net income of consolidated companies	203.5	194.4	40.0
Net income attributable to owners of the parent	184.5	172.5	49.6
Net income attributable to non-controlling interests	19.0	21.9	(9.6)
Net income attributable to owners of the parent	184.5	172.5	49.6
Earnings per share <i>(in €)</i>	1.47	1.37	0.39
Fully diluted earnings per share <i>(in €)</i>	1.46	1.37	0.39
Net income from continuing operations attributable to owners of the parent	533.0	558.8	869.4
Earnings per share <i>(in €)</i>	4.23	4.44	6.91
Fully diluted earnings per share <i>(in €)</i>	4.23	4.44	6.90
Net income from continuing operations (excluding non-recurring items) attributable to owners of the parent	554.9	582.1	1,229.3
Earnings per share <i>(in €)</i>	4.41	4.63	9.76
Fully diluted earnings per share <i>(in €)</i>	4.40	4.62	9.75

Consolidated statement of financial position

<i>(in € millions)</i>	June 30, 2014	June 30, 2013	Dec. 31, 2013
Goodwill	3,634.6	3,896.7	3,770.1
Brands and other intangible assets	10,726.3	10,500.6	10,702.8
Property, plant and equipment	1,683.4	1,402.1	1,676.9
Investments in equity-accounted companies	19.1	24.3	17.3
Non-current financial assets	303.3	294.5	316.8
Deferred tax assets	769.6	583.2	649.9
Other non-current assets	35.7	40.1	30.1
Non-current assets	17,172.0	16,741.5	17,163.9
Inventories	2,079.7	1,920.5	1,805.5
Trade receivables	988.2	986.0	949.9
Current tax receivables	114.6	103.7	119.1
Other current financial assets	18.8	78.2	107.7
Other current assets	442.3	527.6	523.4
Cash and cash equivalents	1,225.8	934.3	1,419.2
Current assets	4,869.4	4,550.3	4,924.8
Assets classified as held for sale	107.9	438.4	722.1
Total assets	22,149.3	21,730.2	22,810.8
<i>(in € millions)</i>	June 30, 2014	June 30, 2013	Dec. 31, 2013
Share capital	505.0	504.8	504.9
Capital reserves	2,426.3	2,422.0	2,424.3
Treasury shares	(8.7)	(133.0)	(10.4)
Translation adjustments	(126.9)	(27.6)	(115.3)
Remeasurement of financial instruments	11.6	62.5	69.8
Other reserves	7,629.2	8,023.4	7,713.3
Equity attributable to owners of the parent	10,436.5	10,852.1	10,586.6
Non-controlling interests	605.3	704.3	609.3
Total equity	11,041.8	11,556.4	11,195.9
Non-current borrowings	2,710.6	2,056.8	3,132.4
Other non-current financial liabilities	1.1		0.7
Provisions for pensions and other post-employment benefits	95.1	99.4	92.8
Other provisions	108.9	88.6	113.2
Deferred tax liabilities	2,805.7	2,753.1	2,810.2
Non-current liabilities	5,721.4	4,997.9	6,149.3
Current borrowings	2,420.2	2,068.9	1,737.4
Other current financial liabilities	19.7	12.5	213.2
Trade payables	929.8	872.1	766.1
Provisions for pensions and other post-employment benefits	7.2	6.7	7.2
Other provisions	180.0	123.4	152.7
Current tax liabilities	386.1	327.0	310.1
Other current liabilities	1,269.5	1,254.8	1,372.3
Current liabilities	5,212.5	4,665.4	4,559.0
Liabilities associated with assets classified as held for sale	173.6	510.5	906.6
Total equity and liabilities	22,149.3	21,730.2	22,810.8

Consolidated statement of cash flows

<i>(in € millions)</i>	June 30, 2014	June 30, 2013	Dec. 31, 2013
Net income from continuing operations	552.0	582.4	861.5
Net recurring charges to depreciation, amortisation and provisions on non-current operating assets	156.4	140.3	295.8
Other non-cash income and expenses	(126.8)	32.8	389.9
Cash flow from operating activities	581.6	755.5	1,547.2
Interest paid/received	95.5	25.9	120.5
Dividends received			(0.3)
Net income tax payable	252.8	131.3	315.7
Cash flow from operating activities before tax, dividends and interest	929.9	912.7	1,983.1
Change in working capital requirement	(263.0)	(148.8)	(74.5)
Corporate income tax paid	(172.8)	(164.7)	(383.7)
Net cash from operating activities	494.1	599.2	1,524.9
Purchases of property, plant and equipment and intangible assets	(215.4)	(208.1)	(677.7)
Proceeds from disposals of property, plant and equipment and intangible assets	341.3	2.1	10.3
Acquisitions of subsidiaries, net of cash acquired	(3.6)	(115.6)	(345.0)
Proceeds from disposals of subsidiaries, net of cash transferred	(0.1)	4.3	24.7
Purchases of other financial assets	(64.3)	(23.1)	(57.9)
Proceeds from sales of other financial assets	9.4	4.4	5.1
Interest and dividends received	2.7	65.4	70.0
Net cash from (used in) investing activities	70.0	(270.6)	(970.5)
Increase/decrease in share capital and other transactions with owners	3.0	4.8	(85.4)
Treasury share transactions	(13.8)	(151.2)	(39.0)
Dividends paid to owners of the parent company	(473.2)	(471.3)	(471.2)
Dividends paid to non-controlling interests	(26.6)	(20.0)	(26.0)
Bond issues	316.2	94.9	938.9
Bond redemptions	(881.5)	(848.8)	(740.0)
Increase/decrease in other borrowings	756.2	94.3	(309.9)
Interest paid and equivalent	(109.4)	(83.8)	(187.1)
Net cash used in financing activities	(429.1)	(1,381.1)	(919.7)
Net cash used in discontinued operations	(353.4)	(94.8)	(437.5)
Impact of exchange rate variations	6.5	22.3	65.3
Net increase (decrease) in cash and cash equivalents	(211.9)	(1,125.0)	(737.5)
Cash and cash equivalents at beginning of period	1,237.6	1,975.1	1,975.1
Cash and cash equivalents at end of period	1,025.7	850.1	1,237.6

Breakdown of recurring operating income

(In M€)

	First-half 2014	First-half 2013	Change in M €	% Change
Luxury	798.7	789.5	9.2	1.2%
Gucci	527.6	556	-28.4	-5.1%
Bottega Veneta	163.1	146.5	16.6	11.3%
Saint Laurent	40.9	27.2	13.7	50.4%
Other brands	67.1	59.8	7.3	12.2%
Sport & Lifestyle	70.9	109.8	-38.9	-35.4%
Puma	70.8	109.8	-39	-35.5%
Other brands	0.1	0.0	0.1	-
<i>Corporate</i>	-59.4	-56.6	-2.8	4.9%
Recurring operating income	810.2	842.7	-32.5	-3.9%



Quarterly breakdown of revenue

(in € million)

	First-half 2014	First-half 2013	Reported change	Comparable change ⁽¹⁾	Q2 2014	Q2 2013	Reported change	Comparable change ⁽¹⁾	Q1 2014	Q1 2013	Reported change	Comparable change ⁽¹⁾
Luxury	3,230.4	3,078.4	+4.9%	+5.7%	1,629.7	1,555.0	+4.8%	+5.2%	1,600.7	1,523.4	+5.1%	+6.3%
Gucci	1,676.3	1,754.8	-4.5%	-1.1%	838.2	888.9	-5.7%	-2.4%	838.1	865.9	-3.2%	+0.3%
Bottega Veneta	525.5	465.6	+12.9%	+17.5%	274.7	236.6	+16.1%	+20.2%	250.8	229.0	+9.5%	+14.6%
Saint Laurent	320.6	255.3	+25.6%	+28.2%	162.6	128.1	+26.9%	+29.4%	158.0	127.2	+24.2%	+27.1%
Other brands	708.0	602.7	+17.5%	+6.7%	354.2	301.4	+17.5%	+5.5%	353.8	301.3	+17.4%	+7.9%
Sport & Lifestyle	1,498.7	1,586.9	-5.6%	+0.4%	709.1	744.2	-4.7%	+1.1%	789.6	842.7	-6.3%	-0.2%
Puma	1,386.1	1,473.9	-6.0%	+0.1%	656.1	692.3	-5.2%	+0.7%	730.0	781.6	-6.6%	-0.4%
Other brands	112.6	113.0	-0.4%	+4.0%	53.0	51.9	+2.1%	+6.9%	59.6	61.1	-2.5%	+1.5%
Corporate and others	18.1	13.1	+38.2%	+21.5%	10.4	8.8	+18.2%	+10.6%	7.7	4.3	+79.1%	+40.0%
KERING - Continuing activities	4,747.2	4,678.4	+1.5%	+4.0%	2,349.2	2,308.0	+1.8%	+4.0%	2,398.0	2,370.4	+1.2%	+4.1%

⁽¹⁾ Comparable scope and exchange rates.