



Reference document

2015



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chapter 1
kering in 2015

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1. *history*

The Kering group was founded by François Pinault in 1963, as a timber and building materials business. In the mid-1990s, the Group repositioned itself on the retail market and soon became one of the leading players in the sector.

The acquisition of a controlling stake in Gucci Group in 1999 and the establishment of a multi-brand Luxury Goods group marked a new stage in the Group's development.

In 2007, the Group seized a new growth opportunity with the purchase of a controlling stake in PUMA, a world leader and benchmark in Sport & Lifestyle.

Having fully aligned the Group around its Luxury and Sport & Lifestyle activities, since 2014 Kering has continued its growth story aimed at unlocking the potential of its brands.

1963

- François Pinault establishes the Pinault group, specialising in timber trading.

1988

- Flotation on the Paris Stock Market's Second Marché of Pinault SA, a company specialising in timber trading, distribution and processing.

1990

- Acquisition of Cfao, a group specialising in electrical equipment distribution (through CDME, which became Rexel in 1993) and in trading with Africa.

1991

- The Group acquires Conforama and enters the retail market.

1992

- The Pinault-Printemps Group is born with the takeover of Au Printemps SA, which held 54% of La Redoute and Finaref.

1994

- La Redoute is merged into Pinault-Printemps, and the Group is subsequently renamed Pinault-Printemps-Redoute.
- Takeover of Fnac.

1995

- Launch of the Group's first website, laredoute.fr.

1996

- Creation of Orcanta, a women's lingerie chain.

1997

- Takeover by Redcats (Kering's home shopping business) of Ellos, the leader on the Scandinavian mail order market.
- Creation of Fnac Junior, a concept store for children under 12.

1998

- Takeover of Guilbert, the European leader in office supplies and furnishings.
- Acquisition by Redcats of 49.9% of Brylane, the fourth-largest home shopping company in the US.
- Creation of Made in Sport, a chain of stores dedicated to sports enthusiasts.

1999

- Purchase of the remaining stake in Brylane.
- The Group enters the Luxury Goods sector with the acquisition of 42% of Gucci Group NV.
- First steps towards the creation of a multi-brand Luxury Goods group, with the acquisition by Gucci Group of Yves Saint Laurent, YSL Beauté and Sergio Rossi.
- Launch of fnac.com, the Fnac website.

2000

- Acquisition of Surcouf, a specialised PC retailer.
- Acquisition by Gucci Group of Boucheron.
- Launch of Citadium, the new Printemps sports store.

2001

- Gucci Group acquires Bottega Veneta and Balenciaga and signs partnership agreements with Stella McCartney and Alexander McQueen.
- Pinault-Printemps-Redoute raises its stake in Gucci Group to 53.2%.

2002

- The Group raises its stake in Gucci Group to 54.4%.
- Sale of the Guilbert home shopping business to Staples Inc.
- Partial disposal of the Credit and Financial Services division in France and Scandinavia to Crédit Agricole SA (61% of Finaref) and BNP Paribas (90% of Facet).

2003

- The Group raises its stake in Gucci Group to 67.6%.
- Sale of Pinault Bois & Matériaux to the Wolseley group in the UK.
- Sale of an additional 14.5% stake in Finaref.

2004

- The Group raises its stake in Gucci Group to 99.4% further to a tender offer.
- Sale of Rexel.
- Sale of the residual 24.5% stake in Finaref.

2005

- Change of corporate name: Pinault-Printemps-Redoute becomes PPR.
- Sale of the residual 10% stake in Facet.

2006

- Sale of 51% of France Printemps to RREEF and the Borletti group.
- Sale of Orcanta to the Chantelle group.
- Sale of the Bernay industrial site (YSL Beauté Recherche et Industrie).
- Discontinuation of Fnac Service's activities.
- Acquisition by Conforama of a majority stake in Sodice Expansion.
- Acquisition by Redcats group of The Sportsman's Guide, Inc.

2007

- Sale of the residual 49% stake in France Printemps to RREEF and the Borletti group.
- Sale of Kadéos to the Accor group.
- Acquisition of a 27.1% controlling stake in PUMA. This stake was increased to 62.1% further to a tender offer.

2008

- Sale of YSL Beauté to L'Oréal.
- Sale of Conforama Poland.
- Sale by Redcats UK of Empire Stores and by Redcats USA of the Missy division.
- Acquisition of a 23% stake in Girard-Perregaux.

2009

- Acquisition by PUMA of Dobotex International BV.
- Acquisition by PUMA of Brandon AB.
- Sale of Bédar & Co.
- Sale of Surcouf.
- Flotation of 58% of Cfao.

2010

- Acquisition by PUMA of a 20% stake in Wilderness Holdings Ltd.
- Acquisition by PUMA of COBRA.
- Sale of Fnac éveil & jeux.
- Sale of the controlling stake in Conforama to Steinhoff.

2011

- Closing of the sale of Conforama to Steinhoff.
- New organisation of the Luxury Division.
- Acquisition of Volcom.
- Increased stake (50.1%) in Sowind Group (Girard-Perregaux and JEANRICHARD).
- Announced acquisition of Brioni.

2012

- Closing of the acquisition of Brioni.
- Sale of the remaining 42% stake in Cfao to TTC.
- Creation of a joint venture with Yoox S.p.A. dedicated to e-commerce for several brands of the Luxury Division.
- Announced project to demerge and list Fnac.
- Sale of Fnac Italy.
- Sale of Redcats USA business (The Sportsman's Guide and The Golf Warehouse, announced sale of OneStopPlus).
- Announced acquisition of a majority stake in Chinese fine jewellery brand Qeelin.

2013

- Closing of the acquisition of a majority stake in Chinese fine jewellery brand Qeelin.
- Acquisition of a majority stake in the luxury designer brand Christopher Kane.
- Closing of the sale of OneStopPlus.
- Sale of the Children and Family division of Redcats, Cyrillus and Vertbaudet.
- Acquisition of a majority stake in tannery France Croco.
- Sale of the Nordic brands of Redcats, Ellos and Jotex.
- Listing of Groupe Fnac.
- Change of corporate name: PPR becomes Kering.
- Acquisition of a majority stake in Italian jewellery group Pomellato.
- Kering enters into exclusive negotiations for the disposal of La Redoute and Relais Colis.

2014

- Closing of the sale of La Redoute and Relais Colis.
- Announced project of internalisation of the Eyewear business value chain.
- Acquisition of the *haute horlogerie* brand Ulysse Nardin.

2015

- Sale of the industrial property rights of the Tretorn group (which include trademark rights, patents and designs) by PUMA (June 2015).
- Launch of Kering Eyewear (June 2015).
- Sale of the Italian luxury shoemaker Sergio Rossi (December 2015).

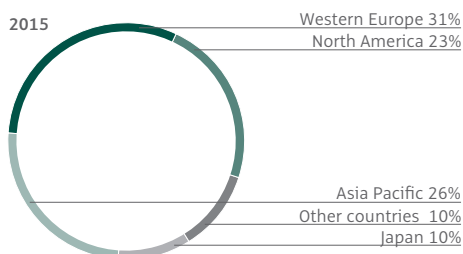
2. key consolidated figures

(in € millions)	2015	2014
Revenue	11,584	10,038
o/w generated in emerging countries (as a % of revenue)	36.8%	37.6%
EBITDA	2,056	1,991
EBITDA margin (as a % of revenue)	17.8%	19.8%
Recurring operating income	1,647	1,664
Recurring operating margin (as a % of revenue)	14.2%	16.6%
Net income attributable to owners of the parent	696	529
o/w net income from continuing operations excluding non-recurring items	1,017	1,177
Gross operating investments⁽¹⁾	672	551
Free cash flow from operations⁽²⁾	660	1,078
Average number of employees	34,697	32,890
(1) Purchases of property, plant and equipment and intangible assets.		
(2) Net cash flow from operating activities - net acquisitions of property, plant and equipment and intangible assets.		
Per share data (in €)	2015	2014
Earnings per share attributable to owners of the parent	5.52	4.20
o/w continuing operations excluding non-recurring items	8.07	9.35
Dividend per share	4.00 ⁽³⁾	4.00
(3) Subject to the approval of the Annual General Meeting on April 29, 2016.		

revenue breakdown by division

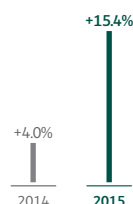


revenue breakdown by region

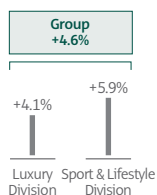


group revenue

reported change, in %

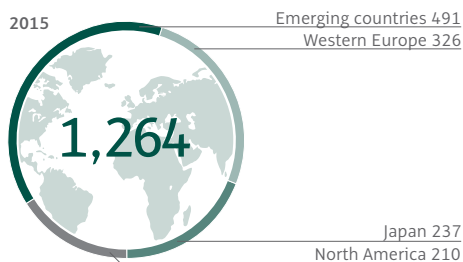


2015 vs 2014 comparable⁽¹⁾ change, in %



(1) Comparable revenue is defined on page 176.

number of directly-operated stores by region (luxury division)

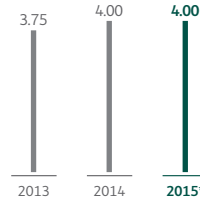


recurring operating income breakdown by division*



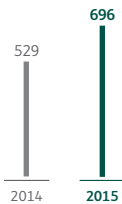
* Excluding Corporate.

dividend per share (in euros)



* Subject to the approval of the Annual General Meeting on April 29, 2016.

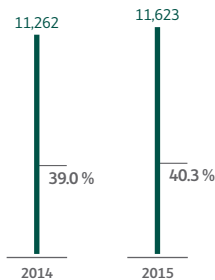
net income attributable to owners of the parent (in € millions)



net income attributable to owners of the parent from continuing operations excluding non-recurring items (in € millions)



financial position debt-to-equity ratio

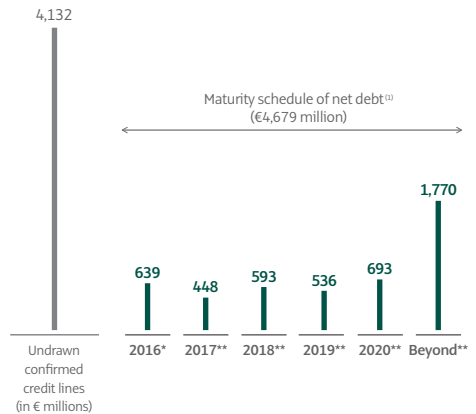


■ Equity (in € millions)

— Net debt as a percentage of consolidated equity

	2014	2015
Net debt⁽¹⁾ (ND)		
(in € millions)	4,391	4,679
Solvency ratio (ND/EBITDA)	2.21	2.28

liquidity



* Gross borrowings after deduction of cash equivalents.

** Gross borrowings.

(1) Net debt is defined on page 176.

3. *kering empowering imagination*

Since its inception in 1963, Kering (then PPR) has continuously transformed itself, constantly seeking growth and creating value with an entrepreneurial spirit.

Between 2005 and 2014, Kering undertook an in-depth strategic transformation, from a diverse conglomerate into a cohesive international group entirely dedicated to a complementary ensemble of apparel and accessories brands.

The change in the name of the Group from PPR to Kering in 2013 reflects this new identity. Pronounced "caring", the new corporate identity symbolises the way in which the Group nurtures its brands, employees and customers, as well as the environment.

from ppr to kering: building a group on a global scale

The Group began transforming its portfolio of assets and activities in 2005 with the aim of gradually phasing out its legacy mass-retail businesses located mainly in France and Europe, in order to become a front-ranking group of global brands in the Luxury and Sport & Lifestyle segments.

These changes are in line with the Group's strategic vision of focusing future development on new growth drivers by capitalising on changes in the global economy and harnessing the potential and growth cycles in emerging and mature markets. These growth drivers include:

- a global economy, which will continue to be led by mature markets but will also be shaped by the growing influence of emerging markets;
- growth in emerging markets, underpinned by demographic trends and rapid urbanisation, creating a middle class with levels of income that will gradually drive up discretionary consumer spending;

- a gradual convergence in consumer patterns, propelled by growing aspirational demand in new markets for world-renowned brands, and supported by the development of international tourism and the digital economy;

- robust demand in both mature and emerging markets for branded Sport & Lifestyle and Luxury products, a segment in which the Group has been well positioned since its 1999 acquisition of Gucci Group.

From 2005 onwards, the Group began refocusing its activities, gradually withdrawing from mass-market retailing activities with the sale of Printemps, Cfao, Conforama, Surcouf, certain international businesses, the children's division of Redcats and La Redoute, as well as listing Fnac on the stock market.

At the same time, the Group embarked upon an ambitious expansion programme to grow its portfolio of Luxury and Sport & Lifestyle brands.

a complementary ensemble of powerful brands and a virtuous growth model

The first phase of the Group's transformation, through 2015, involved expanding and strengthening Kering's brand portfolio, both through organic growth and targeted acquisitions, with the aim of building a complementary ensemble of powerful brands.

Adopting a multi-brand strategy is virtuous in many regards. Taken individually, each brand has its own distinctive identity, know-how, positioning and growth potential enabling it to reach critical mass at a global level. Together, they form a coherent and complementary ensemble, particularly in terms of market segments,

stages of maturity and geographic base. There is no competition between the brands but rather a focus on identifying and harnessing synergies.

From a financial and operational standpoint, Kering's balanced and diversified business model helps the Group resist changes in the economic environment affecting a given activity or region. It combines growth and profitability, as the Group allocates operating investments on the basis of each brand's business cycle, enabling them to preserve exclusivity while maximising growth – what the Group calls "Empowering Imagination".

1. *The organic growth of the Group's brands*

The brands' worldwide standing, desirability and huge consumer appeal are key assets, which drive their organic growth potential.

The growth of Kering's brands is underpinned by a series of clearly identified drivers:

(i) *Launching new product categories and refining existing lines*

The Group's brands work continuously to produce creative, attractive and innovative products for existing ranges and to introduce new product lines with untapped potential. They are careful to constantly adapt and improve the structure and performance of their collections to meet the specific needs of their clientele in terms of functionality, trends and price, and to draw in new generations of customers.

(ii) *Improving performance in existing sales networks*

In their network of directly-operated stores, the brands deploy initiatives to boost sales performance, capitalising on increasingly effective merchandising, in-store operational excellence, an in-depth knowledge of their customers, customer loyalty and development programmes, and targeted communications.

(iii) *Strengthening distribution channels through the selective expansion of directly-operated store networks, close relationships with third-party retailers, and the implementation of a dynamic e-commerce strategy*

The Group is permanently fine-tuning its network of directly-operated stores to optimise the distribution of its brands and seize growth opportunities around the globe. Taking into account the characteristics and maturity of each brand, this strategy translates into targeted store openings to broaden penetration in certain markets, or store relocations to occupy the very best locations available. Adapting the Group's retail network also entails store renovation and expansion projects, as well as occasional

store closures when brand criteria are no longer met. In addition, the Group's brands are constantly seeking to enhance the quality of their third-party distribution, a channel that has particular strategic significance for Sport & Lifestyle activities. Kering has also invested in digital platforms alongside traditional channels in response to new consumer and purchasing practices. Lastly, the growth potential in the Travel Retail channel is gradually being tapped.

2. *A portfolio of brands rounded out by targeted acquisitions*

While focusing on organic growth, Kering has strengthened its portfolio in recent years through the acquisition of brands set to play a key role in the Group's future growth and value creation. As part of this strategy, Brioni, Pomellato group, Qeelin, Christopher Kane and Ulysse Nardin have joined the Group.

Strict criteria are applied to these acquisitions:

- Potential targets must enjoy exceptional brand identity, strong values and a sought-after heritage; a unique scope of expression through lasting codes and language – often referred to as their "DNA"; and an ability to broaden their geographic footprint and to gradually expand their market coverage.
- Targets must have genuine potential for significant improvements in financial performance that Kering is able to identify and deploy in the long term, above and beyond their potential prior to joining the Group. As well as seeking revenue synergies derived from the increased capacity of newly acquired brands to expand their geographic presence or product categories once they join the Group, Kering also looks for synergies arising from brand expertise in terms of technical, commercial and innovation know-how. Finally, the Group evaluates the potential for savings at operational (purchasing, supply chain, real estate, etc.) and financial levels. These synergies are analysed and appraised during the acquisition process, giving rise to a financial and operational roadmap to value creation drawn up at the outset of the integration process.

an integrated group, structured to tap into growth potential

Kering sets the strategic and financial framework within which the brands operate, and provides the structures, organisations and means to protect and support the sustainable growth of its brands.

Kering first deployed a number of horizontal functions and services for its Luxury brands, including real estate, e-commerce, indirect purchasing, intellectual property, strategic marketing and media buying, to allow them to focus on their individual business objectives and support their growth, especially internationally.

Shared services platforms have been set up in the Group's three biggest regions – Europe, America, and Asia-Pacific. These centres employ experts in communications, audit, human resources, tax, property, legal affairs, IT systems, accounting and cash management, providing brands with appropriate support for the local context.

More recently, important new steps have been taken on the road to becoming an integrated Group. The finalisation of the Group's transformation, combined with recent changes in its markets, consumer trends and the competitive environment, have led Kering to set new milestones.

(i) In 2014 and 2015, Kering adapted its organisation to better reflect the areas of activity of the Group's Luxury brands and strengthen the operational oversight of its businesses. Two new divisions were set up:

- Luxury – Couture & Leather Goods, comprising Gucci, Bottega Veneta, Saint Laurent, as well as emerging brands Alexander McQueen, Balenciaga, Brioni, Christopher Kane, McQ, Stella McCartney and Tomas Maier;
- Luxury – Watches & Jewellery, encompassing Boucheron, Girard-Perregaux, JEANRICHARD, Pomellato, Dodo, Qeelin and Ulysse Nardin.

(ii) From 2013, the Group strengthened its upstream positioning in the Luxury value chain, with the targeted acquisition of leather tanneries to secure raw materials sourcing. Logistics activities for its Couture & Leather Goods brands have long been centralised, much like ready-to-wear prototyping, which is pooled in a shared unit in Italy. In order to make this vertical integration even more effective and efficient in terms of services, synergies and scale, in 2015 all of these operations were placed under the direct governance and oversight of Kering.

(iii) In 2014, Kering also launched a key strategic initiative aimed at growing in-house expertise in Eyewear for its Luxury and Sport & Lifestyle brands. The worldwide market for frames and sunglasses is vast and its premium segment

is enjoying substantial growth. To maximise the development of its portfolio of brands in this important category, Kering has decided to internalise the value chain for its Eyewear activities, from product creation and development to supply chain management, brand strategy, sales and marketing. This innovative management model will give rise to significant value creation opportunities and help the Eyewear brands step up the pace of growth. In June 2015, Kering Eyewear unveiled its first collections under brand licences that are now directly managed.

(iv) The digital challenge: e-commerce is a strategic priority for Kering, not only for the business the Group's brands conduct online but also because it influences demand across all sales channels. Gucci is a pioneer in Luxury e-commerce. Launched in 2002, its website has set the standard in this field and the brand's digital know-how is widely recognised. Since the Other Luxury brands did not enjoy internal capabilities comparable to Gucci's, in 2012 the Group set up a Kering e-commerce platform to provide the Couture & Leather Goods division brands with the necessary technical competence to develop their online business and digital strategy. All the brand sites now feature mobile- and tablet-optimised browsing, shared performance-measurement tools and a dedicated team of specialists to help continually improve site performance, conversion rates and customer satisfaction.

Our customers are increasingly connected, geographically mobile and sensitive to the fluidity of their shopping experience spanning traditional physical stores and online. In this context, the Group's e-commerce teams have set out a cross-channel services strategy adapted to the characteristics of each brand. The Group now benefits from several cross-channel service features, such as online visibility of retail inventory (geo-localised for Gucci) and online sales, which are gradually being extended to in-store pickup and online reservation. A host of additional features are in the pipeline. Kering is encouraging its brands to try out new solutions, with pilot projects to test new technologies such as a new online fitting solution for ready-to-wear and shoes, and to share the results with the brands as a prelude to Group-wide rollout.

With the aim of ultimately offering a seamless omni-channel approach covering both bricks and mortar and online boutiques, Kering is currently assessing a large-scale project to establish a single shared customer database across distribution channels and to modernise, harmonise and optimise its information systems and operational processes.

The Sport & Lifestyle brands are also working on optimising and revitalising e-commerce, against the backdrop of extremely rapid online growth in the sector.

(v) Recognising that its teams are the driving force behind its future success, Kering has developed an ambitious,

integrated, worldwide human resources framework, based on ever-greater mobility across the brands. The idea behind the HR strategy is to help brands flourish by giving them access to shared talent pools, expertise, standards, information systems and best practices.

sustainability at the heart of kering's group and brand strategy

Kering believes that sustainable business is smart business. Sustainability is both a business and leadership opportunity for Kering, allowing the Group to create value. It stimulates growth, innovation and competitive advantage in the medium to long term, whilst simultaneously reducing costs. It also constitutes a motivational factor for employees, enabling the Group to attract and retain the best talents.

Sustainability is a key component of the Group brands' strategy. Kering empowers all of its brands to develop products that meet the utmost standards of innovation, quality and sustainability.

Kering Corporate's Sustainability Department supports each of the Group's brands with the development and operational roll-out of their brand-specific action plans. Comprising around 15 experts, the team's expertise includes everything from environmental footprint analysis, raw material sourcing, ecosystem conservation, energy efficiency as well as social compliance. The department drives change within the Group by providing the brands with the necessary know-how, guidance, collaboration and economies of scale needed in order to develop more sustainable business models. The Chief Sustainability Officer sits on Kering's Executive Committee and ensures a cohesive and integrated approach to sustainability across the Group.

Kering's sustainability strategy centres on a series of self-imposed targets, which the Group has publicly committed to achieving by 2016. Deliberately ambitious, these targets focus on the specific challenges of the Group's business: from the sustainable sourcing of leather, gold and diamonds to the reduction of carbon emissions, water, waste and hazardous chemicals.

Another integral part of the Group's strategy is its Environmental Profit & Loss account (E P&L), which now covers all the Group's brands and their respective supply chains. Over the course of 2015, the 2013 and 2014 results of the group-wide E P&L were published. This innovative management tool, developed by Kering, monitors and measures in € value the environmental impact of the Group's operations and those of its supply chain; from the source of raw materials right up to the boutique floor.

Insights gathered from the Group's E P&L serve to fortify Kering's sourcing strategy, highlight environmental risks and economic opportunities within the supply chain, whilst also enabling the Group to track progress towards its 2016 targets. The Group has now open-sourced its E P&L methodology (available on www.kering.com) so as to encourage other corporations to start taking account for their activities' reliance on natural capital.

Collaboration is seen a key lever of sustainable innovation within the Group, a case in point being the Materials Innovation Lab. This internal research hub offers the Group's brands a comprehensive library of over 2,000 sustainable fabrics and a team of experts to support the integration of these materials into their product offerings. Kering has also established partnerships with suppliers and international NGOs, so as to develop more responsible sourcing methods for the Group's key raw materials, including precious skins, furs and gold. An internal ethical gold purchasing platform was also launched in 2015, via which Luxury Division brands have already managed to acquire 220 kilograms of ethical gold.

With regards to social compliance, a new worldwide supplier management programme was also launched in the past twelve months. The system is designed to improve supplier relations, be it with regards to contracts, invoicing, traceability or auditing. With the support of the sustainability department, this programme will also enable the Group's brands to monitor compliance with social, environmental and ethical issues, be it at suppliers' or their sub-contractors'.

Convinced that sustainability will play an ever more prominent role in fashion going forward, Kering is committed to nurturing young talents and upcoming designers. Reflective of this, the Group launched a five-year partnership with the London College of Fashion's Centre for Sustainable Fashion to promote sustainable design and innovation within the fashion industry. Similar education programmes have also been launched with Tsinghua University in China, and the Parsons School of Design and the Fashion Institute of Technology in the United States.

Embodying the Group's social commitment, the Kering Foundation was launched in 2009 by François-Henri Pinault. The Foundation combats violence against women via projects run by NGOs and social entrepreneurs and the engagement of the Group's employees. The Foundation's actions focus on three regions and are helping to fight against:

- sexual violence in America (the United States, Brazil and Argentina);
- harmful traditional practices in Western Europe (France, Italy and the United Kingdom);
- domestic violence in Asia (China).

Also central to the Foundation's combat is awareness raising, via campaigns including "White Ribbon for Women" which was launched in 2012 as a call to action on the occasion of the International Day for the Elimination of Violence against Women on November 25. The campaign's 2015 edition saw 125,000 White Ribbon brooches distributed in over 800 stores operated by

Kering brands across 41 countries. In parallel, the Foundation ran digital campaign #BeHerVoice across social media and reached nearly 320 million internet users.

In recognition of the Group's continued efforts, Kering is referenced as a leader by several bodies including the Dow Jones Sustainability Index, which has ranked Kering in first place within the Textiles, Apparel & Luxury Goods industry for the past two years. This index tracks the best-in-class sustainability performers amongst the 2,500 largest companies in the Dow Jones Global Total Stock Market Index. Each year, participating companies are assessed based on a specific questionnaire for each business sector, with only the top 10% in terms of sustainability performance listed in the ranking.

In 2015, Kering was also named one of the Global 100 most sustainable companies in the world for the first time, ranking 43rd. Compiled by *Corporate Knights* since 2005, the Global 100 is unveiled annually at the World Economic Forum in Davos.

in an economic environment that remains unsettled in the short term, kering is confident in its outlook

Against a backdrop of slower economic growth in certain key emerging markets, notably China, and a modest recovery in Europe, and despite a satisfactory economic performance in the US, the global economy posted moderate growth in 2015.

In this unfavourable environment, intensified by sharp currency fluctuations, Kering has demonstrated the relevance of its multi-brand model. The Group's strategy is consistent: to nurture each brand's long-term potential, with priority given to organic growth and operating cash flow generation.

True to its entrepreneurial and responsible vision, Kering will continue to promote long-term value-creation, combining boldness and imagination, creativity and measured risk-taking, adaptability and agility.

The Group intends to leverage these values as Kering enters a new phase of its development, with a brand portfolio that now covers all key segments of its markets.

In a worldwide Luxury market: (i) where growth is normalising, (ii) shaped by more changeable and less predictable consumer habits and locations (tourism, internet), (iii) and by significant increases in investments and operating costs for all players in recent years as part of the development of directly-operated distribution networks; Kering possesses a number of strengths to help it unlock the potential value and profitability of each of its brands.

Structured and organised to bring more expertise, value and operational support to its brands, Kering focuses on increasing return on capital employed by enhancing profit margins and optimising capital allocation for investments as well as working capital.

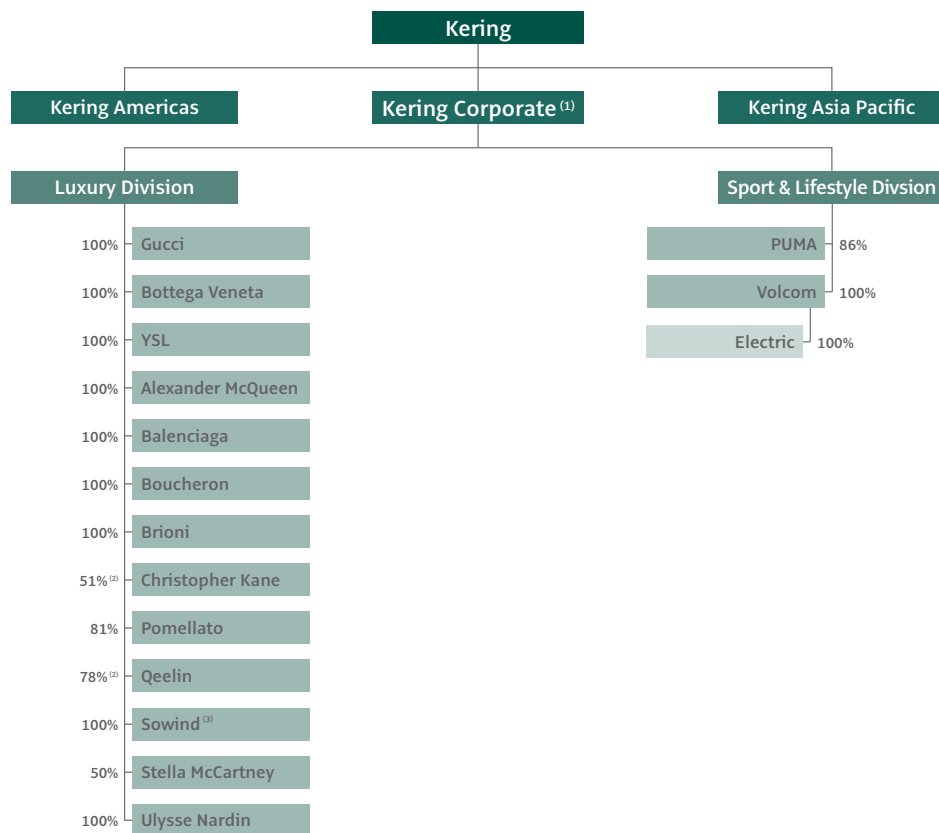
Concrete action plans are implemented at brand level. Gucci undertook a major transformation programme in early 2015 to overhaul its creative drive, organisation and collections, and early indicators suggest that the brand, soon-to-be 100 year old, has lost none of its agility or ability to reinvent itself and climb back to the forefront of the worldwide Luxury industry. PUMA, under the direction of a new management team since 2013, continues to deploy of its strategic plan, aimed at renewing and streamlining its product line-up and refocusing its positioning around Sport Performance. The results of these initiatives are already apparent in PUMA's top-line performance and should gradually make a mark on profitability.

Across all Group brands, a range of cross-business initiatives has been drawn up with the support of Kering and dedicated teams to optimise comparable-store sales performance. The emphasis is on strengthening store productivity through a series of upstream and downstream initiatives, including: improving supply chain capacity and the efficiency of product allocation criteria by region and type; redefining ranges and their depth and breadth; training sales staff in best practices for customer service; loyalty and experience; and

developing CRM and clienteling tools. These initiatives will generate cost reductions, improve profitability and optimise capital employed. Complementing this effort, directly-operated store networks will be reviewed brand by brand, and consolidated as necessary, as part of a broader alignment of the allocation of investments to strict return guidelines. These initiatives will also be rounded out by the realisation of additional revenue and cost synergies, especially in terms of sourcing, production and logistics. Lastly, Kering continues to promote its brands' digital strategies by coordinating e-commerce projects, encouraging knowledge sharing and driving new ambitious developments with the aim of increasing the share of internet sales in the brands' revenue and leveraging e-commerce to drive growth.

In a more volatile and unsettled short-term environment, the Group is moving into this new phase with confidence and determination. Kering remains fully committed to environmental and social sustainability and diversity, all of which are crucial to its business objectives and to its long-term performance.

4. *kering group simplified organisational chart as of december 31, 2015*



(1) Corporate is defined page 195.

(2) Excluding put options.

(3) The Sowind group owns the Girard-Perregaux and JEANRICHARD brands.

chapter 2
our activities

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worldwide personal luxury goods market overview

This section contains information derived from studies conducted by organisations, such as Altagamma and Bain & Company. Unless otherwise indicated, all historical and forecast statistical information, including trends, sales, market shares and growth levels, comes from the Bain Luxury Study – Altagamma Worldwide Market Monitor, published in October 2015. Luxury Goods industry segments and product categories correspond to the definitions used in the Bain Luxury Study – Altagamma Worldwide Market Monitor.

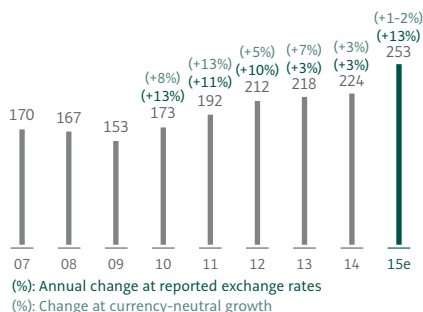
In this document the global personal Luxury Goods market includes the “soft luxury” area such as apparel, accessories, perfumes and cosmetics, and the “hard luxury” area such as watches and jewellery.

market overview: size, trends and main growth drivers

The global personal Luxury Goods market has enjoyed significant growth over the past few years (double-digit growth in 2010, 2011 and 2012). Since 2013, the market has decelerated and entered a more “normalised” growth phase. In 2015, it generated revenue of €253 billion, up 13% reported and up 1 to 2% at comparable exchange rates.

In 2015, exogenous factors, especially strong currency volatility and moves, have created major challenges for the luxury market. Euro weakening has led price gaps between regions to reach new heights, with a strong impact on tourism flows and local consumption trends. Price differentials have contributed to boosting for example Chinese customers’ spending abroad, somewhat at the expense of the domestic market.

**Worldwide personal Luxury Goods market trend
(2007–2015e, in € billions)**



Although the personal Luxury Goods market has seen strong growth since 2010, outpacing the global economy, it is however tied to changes in worldwide GDP, as evidenced by the fall seen in the luxury market in 2009.

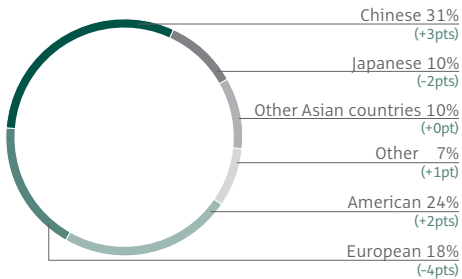
In addition to economic factors, structural factors are also impacting demand and growth on the personal Luxury Goods market, including:

- positive demographic trends, especially in emerging markets;
- the emerging middle-class in these countries, where the average disposable income and purchasing power of consumers has continued to grow;
- rising number of super-rich consumers;
- increased tourism flows and the growing relevance of tourist spending on Luxury Goods. As an example, Chinese outbound tourist flows increased from c. 5 million a year in 1995 to 116 million in 2014.

By destination, the weight of tourism spending differs: Europe is a market where luxury purchases are made by locals but also by tourists. In Asia, Mainland Chinese consumers tend to purchase luxury personal goods both in Greater China and also abroad, notably in Japan, and to a lesser extent in the Americas, where purchases are still made mainly by locals.

In 2015, currency fluctuations changed the picture with increasing price differentials leading “globe-shoppers” to adapt their consuming habits and spending patterns with Mainland Chinese favouring Europe, Japan and to a lesser extent South Korea as main destinations. The Chinese nationality now accounts for 31% of the total market (up 3ppts vs 2014).

2015e Luxury market by nationality
(& market share change versus 2014)



Nevertheless, some factors could weigh down personal Luxury Goods market developments in the short term, such as:

- exogenous events such as political turmoil, social conflict, unfavourable weather conditions, etc.;

- high import taxes on Luxury Goods in some emerging countries;
- new and more restrictive regulations on travel and purchases of Luxury Goods.

competitive environment

The global personal Luxury Goods market is highly fragmented and is characterised by the presence of a few large global players, often part of so called "multi-brand groups", and a large number of smaller independent players. These players compete in different segments both in terms of product category and geographic location. Kering operates within the global personal Luxury Goods market alongside some of the most global groups, prominent among which are LVMH, Hermès, Prada, Burberry, Chanel and Richemont. A number of brands with more accessible prices, which could compete with established Luxury brands, have also recently extended their presence.

regional overview

Worldwide personal Luxury Goods market: breakdown by region (2015e)

	Size (in € billions)	Reported YoY change	YoY change at comparable exchange rates	% of total market
Europe	83	+9%	+5%	33%
Americas	85	+18%	+0%	34%
Japan	20	+13%	+9%	8%
China	18	+17%	-2%	7%
Rest of Asia	33	+9%	-8%	13%
Rest of the world	14	+17%	+2%	5%
Total	253	+13%	+1-2%	100%

The ten largest countries in terms of global personal Luxury Goods revenue in 2015 are as follows:

2015 Rank	Country	Size (in € billions)	Reported YoY change	YoY change at comparable exchange rates
1	United States	78.6	+20%	+0%
2	Japan	20.0	+13%	+9%
3	China	17.9	+17%	-1%
4	Italy	17.2	+6%	+6%
5	France	17.0	+10%	+10%
6	UK	15.5	+16%	+5%
7	Germany	11.8	+14%	+14%
8	South Korea	10.8	+16%	+4%
9	Middle East	8.1	+19%	+0%
10	Hong Kong	6.8	-11%	-25%

In 2015, the Americas region was the largest market, with the United States accounting for the vast majority of revenue (c. 92%). The region did not perform as initially expected, registering flat growth at comparable exchange rates. The momentum was mainly held back by the strong dollar, which had a double negative effect: significant drop in touristic spending, insufficiently counterbalanced by local consumption, partly redirected towards Europe.

Europe, with 33% of the total worldwide market, was the second largest luxury market in 2015, with revenue up 5% vs 2014 at comparable exchange rates. In 2015, eurozone registered a strong performance with a weak euro fuelling the increase of inbound tourists⁽¹⁾, which now account for 60% of luxury sales in the region. Outside the eurozone, the United Kingdom was solid but not buoyant due to a strong GBP while Switzerland was weak due to the strong CHF.

Japan represented 8% of the global personal Luxury Goods market in 2015. Japan is the second largest single country in terms of personal Luxury Goods consumption after the United States, and posted a solid performance for the third consecutive year, up 9% comparable. In 2015, Japan became a key destination for Chinese tourists coupled with good local demand.

China was down 1% at comparable exchange rates, and represented 7% of the global personal Luxury Goods market. The luxury market was under pressure again with only 20% of Chinese spending made at home, as price differentials appeared as a key issue. The rest of Asia Pacific was also weak in 2015 with Hong Kong and Macau being the worst performers, both down 25% at comparable exchange rates, suffering from decreasing popularity among Chinese tourists.

The rest of the world – mainly comprising the Middle East and African markets – represented 5% of the personal Luxury Goods market, with €14 billion in revenue in 2015. In the Middle East, Qataris are the biggest buyers of Luxury Goods, making their luxury purchases mainly in Dubai. In Africa, South Africa and Morocco are the most developed luxury retail markets accounting for c. 85% of directly-operated stores in the region.

(1) According to Global Blue, Chinese consumers were the main engine of growth and to a lesser extent Americans. By destination, France, Italy, Germany and Spain showed the highest growth rates in terms of tourist spending in Europe.

product categories

The global personal Luxury Goods market can be divided into five main product categories as shown below.

Worldwide personal Luxury Goods market: breakdown by category (2015e)

	Market value 2015e (in € billions)	Reported YoY change	YoY change at comparable exchange rates	% of total market
Accessories	76	+15%	+3%	30%
Apparel	61	+13%	+2%	24%
Watches and jewellery	56	+10%	-3%	22%
Perfume and cosmetics	51	+13%	+1%	20%
Other	9	+10%	+1%	4%
Total	253	+13%	+1-2%	100%

Accessories

This category includes shoes, leather goods (including handbags and wallets, and other leather products), eyewear and textile accessories.

In 2015, this category represented 30% of the total personal Luxury Goods market with total sales of €76 billion. It recorded the strongest growth in 2015.

The two main sub-categories were:

- a) Leather goods, with estimated revenue of €43 billion in 2015. This sub-category grew at a rate of 2% at comparable exchange rates between 2014 and 2015, driven by the outperformance of the “absolute segment” while the “aspirational segment” showed mixed performance. Kering operates in this product category mainly through the Gucci and Bottega Veneta brands, as well as Saint Laurent and Balenciaga;
- b) Shoes, with estimated 2015 revenue of €16 billion, were again the fastest growing sub-category between 2014 and 2015 with 4% growth at constant exchange rates. Shoes have been outperforming the broader leather goods segment since 2012 as the category enables consumers to access a status symbol at a lower price positioning. Kering operates in this product category with most of the larger brands, including Gucci, Bottega Veneta, Saint Laurent and Balenciaga, which offer shoes as part of their product assortment.

Eyewear

The Eyewear category represented 5% of the total personal Luxury Goods market in 2015 and was worth an estimated €12 billion, up 15% in reported terms. Kering operates in this product category through the majority of the Group's brands. In 2014 Kering announced it will internalise this category, previously operated through licences, and will in-house design, develop and distribute eyewear collections.

Apparel

This category includes ready-to-wear for both women and men, and is almost equally spread between the two. It represented 24% of the total personal Luxury Goods market in 2015, totalling an estimated €61 billion. Men's ready-to-wear was driven by casualwear (i.e., outerwear, denim and cashmere) while formalwear was more subdued. In women's ready-to-wear, Bain noticed a polarised performance with activewear/denim and haute couture showing buoyant dynamism. In contrast, the “aspirational segment” faced some pressure from premium players and contemporary brands playing with luxury codes.

All Kering “soft luxury” brands operate in this product category, especially Gucci, Balenciaga, Stella McCartney, Alexander McQueen, Christopher Kane and Saint Laurent, in addition to Brioni for menswear.

Watches and jewellery

The watches and jewellery category generated revenue of €56 billion in 2015, representing 22% of the total personal Luxury Goods market, and decreased by 3% between 2014 and 2015 at comparable exchange rates. In 2015, there was a significant polarised performance across the two main sub-categories with watches down 6% and jewellery up 6% at comparable exchange rates. High-end watches were hit by negative Asian performance while jewellery was driven by high-ticket items as it is perceived as a safe investment in the context of a tough macro environment.

Kering operates in this category across different price points with Gucci Timepieces, Girard-Perregaux, and Ulysse Nardin for watches, and Boucheron, Pomellato and Qeelin for jewellery.

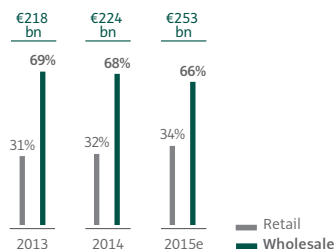
Perfume and cosmetics

The perfume and cosmetics category represented 20% of the total personal Luxury Goods market in 2015 and was worth an estimated €51 billion.

Kering operates in this product category through royalty licencing agreements between its main brands and leading industry players such as L'Oréal, Coty (incl. P&G Prestige) and Interparfums to develop and sell fragrances and cosmetics.

distribution channels

Worldwide personal Luxury Goods market:
breakdown by distribution channel (2013-2015e)



Retail channel

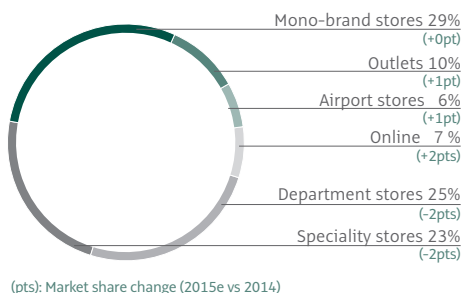
A strong directly-operated store network is important for the success of a luxury brand as it allows greater control over the consumer shopping experience and over product assortment, merchandising and customer service. In 2015 the retail channel accounted for sales amounting to 34% of the total global personal Luxury Goods market.

In the case of Kering Luxury brands, share of retail sales is far higher (70.6%), reflecting both the maturity of some of the brands and the Group's strategic commitment to grow its directly operated network. This also reflects Kering brands' product mix, as the higher share of leather goods and accessories typically translates into a more prominent share of retail sales in the channel mix.

Wholesale channel

The wholesale channel typically includes department stores, travel retail, independent high-end multi-brand stores and franchise stores, and accounted for approximately 66% of the total global personal Luxury Goods market in 2015. The wholesale channel can thus be multi-brand or mono-brand. The share of wholesale sales is typically higher in ready-to-wear and hard luxury, and is also more important than retail in the channel mix for a brand that stands at an earlier stage of maturity.

These **two distribution channels** can also be split into six sales formats. Each of these formats could be operated through retail or wholesale.



E-commerce

Online sales of Luxury Goods reached a record of around €17 billion in 2015 (up 22% at comparable exchange rates), representing about 7% of total global personal Luxury Goods sales. This penetration is especially driven by the rapid development of online business of wholesalers (department stores) and e-commerce pure players (e-tailers).

All Kering brands are directly present online with their own e-commerce websites, either operated internally, as is the case for Gucci, or through a joint venture.

Kering brands are also distributed online by selected partners.

market outlook

For 2016, Bain and Altagamma forecast overall growth of 3% to 3.5% excluding currency effects for the personal Luxury Goods markets, with the sector entering a phase of "new normal" growth.

Growth should be driven by:

- new emerging countries: in addition to South East Asian countries (Indonesia, Thailand, etc.), Brazil, Australia, Africa and India are expected to be increasingly key to the growth of the global personal Luxury Goods market;
- emerging consumers: a booming upper-middle class especially benefiting the accessible luxury segment, particularly in China. In fact, according to McKinsey, by 2022, the Chinese upper-middle class should account for 54% of urban households and 56% of urban private consumption (up from 14% and 20% in 2012 respectively);
- the continued expansion of tourism flows with the emergence of new winners (Japan, South Korea, etc.), which could, however, come partly at the expense of some of the more traditional destinations;
- the development of key distribution channels such as outlets, travel retail or e-commerce. The latter generated €17 billion in revenue in 2015, and is expected to grow at an annual average rate of 24% over the 2013-2020 period;
- an increase in high-spending consumer classes such as high-net-worth individuals (HNWIs);
- the development of new high-end products and services;
- the potential of the American market due to the under-penetration of European luxury brands in the region.

luxury division

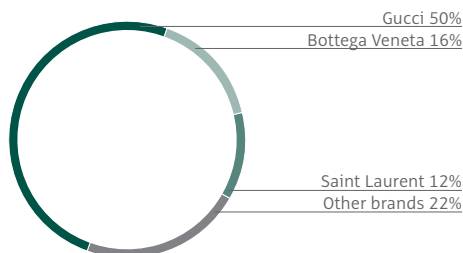
Gucci	24
Bottega Veneta	27
Saint Laurent	30
Other brands	33

Alexander McQueen	
Balenciaga	
Boucheron	
Brioni	
Christopher Kane	
Girard-Perregaux and JEANRICHARD	
Pomellato and Dodo	
Qeelin	
Stella McCartney	
Ulysse Nardin	

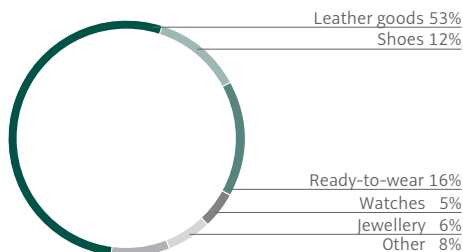
2015 key figures

€7,865 million
in revenue

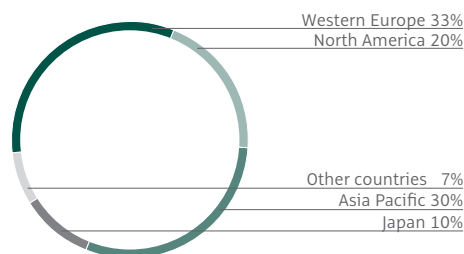
Breakdown by brand



Breakdown by product category

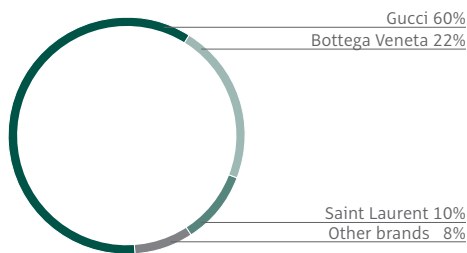


Breakdown by region

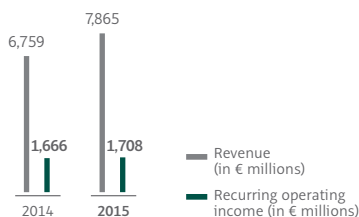


€1,708 million
in recurring operating income

Breakdown by brand

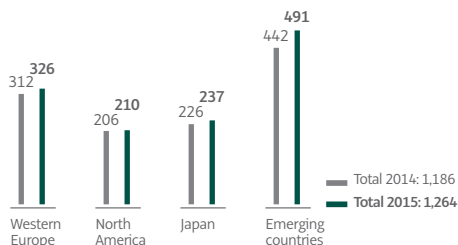


Revenue and recurring operating income



21,576
average number of employees

1,264
directly-operated stores



GUCCI

2015 key figures

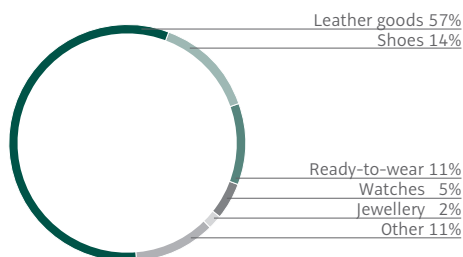
€3,898 million
in revenue

€1,032 million
in recurring operating income

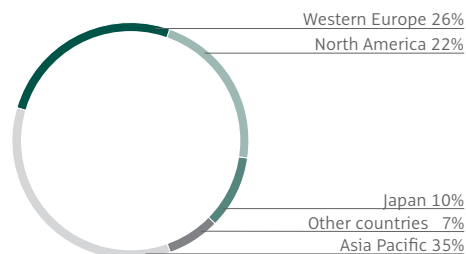
10,570
average number of employees

525
directly-operated stores

Breakdown of 2015 revenue
by product category



Breakdown of 2015 revenue
by region



business concept

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

From its origins in the 1920s through to the late 1970s, the brand stayed loyal to its values of superior Italian craftsmanship and innovation, and as a result Gucci soon became the expression of Italian-made luxury.

Throughout the 1950s, 1960s and 1970s, Gucci's reputation began to grow around the world thanks in large part to the "jet set", socialites and celebrities, particularly from Hollywood, who wore the brand internationally. It was in the 1990s, under the creative direction of Tom Ford, that Gucci became synonymous with fashion and acquired the reputation of being a true fashion authority and leader.

Early in the new Millennium, against the backdrop of the world economic crisis, consumers once again began to turn to traditional luxury values. It was at this time that Gucci introduced its "Forever Now" philosophy, emphasising both its fashion authority and its Florentine heritage and craftsmanship.

At the beginning of 2015, Gucci embarked on the next chapter in its history, with the introduction of a new contemporary vision, which is re-establishing its reputation as one of the world's most influential luxury fashion brands. Eclectic, romantic, and above all contemporary, Gucci is currently inventing a wholly modern approach to fashion and thereby redefining luxury for the 21st century.

Gucci products continue to represent the pinnacle of Italian craftsmanship and are unsurpassed in terms of their quality and attention to detail. They are sold exclusively through a network of 525 directly-operated boutiques, a directly-operated online store (in 28 markets), a limited number of franchises and selected department and specialty stores.

At the end of the year, Gucci retail sales represented approximately 82% of the brand's total revenue (up from approximately 70% in 2009).

competitive environment

Gucci is one of the few luxury brands with truly worldwide operations, alongside Hermès, Dior, Chanel, Louis Vuitton and Prada. Gucci is maintaining its leadership position as one of the world's leading luxury fashion brands both in terms of revenue and profitability.

strategy

With the ambition of 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 – the strategic vision conceived by Marco Bizzarri, the brand's new President and CEO, aims to identify a new image for Gucci, more in line with the world of today, more relevant, and more attractive for new, younger luxury consumers.

The product offering will be fully repositioned over two or three seasons, gradually substituting all the units that are not consistent with the new creative direction, reducing the number of models and variations of product in each store, while balancing the price range by rationalising entry prices and exploiting opportunities in the high range.

The GG signature is considered a highly valuable asset with unlimited potential. The reinvention, in line with the contemporary vision of Gucci's new Creative Director, Alessandro Michele, will allow it to regain the strong and contemporary stature it deserves.

In terms of distribution, the focus will be on optimising the existing store network and the online experience, with the implementation of a program of initiatives designed to achieve retail excellence and, as a consequence, enhanced productivity.

2015 highlights and outlook for 2016

For Gucci, this has been a year of reinvention. New CEO Marco Bizzarri was tasked with reinvigorating the brand, and under his leadership Gucci is now undergoing a comprehensive transformation.

Bizzarri's first decision upon taking on this role in January 2015 was to appoint Alessandro Michele, previously Associate Creative Director and Accessories Designer, as Gucci's new Creative Director. Michele's new, contemporary vision for the brand has been critically acclaimed, quickly establishing him as one of the most influential creative directors in the industry today – which was affirmed by the British Fashion Council's decision to present him with its 2015 International Designer of the Year award. This is a remarkable achievement after just ten months in the role.

Press and buyers alike from around the world have responded enthusiastically to Michele's collections, heralding them as indicative of a fresh, new direction for Gucci that remoulds the brand's legacy into a new style and aesthetic.

Following the Fall/Winter 2015 fashion shows, Alessandro Michele presented his Cruise 2016 collection with an unprecedented fashion show in New York's Chelsea district, in what has been acknowledged as the seminal moment in the emergence of the reinvented Gucci.

Alessandro Michele's first full collection – Cruise 2016 – began to arrive in selected stores from mid-September, two months ahead of the usual timing for the industry. At the same time, Michele's new store concept was unveiled at the house's Montnapoleone flagship store during Milan Fashion Week. Striking new windows, visual displays and packaging all help bring the brand's new, contemporary vision to life.

In terms of products, the assortment was rationalised and given more clarity through consistent and concise merchandising. New lines were introduced featuring contemporary interpretations of the GG signature, and other iconic symbols and house motifs. The Dionysus – launched at the Fall/Winter 2015 fashion show – is already on its way to becoming an iconic bag.

On the distribution side, during the year Gucci opened 20 net directly-operated stores, mainly located in Asia-Pacific and America. The new store concept was progressively rolled out (in more than 30 stores) during the last semester of the year, and this process will continue next year.

In October, a completely re-designed and re-platformed version of gucci.com was launched in the US and Canada, and this will be rolled out in other regions during 2016. The site brings Alessandro Michele's new aesthetic to life through beautiful design, rich imagery, engaging storytelling and exclusive brand content, combined with a smart user experience. With over 100 million visitors per year, gucci.com represents the most important customer touch-point for the brand, offering significant potential for continued dynamic growth in online revenue.

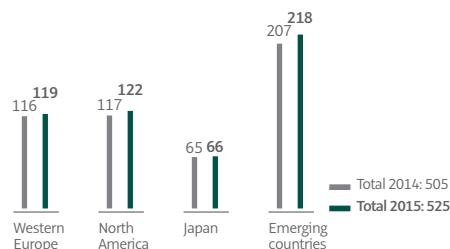
In the second part of the year, a series of new strategic collaborations with specialty stores including Dover Street Market (in Tokyo, New York, London and Beijing), Boon the Shop (Seoul, Korea), Antonia (Milan, Italy) and Colette (Paris, France) were finalised. Representing some of the most fashion-forward retail destinations, the presence of Alessandro Michele's collections within these unique locations has created further excitement and interest around the brand in its new direction.

A series of strategic organisational changes were implemented in the first months of the year, with the aim of creating a simpler and leaner structure and accelerating the decision-making process, while providing a prompt and effective support system for the regions from corporate headquarters. Meanwhile, a new omni-channel department was established to further increase the proximity of the brand to all of its customers.

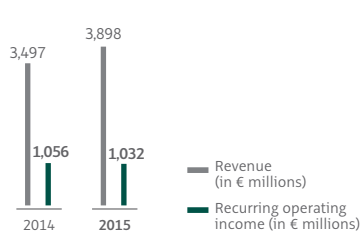
A number of key executives joined the company during the year, including the new Executive Vice President and Chief Merchandising and Licensing Officer, with the aim of implementing an effective merchandising strategy that perfectly matches the creative spirit of the collections with market needs.

The initial dynamic trend for new Creative Director Alessandro Michele's highly acclaimed Cruise 2016 and Spring/Summer 2016 collections confirms the brand's renewed momentum. At the same time, key drivers to improve store productivity have been identified, and during the year management put in place the foundations necessary for Gucci to return to sustained growth in the years ahead.

Number of directly-operated stores by region



Revenue and recurring operating income



BOTTEGA VENETA

2015 key figures

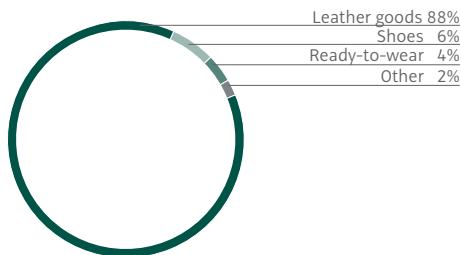
€1,286 million
in revenue

€375 million
in recurring operating income

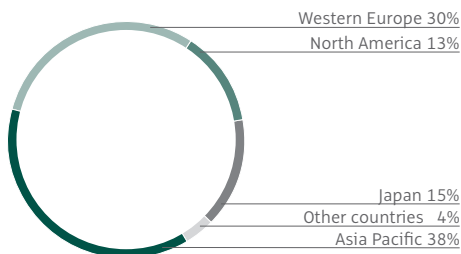
3,401
average number of employees

251
directly-operated stores

Breakdown of 2015 revenue
by product category



Breakdown of 2015 revenue
by region



business concept

Founded in 1966 in the Veneto Region of Italy, Bottega Veneta began as a leather goods House and was made famous through its signature *intrecciato*, a distinctive, crosshatched design developed by Bottega Veneta's artisans with luxury and understated elegance in mind. *Intrecciato* is eminently adaptable, reinterpreted each season in different colours and materials. The brand led the way in introducing soft, deconstructed handbags – as opposed to the usual rigid structure that originated with the French school – and quickly became well recognised and appreciated in the market. Bottega Veneta has evolved over the years from a leather goods House into an absolute luxury Lifestyle brand by expanding its product range, while respecting both the desires of the customer and the aesthetic sensibility of the brand. The brand's famous motto, "When your own initials are enough", is now applied to a range of products for women and men, including leather goods (bags, small leather goods and a full luggage collection), ready-to-wear, shoes, jewellery, furniture and more.

Over the years, the brand has also engaged in collaborations with partners who have brought their know-how and commitment to quality and craftsmanship to some of its product categories, as part of both licence agreements (Coty Prestige for fragrances) and supply partnerships (Poltrona Frau for seating, KPM for porcelain, Kering Eyewear for eyewear and Rizzoli for books).

Bottega Veneta's products are sold through a distribution network of directly-operated stores, complemented by exclusive franchise stores and strictly-selected department and specialty stores worldwide. In addition, Bottega Veneta's products are now available through the brand's online store in 50 countries.

competitive environment

Bottega Veneta is one of the only Italian brands to offer truly handcrafted products made with the expert know-how of its master Italian artisans. It is a rare example of an absolute luxury lifestyle brand that never compromises on the quality of its products while always providing an unsurpassed level of service to customers. This places the brand at the top of the luxury pyramid in terms of positioning, in competition with a very limited number of brands.

strategy

Bottega Veneta's strategy, implemented under the creative direction of Tomas Maier and the business leadership of Carlo Alberto Beretta who joined the company in January 2015, aims to reinforce Bottega Veneta's position as a high-end and exclusive luxury lifestyle brand, for which consistency and continuity are the key elements to maintaining differentiation in the industry. Business and creativity will continue to work together as an essential part of Bottega Veneta's success, as they always have in the past.

Historically, the brand's core business was leather goods (88% of sales), characterised by attention to detail and the use of the highest quality materials. A wider range of products appealing to an international clientele of men and women was gradually integrated, with the emphasis on contemporary functionality and timeless yet innovative design.

The brand's predominant trait of exclusivity has been transferred to the distribution network. Through its worldwide expansion, Bottega Veneta has consolidated its presence in emerging markets, without compromising its investments in mature markets, particularly the US, but also Europe, where Bottega Veneta's story and craftsmanship began.

2015 highlights and outlook for 2016

In 2015, the careful execution of its international growth strategy, consistent with the exclusive positioning of the brand, resulted in full-year growth (with mature markets accounting for 58% of total sales) for both retail and wholesale channels, which respectively account for about 80% and 20% of total sales.

Iconic leather goods products, including new seasonal variations and plain leather, continued to represent a very important part of the business in 2015.

Throughout 2015, Bottega Veneta focused on consolidating its existing retail network, continuing its efforts to enhance its boutiques through both refurbishments and expansions to ensure the best possible experience. It also pursued selective store openings, bringing its total network up to 251, compared to 236 at the end of 2014. The new stores were distributed between emerging and

mature markets (seven new stores in Asia Pacific, six new stores in EMEA and two new stores in America).

In April, during the Salone del Mobile 2015 in Milan, Bottega Veneta celebrated the opening of its Home Collection boutique in Via Borgospesso highlighting its growing commitment to the furniture category.

During the year, Bottega Veneta opened its newly expanded boutique at Harbour City in Hong Kong originally inaugurated in 2002, its first boutiques in Frankfurt and in lower Manhattan's Financial District in New York at Brookfield Place. In December Bottega Veneta moved its New York flagship from 699 Fifth Avenue to a temporary location at 650 Madison Avenue in anticipation of its Maison opening scheduled for 2017.

Starting in January 2015, La Scuola dei Maestri Pellettieri di Bottega Veneta, located within the company's Atelier in Montebello Vicentino, embarked upon a collaboration with the University IUAV of Venice to create a three month post-graduate level course in advanced handbag design and product development, honouring its commitment to ensuring the future of Italian know-how and continuing the artisanal tradition of the Veneto region.

Confirming its ongoing commitment to its roots and artisanal excellence, Bottega Veneta supported the creation of a third cooperative of artisans specialised in *intrecciato* leather in Rotzo. The laboratory was inaugurated in October and currently employs 20 artisans, selected and trained by Bottega Veneta master leather craftsmen. It joins the two Women's Mountain cooperatives established in 2011 with the joint support of Bottega Veneta and local authorities in the Astico and Posina valleys – in Arsiero and Pedemonte.

For the second year in a row Bottega Veneta was ranked in the prestigious Great Place to Work® classification in the Best Large Company Workplaces 2015 category. This accomplishment is the result of constant efforts and initiatives to promote employee welfare.

In addition, the company has taken the first steps into a new era of digital and social strategy starting with the development of the new www.bottegabeneta.com mobile site and the launch of WeChat. Further developments and new projects are expected to be introduced in 2016 to make all Bottega Veneta owned platforms a place of discovery and engagement for existing and potential customers.

Lastly, in October Bottega Veneta introduced its second book, "Bottega Veneta: Art of Collaboration", which is dedicated to honouring the collaborations between Tomas Maier and the artists who have contributed to the creation of the brand's advertising portfolio season after season.

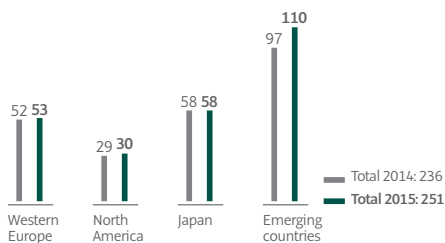
In 2016, Bottega Veneta will continue to build on its achievements and positioning, supported by further strategic retail openings worldwide.

Particularly in the US, further investments will be made to reinforce the existing retail network. Moreover in Asia Pacific, especially in China, some reshuffling and consolidation of the network will be implemented in order to increase the dimension of the stores and to host the complete range of product categories. The objective

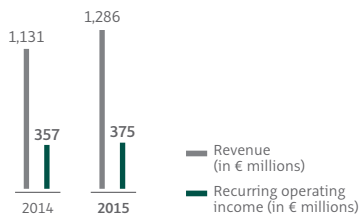
is to grow through all product categories such as shoes, ready-to-wear, jewellery and eyewear, which have in the past been seen as merely complementing the Bottega Veneta offering, and give them the same standing as the core leather goods business.

Finally, Bottega Veneta will continue to focus on strengthening and pursuing the execution of retail excellence through further reinforcement of the best practices already implemented at worldwide level, conscious that guaranteeing the best luxury experience in stores – from the selling ceremony to customer service, from windows to events – is key to maintaining the uniqueness of the brand and achieving its long-term objectives.

Number of directly-operated stores by region



Revenue and recurring operating income



SAINT LAURENT

PARIS

2015 key figures

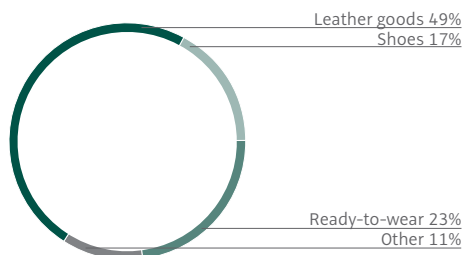
€974 million
in revenue

€169 million
in recurring operating income

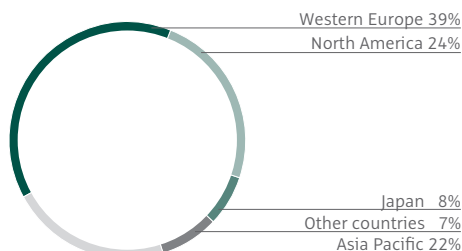
1,943
average number of employees

142
directly-operated stores

Breakdown of 2015 revenue
by product category



Breakdown of 2015 revenue
by region



business concept

Founded in 1961, Yves Saint Laurent is one of the most prominent fashion houses of the 20th century. Originally an haute couture House, Yves Saint Laurent revolutionised modern fashion in 1966 with the introduction of luxury ready-to-wear under the name Saint Laurent *Rive Gauche*.

Saint Laurent designs and markets a broad range of men's and women's ready-to-wear, handbags, shoes, small leather goods, jewellery, scarves, ties and eyewear. Production is mainly divided between Italy and France, where an historic workshop manufactures ready-to-wear garments. Under worldwide licence agreements, the House also produces and distributes eyewear, fragrances and cosmetics.

In March 2012, the House of Yves Saint Laurent announced the appointment of Hedi Slimane as Creative Director. Leading Yves Saint Laurent into a new era, Hedi Slimane has recaptured the spirit of "youth, freedom and modernity" that inspired the founder to launch Saint Laurent *Rive Gauche* ready-to-wear in 1966.

As of December 31, 2015, the Saint Laurent retail network consists of 142 directly-operated boutiques, which together generated 64% of total revenue for the year and includes flagship stores in Paris, London, New York, Hong Kong, Shanghai, Beijing, Tokyo and Los Angeles. The House is also present in select multi-brand boutiques and department stores around the world.

At the end of 2015, the Saint Laurent business was very well balanced in terms of both geographic markets and product categories, with leather goods and shoes accounting for 66% of business and ready-to-wear posting 26% growth compared to the previous year.

competitive environment

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

Saint Laurent now competes globally with other French high-end exclusive luxury brands and occupies a leading position in ready-to-wear, fashion and leather goods sectors.

strategy

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

Since his arrival, Hedi Slimane has entirely redefined the men's and women's collections and worked on new lines for all categories. The men's and women's collections have been repositioned and made even in terms of depth of offer and product ranges, making a strong move on men's categories including ready-to-wear, shoes and luggage. This repositioning was accompanied by a rejuvenation of the style, in line with Yves Saint Laurent's original message when creating the Saint Laurent *Rive Gauche* "Prêt-à-Porter" brand in 1966. Ready-to-wear is therefore once again a strong component of Saint Laurent's overall product offering, across both genders. At the same time, Saint Laurent aims to further strengthen the growth of its leather goods, shoes and other accessories offerings.

2015 highlights and outlook for 2016

Under the leadership of Hedi Slimane and Francesca Bellettini, the company's CEO, 2015 has been another very rich year for Saint Laurent, with a particular focus on the introduction of new collections and new store openings.

During the year, the brand's sales were fuelled by extremely strong growth figures across the main product categories, which fully transitioned into the new brand aesthetic. Overall growth was driven by the success of both permanent lines (including the *Sac de Jour* and *Monogram* handbags and *Paris* and *Janis* shoes), and new, successful introductions across all channels and categories.

Recognised as a great success, Saint Laurent's advertising campaigns and fashion collections won critical acclaim and the collections received significant exposure from editorials and global celebrities throughout the year.

Saint Laurent also made 2015 another year of investment, enhancing its retail network with selective store openings worldwide, in both emerging and mature markets, and key refurbishments and relocations.

In December 2015, Saint Laurent opened its largest Japanese women's and men's boutique in Tokyo, located in Omotesando. In addition throughout the year the brand has been opening boutiques in new markets (i.e., Qatar, Mexico and Brazil) and investing in refurbishments worldwide, such as its Paris Faubourg Saint Honoré men's and women's stores, Bond Street in London, 57th Street in New York and Ion in Singapore, which demonstrates its continuous development in key capital cities.

The further establishment of the ysl.com website also played a key role in 2015. Redesigned at the end of 2012, it features rich content and is a dynamic e-commerce platform that also forms part of the overall cross channel retail strategy. There are seven local versions of ysl.com, in languages including simplified Chinese. The website is e-commerce enabled in over 60 countries, including South Korea and Hong Kong. Traffic was strongly up in 2015, showing the increased interest in the brand online.

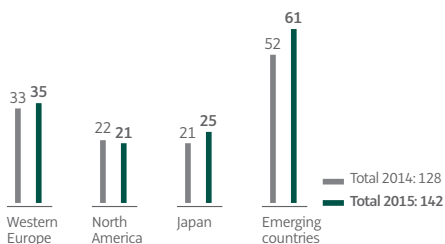
Social media initiatives were met with extraordinary success as social platforms were fully integrated into global communications practices and strategies. As of December 2015, Yves Saint Laurent had more than 2.3 million fans on Facebook and was one of the most popular luxury brands on Twitter with over 3.1 million followers. In March 2015, the House officially launched two new social network channels for the Chinese market: Weibo and Wechat.

In July 2015, the House unveiled its campaign to announce the official opening of its Salons de Couture. Located at 24, Rue de l'Université in Saint-Germain-des-Prés, they represent the most significant symbol for the House of Yves Saint Laurent, preserving the tradition, and addressing the times we are living in through couture and ready-to-wear collections.

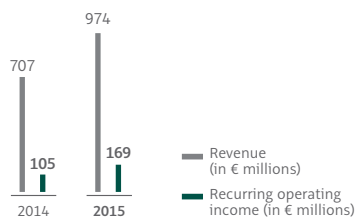
In terms of distribution, the company is pursuing the expansion strategy for its retail network, which started in 2012 with the launch of its new store concept designed by Hedi Slimane, and has continued in subsequent years.

In line with its current strategy, in 2016 the brand will continue to expand in markets such as the Middle East, Latin America and South-East Asia, and will also continue investments in the US, Japan, Europe and Greater China with openings or refurbishments planned in most major cities. During that same year, additional investments will also be made in order to continue the development and optimisation of the website and online customer experience.

Number of directly-operated stores by region



Revenue and recurring operating income



other brands

- Alexander McQueen
- Balenciaga
- Boucheron
- Brioni
- Christopher Kane
- Girard-Perregaux and JEANRICHARD
- Pomellato and Dodo
- Qeelin
- Stella McCartney
- Ulysse Nardin

2015 key figures

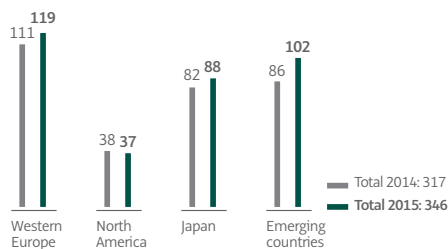
€1,708 million
in revenue

€133 million
in recurring operating income

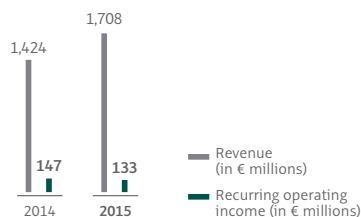
5,662
average number of employees

346
directly-operated stores

Number of directly-operated stores by region



Revenue and recurring operating income



ALEXANDER MCQUEEN

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

Renowned for its unbridled creativity, Alexander McQueen – under the leadership of CEO Jonathan Akeroyd and the creative direction of Sarah Burton since 2010 – has expanded internationally through both wholesale and retail channels over the past decade, with wholesale being a key growth driver. In recent years, an acceleration in new store openings has enabled the brand to strengthen its position in the luxury sector.

Alexander McQueen and McQ currently have a total network of 47 directly-operated stores across all regions. In 2015 there were 12 net new store openings including Macau, Singapore and the first Alexander McQueen flagship in Paris. The 4,000 square foot, carefully curated, bespoke space on Rue Saint-Honoré will further enhance the brand's global positioning. All collections are also sold online in most countries.

On the distribution side, Alexander McQueen is sold in over 50 countries, in more than 450 doors. Working with key partners including Saks and Neiman Marcus in the US, Harrods and Selfridges in the UK and Lane Crawford in Asia, the brand has opened numerous shop-in-shops over recent years, which have helped strengthen its brand image and business.

There are currently 14 franchise boutiques – an important part of the distribution channel – most of which are concentrated in the Middle East, Eastern Europe and Asia.

While its main product categories are women's ready-to-wear and leather goods, the brand's strength lies in its presence across all categories, which gives it the opportunity to expand in many areas. Silks and menswear have both enjoyed growth in recent years and two menswear only stores opened in 2012 to underpin this growth. The brand also has an eyewear licence.

In March 2015, Alexander McQueen sponsored "Savage Beauty", a retrospective of McQueen's work at the V&A Museum, in London. The exhibition was the most visited show in the V&A's history with more than 480,000 tickets sold. This has enabled the brand to build on Lee McQueen's legacy and further enhance brand awareness.

The company has also successfully developed McQ, which started out as a licence in 2006 and was re-launched as an in-house brand in 2011. It has quickly established itself in the popular contemporary market and is not only an important contributor to the overall Alexander McQueen business but is also becoming a relevant player in the contemporary sector.

McQ is more broadly distributed, primarily as a wholesale business internationally with a total of more than 500 doors. Franchises represent an important part of the business. In November 2015, a second freestanding, directly-operated store was opened in Spitalfields, London, which will help clarify McQ's position as a younger, dynamic brand in the contemporary market. At the end of 2015, McQ had 15 franchise stores mainly located in Asia and in the Middle East. In the longer-term, the development of McQ will enable the brand to expand further in the growing contemporary market, while enabling the Alexander McQueen brand to remain very exclusive.

In 2016, both Alexander McQueen and McQ will continue to expand. Alexander McQueen plans to open additional freestanding stores and McQ will continue to build on its franchise network. In February 2016, Alexander McQueen will show its Fall/Winter 2016 collection in London, marking a landmark return to its home city.

BALENCIAGA

Founded in 1919 by Cristóbal Balenciaga and established in Paris in 1936, the Balenciaga brand defined many of the greatest movements in fashion from the 1930s to the 1960s. Balenciaga's exquisite technique, masterful cut and constant fabric innovation has helped it to carve out a special place in the hearts and minds of its customers and followers.

In the 1990s and early 2000s, the brand experienced a re-birth, which saw an extension of its product universe to a broader range of products, focusing particularly on iconic handbag launches, together with increased focus on fashion shoes as well as accessories, without compromising the core ready-to-wear segment. The brand significantly expanded its retail network, helping to bolster brand awareness around the globe.

While the brand's identity is firmly anchored in highly symbolic ready-to-wear collections, its bag and shoe lines have also enjoyed phenomenal worldwide success. The women's and men's ready-to-wear collections span a wide price range, from the most emblematic items to more universal products that open up Balenciaga's style to a wider public.

In fragrances, the brand has established a solid licence partnership with Coty Prestige and has released some successful perfumes: *Balenciaga Paris*, *L'Essence* and *Florabotanica*. And, since the end of 2013, a similar partnership with Marcolin has been developed in eyewear.

Demna Gvasalia was appointed Artistic Director of Balenciaga in October 2015. His mastery of techniques, expertise and fashion knowledge, combined with his innovative approach, make him a powerful force in today's creative world. As Artistic Director, Demna Gvasalia will write a new chapter in Balenciaga's history and consolidate the House's status as a ready-to-wear authority. Demna Gvasalia has embraced Balenciaga's core values and is developing them in harmony with today's global changes.

Over the past years, under CEO Isabelle Guichot's leadership, Balenciaga has been consolidating its directly-operated store network worldwide. Today Balenciaga has a well-developed retail network of 103 stores in both mature markets (Western Europe, US and Japan) and Asia (Greater China and South Korea). In addition, Balenciaga's e-commerce network currently covers 95 countries.

In 2015, Balenciaga pursued its retail expansion strategy with the opening of its first flagship store in Spain (Madrid) as well as its first stores in Macau (Galaxy) and Florence. Several stores were renovated in line with its new concept during the year. Additionally, the brand extended its retail presence in upscale department stores with the net opening of eight shop-in-shops.

Balenciaga is now distributed through directly-operated stores and e-commerce, as well as through franchisees and leading multi-brand stores.

In 2016, the brand will continue to benefit from the impetus provided by new product launches. Franchises and selective distribution remain important contributors to the brand's activity, but retail and e-commerce development will continue to be the priority for the brand, with new store openings planned in strategic locations in mature markets and in Asia.

BOUCHERON

PARIS

Founded in Paris in 1858 by Frédéric Boucheron, the eponymous Maison was built up by four generations of the founder's direct descendants and soon acquired fame for its expertise in precious stones and its *savoir-faire* in creating innovative jewellery and watches. The jeweller moved to Place Vendôme in 1893, becoming the first of the watch and jewellery brands to open a boutique in this iconic location. For more than 155 years, Boucheron has been synonymous with excellence in jewellery, high jewellery and watchmaking.

Today, Boucheron creates and markets jewellery (bijoux, jewellery as well as high jewellery) and watches through 39 directly-operated stores across the world, including its flagship Place Vendôme store, franchise boutiques, and department stores. It also has a selective network of additional points of sale in exclusive multi-brand stores.

In 2015, the brand's main focus was the consolidation of its existing retail network. During the year the Maison opened its first (franchise) boutique in Saudi Arabia (Jeddah El-Khayyat Center).

This year marked the success of the new High Jewellery collection, *Bleu de Jodhpur*. This unique collection presented under the patronage of the current Maharajah of India, His Highness Gaj Singh II, celebrates Boucheron's close links with India. The collection has proved to be an immediate outstanding success with both the press and clients.

The brand's famous *Quatre* jewellery collection maintained its iconic position and the *Serpent Bohème* jewellery collection, which was relaunched in 2013, has become a new pillar in terms of sales.

Regarding the watch business, the new stainless steel, round-case *Epure* watch was successfully launched during Baselworld Watch Fair 2015.

In September 2015, Hélène Poulit-Duquesne was appointed as Boucheron's new CEO. Benefiting from her 20-year experience in the luxury and jewellery industry, the Maison is planning to further strengthen the growth of its iconic collections by optimizing visibility and distribution in 2016.

Boucheron will again play an important role in the *Biennale des Antiquaires* in September 2016 alongside the best international jewellery brands.

Brioni

Brioni was founded in Rome in 1945 by Italian tailor Nazareno Fonticoli and entrepreneur Gaetano Savini.

Revolutionary since the beginning, in 1952 Brioni was the first men's couture House to stage a fashion show and to introduce bright colours and new fabrics to its tailoring collections, pushing back the boundaries of menswear and embracing new interpretations.

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

Part of Kering since 2012, Brioni develops sartorial ready-to-wear collections, shoes, bags, small leather goods, jewellery, eyewear and fragrances.

In November 2014, the brand appointed a new CEO, Gianluca Flore, to lead the brand's continued international expansion and consolidate its position in the luxury industry.

Innovation and contemporary functionality are Brioni's guiding values. The new management wants to revitalise the brand by making it relevant and attractive to the contemporary man – who is successful and influential, between 35 and 65 years old, with charismatic charm, a creative mind, and is passionate and knowledgeable about luxury products.

All of the brand's products are "Made in Italy", and meticulously handcrafted by expert artisans. Most of the production is made in-house in Brioni's ateliers in Penne, a small town in the Abruzzo region, with a rich, longstanding tailoring tradition. The art of Brioni products comes from the genuine workmanship of Brioni's tailors. These men and women, with many years of experience, shape each garment with the rigorous observance of Brioni's method. They are all educated at the *Scuola di Alta Sartoria* tailoring school, founded by the company in 1985 to perpetuate the sartorial tradition and train new generations of tailors.

While wholesale represents an important distribution channel for the brand, Brioni is continuously expanding its retail network by opening new strategic stores.

At the end of 2015, Brioni had 46 directly-operated stores, mainly located in Western Europe, North America and Japan. During the year, the company fine-tuned its retail network footprint, as reflected by the relocation of its Prague boutique to a strategic new venue in the heart of the city's commercial district, as well as in the US, with the renovation of its Las Vegas store. 2015 also marked the company's 70th anniversary and its return to the catwalk.

Moving forward, its ambitions for 2016 include consolidating the company's business in the US and Asia as well as strengthening brand awareness and visibility worldwide. Over the course of the year, the company will unveil a new store concept and a redesigned website in line with the new brand strategy to revitalise Brioni's positioning in the menswear luxury market.

CHRISTOPHER KANE

Founded in 2006 by the eponymous designer, Christopher Kane is a brand which is widely acknowledged to have spearheaded a revival of British high fashion, through the launch of innovative ready-to-wear styles. After having completing his Master of Arts (MA) in Fashion Design at Central Saint Martins College, Christopher Kane realised his ambition to start his own label, in partnership with his older sister, Tammy Kane.

In 2013, Kering acquired 51% of the company and in November 2014, Sarah Crook was appointed CEO of Christopher Kane with the goal of enhancing the brand's global expansion and reinforcing its organisational structure.

Christopher Kane has received several industry recognitions in recent years, including the highly acclaimed Womenswear Designer of the Year by the British Fashion Council (BFC) in 2013. Christopher Kane was nominated again this year by the BFC for two prestigious awards: Womenswear Designer of the Year and the Red Carpet Award.

On the distribution side, Christopher Kane's collections are currently distributed in over 30 countries across more than 150 wholesale accounts. Its primary product category is women's ready-to-wear, with recent expansion into menswear, accessories and shoes. In the shoe category, Christopher Kane launched this year a line of sneakers (the safety buckle sneakers), which has been well received by both the market and the press.

Christopher Kane's first retail store, on Mount Street in Mayfair, London, opened in February 2015 and represents a strong statement of the brand's image and identity. As well as helping increase brand awareness, the store provides significant leverage for strategic partnerships with third parties. In 2016, the brand expects to further strengthen its wholesale presence worldwide.

GP
GIRARD-PERREGAUX
 HAUTE HORLOGERIE SUISSE DEPUIS 1791

JR
JEANRICHARD
 1681

Girard-Perregaux is one of the oldest high-end watch manufacturers still in operation. Founded in 1791, the company is headquartered in La-Chaux-de-Fonds, Switzerland.

The history of the brand is marked by watches that combine sharp design with innovative technology, such as the renowned *Tourbillon with three Gold Bridges* presented by Constant Girard-Perregaux in 1889 at the Paris Universal exhibition, where he was awarded a gold medal.

Combining a passion for state-of-the-art *Haute Horlogerie* and a relentless quest for precision, Girard-Perregaux is one of the few Swiss watchmakers that designs and manufactures its own movements and cases in-house.

Since 2011, when Kering acquired a majority stake in Sowind Group, owner of Girard-Perregaux, the brand has implemented a strategy aimed at creating a bridge between its rich past and its bright future.

To bolster its position in Western and Middle Eastern markets, Girard-Perregaux recently revamped and relaunched several of its signature collections that embody its heritage, craftsmanship and watchmaking culture. The Girard-Perregaux 1966 collection is now offered in a steel edition, while the Vintage 1945 line has been reinvented with titanium and other innovative materials. By introducing variations on two iconic models, Girard-Perregaux is targeting a younger customer base.

Haute Horlogerie continues to be the brand's most emblematic segment. In 2015, it received another award, the *Prix de la Montre à Sonnerie 2015*, for its *Minute Repeater Tourbillon with Gold Bridges* model at the *Grand Prix d'Horlogerie de Genève*. For the first time, this elegant watch combines the legendary *Tourbillon* and the minute repeater, considered to be at the foundation of the timepiece complication.

As part of its ongoing innovation drive, Girard-Perregaux will introduce a number of unique timepieces in 2016, thus confirming its top ranking among Switzerland's elite watchmakers.

Girard-Perregaux is present in over 60 countries through independent points of sale, prestigious department stores and specialist boutiques.

The watches are also sold through a franchise network of 18 mono-brand franchise stores located primarily in Asia and Europe.

In 2016, the new product offering will be accompanied by a refounded communication strategy focused on the brand's history and heritage. Another key brand development initiative will be to overhaul the distribution network.

Also based in La-Chaux-de-Fonds, JEANRICHARD sells its collections through independent points of sale and specialist multi-brand boutiques. Its four main markets are Mainland China, Japan, France and the United Kingdom.



Synonymous with creativity and character in the international jewellery scene, Pomellato was established in Milan in 1967, and was the first to introduce the prêt-à-porter philosophy to the world of jewellery.

Pomellato's creations – unique in their blend of colourful stones, stone cutting techniques and setting know-how – are immediately recognisable and have built a consistent, iconic style over the years. Jewels are crafted by the expert hands of goldsmiths, who transform the spirit of the brand into outstanding creations.

The *Nudo* collection remains the most iconic line thanks to rings that embody the very essence of Pomellato fusing design, colour and link to fashion. In 2016 Pomellato will celebrate the 15th anniversary of its iconic line.

Over the last few years the Pomellato brand has reinforced its most iconic lines with product extensions in more precious creations, such as the new *Nudo Diamond* line. In 2015, the new *Milano* line was launched together with the first Pomellato eyewear collection.

Following its strategic international expansion, the Pomellato brand currently has a distribution network that includes 40 directly-operated stores, 22 franchise boutiques and over 500 wholesale points of sale.

With a unisex and multi-generational appeal, the brand Dodo was created in 1995 as the first jewellery line to combine a decorative function with a message.

Over the past years, Dodo has launched successful new jewellery lines such as the *Sea Collection* and broadened its core activities with the launch of a new watch. In 2015 the watch business saw the introduction of new colours and a capsule collection of women's watches for Christmas. Dodo also launched a new precious collection, the *Starfish* line, and the *Lucky Chef* capsule to celebrate the Expo Milan 2015.

The Dodo distribution network currently includes 19 directly-operated stores, 13 franchise boutiques and approximately 400 wholesale partners, most of which are shared with the Pomellato brand. In 2014 Dodo opened a flagship located at the heart of the luxury quarter in Paris, rue Saint Honoré.

In December 2015 Kering announced the appointment of Sabina Belli as the new CEO of the Pomellato Group. In her new role she will have the responsibility of supporting Pomellato's and Dodo's further development and of strengthening their unique positioning globally.

In 2016 the group's strategy will feature the introduction of new product lines as well as the consolidation of existing collections for both the Pomellato and Dodo brands. In addition, the group plans to further enhance its retail network with targeted stores openings, especially in mature regions: Europe, the US and Japan.

qeelin

Created in 2004 by designer Dennis Chan, Qeelin has embraced the evocative myths of the East, creating lavish fine jewellery that is rich in symbolism. In each collection, iconic designs, carefully selected materials and exceptional craftsmanship deliver a combination of playfulness and enchanting oriental beauty.

The brand's identity is reflected in its name, a reference to the "Qilin", a Chinese mythical animal and rooted symbol of love, understanding and protection. The brand's iconic *Wulu* collection is inspired by the legendary Chinese gourd filled with auspicious associations. Qeelin is also well-known for its *Bo Bo* collection, featuring an articulated and playful representation of a diamond panda bear, China's treasured national hero.

Since Qeelin's acquisition by Kering in December 2012, the brand has accelerated its growth, through both retail and wholesale channels. Its boutique network expansion continued in 2015 primarily in Mainland China with Qeelin now counting 21 stores (14 directly-operated boutiques and seven franchise stores). To reinforce its international expansion the brand has also made its first steps in the US market, where business development will be driven by a selective network of independent retailers and department stores.

For its major advertising campaign this year, Qeelin commissioned the famous Chinese photographer Chen Man to present the *Wulu* collection as well as its new fine jewellery collection, *Wang Wang*, which is inspired by the Creative Director's love of animals.

In 2016, Qeelin will continue to invest in its expansion, primarily focusing on the Asian and US markets. The product offering will also be reinforced with a more accessible price point.

STELLA MCCARTNEY

Stella McCartney is an eponymous luxury Lifestyle brand, which was launched under the designer's name in partnership with Kering in 2001.

Since the brand's foundation, women's ready-to-wear has always been its core business, but during recent years the brand has been successfully extending its portfolio to include other product categories such as handbags and shoes, and has diversified in Kids. Product diversification has also been fuelled by long-lasting successful collaborations, such as the design of sportswear apparel with Adidas or lingerie with Bendon. The brand has also developed eyewear and fragrance lines through licence agreements.

Stella McCartney, a lifelong vegetarian, has been committed to reflecting her ethical values in the collections right from the early days of the brand. The company believes that its responsibility is to be a sustainable company, responsible for all the resources it uses and for the impact they have on the environment. Therefore, it is constantly exploring new and innovative ways to become more sustainable at every stage of its activity, from the design phase, to store openings and product manufacturing.

After starting out as primarily a wholesale business and building up more than 650 doors worldwide in over 50 countries, more recently it has focused its strategy on the expansion of its retail channel. Following a significant increase in the number of stores in 2012, the brand has mostly concentrated on consolidating and nurturing the organic growth potential of its existing retail network over the past three years. However, it has still carried out some very selective store openings.

At the end of 2015, the brand owned a retail network of 35 directly-operated stores, with five new net openings taking place over the year, mainly in Japan, the US and China. Its online presence has helped to significantly enhance and reinforce the brand's market penetration both in terms of image and revenue.

Wholesale remains a prominent part of Stella McCartney's overall business and the brand will continue to optimise this channel by skimming it and engaging with key online players. During the year, two franchise boutiques were added to the network, bringing the total up to 22 franchise stores worldwide. This approach continues to represent a valuable tool for entering specific regions where brand awareness is not yet consolidated.

In 2016, the brand's priority will be to continue strengthening its product offering, fostering its retail operations and organisation to pursue its selective retail expansion. The brand will also consolidate its omni-channel approach to further increase the proximity of the brand to all of its customers. In addition, Stella McCartney wants to expand brand awareness particularly in China, and in other Asian countries.



Founded by Ulysse Nardin in 1846, this watchmaking House, with roots in the nautical world, joined Kering in November 2014.

Building on its strong identity and expertise in the high-end segment of marine chronometers and complication timepieces, Ulysse Nardin continues to introduce cutting-edge technologies and state-of-the-art materials, including silicium and other innovative materials. In addition, Ulysse Nardin is one of the few Swiss watchmakers to have in-house production capacity for high-precision movement components, particularly the regulating organs.

Ulysse Nardin's current distribution network includes 18 mono-brand boutiques (of which one directly-operated store) and more than 500 watch and jewellery selected points of sale around the world.

In 2015, under the leadership of CEO Patrik Hoffmann, the brand's sales organisation has been reinforced and new doors have been opened with a particular focus on the Chinese clientele.

In terms of products, in 2015 Ulysse Nardin launched its innovative *Anchor Tourbillon* watch, an example of avant-garde silicium based technology, which is the outcome of eight years of research and development. In Fall 2015, the watch received three very prestigious awards from international juries of industry experts: the Tourbillon Watch Prize at the *Grand Prix d'Horlogerie de Genève* (GPHG), the Watch of the Year Prize at the International Salon of Haute Horlogerie (SIAR) in Mexico, and the *Prix Orologio dell'Anno 2015*, from Italian watch magazine *L'Orologio*.

During the year, Ulysse Nardin strengthened and reaffirmed its roots with the marine world thanks to the sponsorship of the Artemis Racing team, challengers in the 35th America's Cup.

In 2016, Ulysse Nardin plans to streamline its product portfolio as well as to consolidate and upgrade its worldwide distribution network. A new global communication plan will also be introduced in 2016 to increase and support brand visibility and awareness.

worldwide sport & lifestyle market overview

This section contains information which is derived from the “2014 Global Sport Market Report” conducted by NPD, an independent market research firm, and published in June 2015.

This study's estimates of the size of the global sports market are based on NPD's consumer panel tracking data, in 14 countries (in 2014), representing approximately 80% of global sports sales. For the remaining 20%, NPD estimates are based on assumptions related to gross domestic product development.

Note that year after year some countries are surveyed using panels instead of being estimated. As a result, historical data (typically from 2006 to 2013) are subject to update by NPD each year.

Also note that i) all growth rates are expressed in reported terms; ii) the designation “Sport & Lifestyle” (SLS) refers to all types of sports from running and hiking to snowboarding; iii) the global Sport market, as reported by NPD, includes four major segments: apparel, footwear, equipment, and bicycles for all types of sport usage.

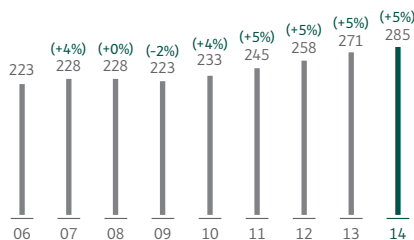
market overview: size, trends and main growth drivers

According to NPD, the global Sport & Lifestyle market generated revenue of €285 billion in 2014, representing a 5% increase compared to 2013, driven by Americas and Asia's performances. This marked the fifth consecutive year of positive growth.

The top three contributors (in term of percentage of global growth) were the United States (31%), China (14%), and Russia (7%).

From 2006 to 2014, the Sport & Lifestyle market grew at a compound annual growth rate of 3%.

**Worldwide Sport & Lifestyle market trend
(2006–2014, in € billions)**



(%): Annual change, reported data

Demand in the Sport & Lifestyle market is driven by four main factors:

- demographic trends and an increase in world GDP;
- increase in leisure time and increased awareness among the population of the positive effect of sport on health;
- globalisation and convergence of consumer habits as sport promotes universal values;
- increase in purchasing power and urbanisation in emerging countries.

Meanwhile, industry players have developed their product offering and extended their global reach through:

- innovation: sector players are quick to adopt new technologies and materials that help them stay ahead of the competition and to segment their offering;
- geographical expansion: Sporting Goods companies are focusing on consolidating or growing their market shares in mature markets, while investing in high-growth markets where they have more potential to increase market penetration and brand awareness;
- retail expansion: while wholesale distribution remains the most important distribution channel for Sporting Goods, industry players are also developing their network of directly-operated stores.

competitive environment

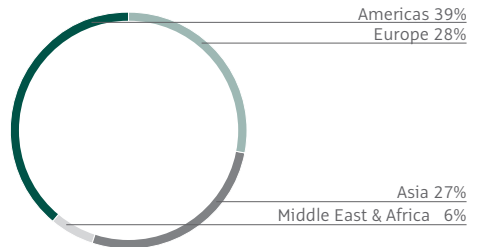
The Sport & Lifestyle market is a mass, global market. PUMA is currently one of the leading Sporting Goods brands after Nike and Adidas. In addition to these three major players, there are several players specialised either in one specific category, or initially targeting a specific region, such as Under Armour or Lululemon.

In Kering's Sport & Lifestyle Division, the "Other brands", Volcom and Electric, address more niche markets, and are inspired by the world of Action Sports and Outdoor, competing with brands such as Quiksilver, Vans and Billabong.

regional overview

In 2014, the United States and China remained the two largest markets, accounting for 28% and 9% of the global market respectively.

Worldwide Sport & Lifestyle market:
breakdown by region (2014)



The ten largest countries in terms of global revenue in 2014 are as follows:

2014 rank	Year-on-year Country	% of total (in € billions)	change	Size market
1	United States	80.7	+5.4%	28.3%
2	China	26.2	+7.7%	9.2%
3	Germany	13.0	+4.3%	4.6%
4	Japan	11.6	+1.5%	4.1%
5	France	10.9	+3.9%	3.8%
6	United Kingdom	10.2	+4.0%	3.6%
7	South Korea	9.3	+2.4%	3.3%
8	Brazil	8.7	+7.1%	3.1%
9	Canada	8.7	+5.6%	3.0%
10	Russia	8.6	+12.6%	3.0%

In the United States, sport apparel was extremely dynamic in 2014, up 10%, as consumers favoured Sport products for casual and daily use.

Out of the five major European countries, Germany, France and the UK were the most buoyant markets overall in 2014. Main drivers were footwear across all countries, apparel in Germany and the UK and bicycles in France.

In Russia, in spite of the subdued environment, the Sport & Lifestyle market was strong in 2014 (up 13%), as Russian consumers anticipated price increases and spent in their country rather than abroad. The Winter Olympics in Sochi also boosted domestic consumption.

In Japan, footwear sales were strong, led by walking/hiking, running and soccer. This year, golf and cycling sales (which represent 35% of the total Japanese Sport & Lifestyle market) decreased 4% and 3% respectively.

South Korea, which entered the top ten countries in 2014, saw a 3% drop in walking/hiking sales in 2014. Running, a key market, was soft. In contrast, cycling was up 5%.

product categories

According to NPD, the global Sport market can be divided into three main product categories – footwear, apparel and equipment (excluding the market for bicycles and accessories) – which correspond to the key product areas in which Kering Sport & Lifestyle brands operate.

In 2014, all categories grew, with footwear and apparel registering the highest growth (up 6% for both), driven by the World Cup and “non-football textiles”.

Worldwide Sport & Lifestyle market: breakdown by category (in 2014)

	Market value (in € billions)	Reported year-on-year change	% of total market
Footwear	79	+6%	28%
Apparel	96	+6%	34%
Equipment	74	+3%	26%
Bicycle and accessories	36	+2%	12%
Total	285	+5%	100%

In 2014, fitness, running and soccer were the sports that enjoyed the highest growth rates. Five main sports represented 44% of the Sport & Lifestyle market:

Sport	2014 value (in € billions)	Reported year-on-year change
Cycling	38	+2%
Fitness	31	+7%
Walking/Hiking	25	+3%
Running	20	+5%
Football/Soccer	11	+11%

NB: as mentioned in the introduction to this section, NPD updates historical data each year (2013 data have been updated).

distribution channels

The Sport & Lifestyle industry predominantly operates through the wholesale channel. Key distributors of Sporting Goods brands include retailers such as Foot Locker and Finish Line in the United States, and Intersport and Decathlon in Europe. In the United States, Action sports & Outdoor brands are primarily distributed at Pacsun, Zumiez and Tilly's, along with other independent multi-brand accounts. Sporting Goods brands are also looking to upgrade the shopping experience through dedicated partnerships with the key retailers, notably by creating shop-in-shops and joint-venture agreements with the largest chains.

Along with wholesale distribution, most Sporting Goods brands, including PUMA, have selectively developed directly-operated stores operations (which represent approximately 20% to 30% of sales mix across most brands) and are consistently looking to enhance over time the retail experience within their own stores.

E-commerce is also gaining momentum, yet still accounts for a fraction of total sales. Euromonitor estimates global online sales at 7% of total Sporting Goods market sales in 2014. However, in the United States, e-commerce penetration is relatively higher and thus presents positive prospects for industry players.

market outlook

In the long term, NPD forecasts a compound annual growth rate of 4% for 2014 to 2020e. The Sport & Lifestyle market is therefore expected to reach sales in excess of €355 billion by 2020e, assuming continued positive global GDP growth. Therefore, the longer-term growth rate in the Sport & Lifestyle market is expected to remain closely tied to the more general trend in discretionary consumer spending across the world.

According to NPD, two trends will contribute equally to long-term growth:

- Consumer trends: the casual-use market will expand through increased penetration of branded sport-styled apparel and athletic footwear in daily life. The market for sport use will grow through increased concern for health considerations.
- Sports trends: within major sports, urbanisation will specifically foster running, basketball and all fitness activities. Paradoxically, urbanisation should also nurture a return in demand for outdoor activities and brands.

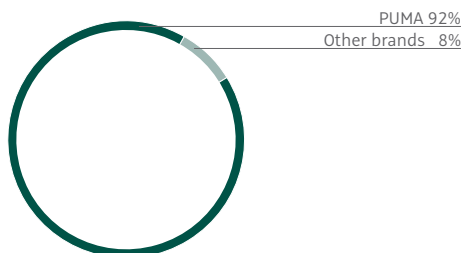
sport & lifestyle division

PUMA	50
Other brands	54
Volcom	
Electric	

2015 key figures

€3,683 million
in revenue

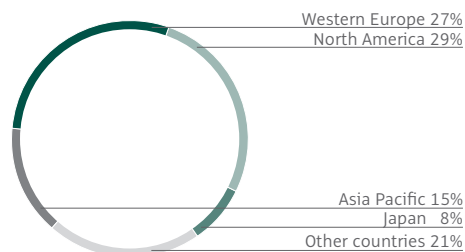
Breakdown by brand



Breakdown by product category

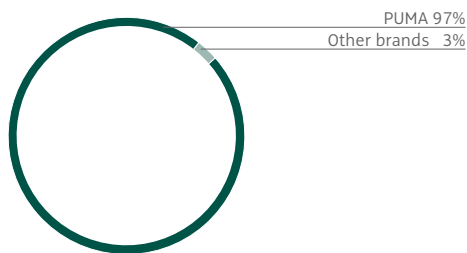


Breakdown by region

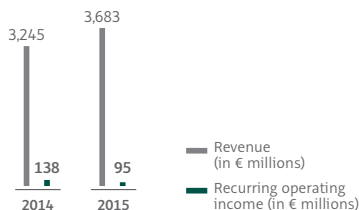


€95 million
in recurring operating income

Breakdown by brand



Revenue and recurring operating income





2015 key figures

€3,403 million
in revenue

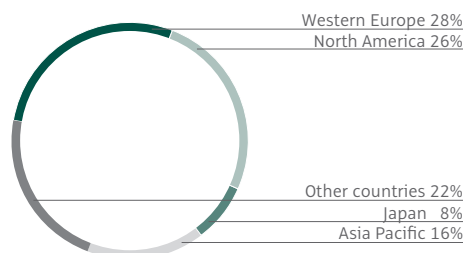
€92 million
in recurring operating income

10,988
average number of employees

Breakdown of 2015 revenue
by product category



Breakdown of 2015 revenue
by region



business concept

PUMA is one of the world's leading sports brands and designs, develops, and markets footwear, apparel and accessories. For over 65 years, PUMA has established a reputation for its fast product designs for the fastest athletes on the planet.

PUMA offers performance and sport-inspired Lifestyle products in categories such as Teamsport, Running and Training, Golf, and Motorsport. It has formed a series of exciting partnerships with renowned brands to bring innovative and fast designs to the world of sport. The PUMA Group owns the PUMA, COBRA Golf and Dobotex brands. The company distributes its products in more than 120 countries, employs about 11,000 people worldwide, and is headquartered in Herzogenaurach, Germany.

In 2013, CEO Bjørn Gulden introduced PUMA's new mission statement: to be the fastest sports brand in the world. This not only reflects PUMA's brand positioning of being "Forever Faster", but also serves as the company's guiding principle, which is expressed through all of its actions and decisions. PUMA's objective is to be fast in reacting to new trends, fast in bringing new innovations to market, fast in decision-making and fast in solving problems for its partners and retailers.

competitive environment

The Sporting Goods industry is continuing to grow, driven by an increase in disposable income as well as a rise in the number of health-conscious people. The fact that more women are taking up sports is also contributing to this growth. From a distribution channel perspective, e-commerce is continuing to rapidly expand.

Volatile currencies and the strength of the US dollar in particular have continued to weigh on the profitability of companies within the Sporting Goods industry. The macro-economic environment has also been dampened by ongoing political tensions in eastern Ukraine and the Middle East.

strategy

PUMA's strategy encompasses five priorities: repositioning PUMA as the world's fastest sports brand and creating excitement around the brand, improving the product engine, optimising PUMA's revenue and distribution quality, increasing the speed of the organisation, and renewing the IT infrastructure. In 2015, PUMA continued to make progress in all of these key strategic priorities.

In terms of its repositioning as a sports brand, PUMA continued to enhance its product communication by giving consumers a stronger, simpler brand story and by better utilising its assets. Its new positioning is reflected in the company's ongoing marketing campaign "*Forever Faster*". The second wave of this brand campaign had a dedicated focus on Training and was brought to life through the unique training stories of PUMA's most elite brand ambassadors including Usain Bolt, Rihanna, Sergio Agüero, Arsenal Football Club, and the Cuban National Boxing team. The campaign was underpinned by *IGNITE XT*, PUMA's latest innovative footwear offering within the *IGNITE* franchise. The training shoe's responsive design maximises energy and movement during high intensity workouts.

PUMA's new multi-year partnership with Rihanna has generated a lot of positive press coverage and social media buzz. Rihanna was featured in in-store marketing campaigns promoting PUMA's key training styles of the season. She also played an important role in PUMA's brand campaign "*Forever Faster*" and has been a key element in PUMA's strategy to improve its product offering for women. Furthermore, PUMA and Rihanna have launched a series of Rihanna-inspired footwear and apparel styles. The first sneaker from PUMA BY RIHANNA brought out under her FENTY label was the *Creeper*. It

generated unprecedented social media and press coverage for PUMA. The limited edition black and white colourway sold out within hours.

PUMA's 2015 sales performance also proved that PUMA is well on the way to improve its product engine. Stronger sales for its performance collections, especially in Footwear, underlined the increased commercial appeal of PUMA's products. The launch of PUMA's new running technology *IGNITE* was an important initiative, which delivered solid sell-in and sell-through performances in both wholesale and the company's own retail network. Positive feedback from retailers around the world regarding PUMA's new products as well as the order book for the coming seasons confirm that PUMA is on the right track.

In terms of improving the quality of distribution, PUMA's sales organisations continued to consolidate their relationships with key strategic accounts and to build new partnerships with strong retailers in both established and emerging markets. In the North American market, for example, PUMA reinforced its presence with shop-in-shops, special wall units and permanent in-store communication at major sports accounts, including Finish Line and Champs. The roll-out of the new "*Forever Faster*" store layout has continued worldwide for PUMA owned and operated stores.

In 2015, PUMA also made progress in simplifying its organisational structure and setup. The consolidation of the Europe and EEMEA regions (Eastern Europe, Middle East and Africa) under one leadership is a good example of this. In addition, synergies were generated in many areas, leading to a faster and more effective organisation. In terms of overall IT enhancement, PUMA continued to make progress in key areas, including standardising ERP systems, improving overall IT infrastructure and developing tools to make the design and planning processes more efficient.

Social, economic and environmental sustainability remains a core value for PUMA. As a company that offsets all carbon emissions from its own entities, PUMA was an official partner of the COP21, 2015 UN Climate Change Conference in Paris, and provided the uniforms for 180 students in charge of welcoming visitors from all over the world. These trainee hosts and hostesses wore specifically designed PUMA outfits, made entirely from organic cotton. Furthermore, PUMA helped 35 key suppliers in Bangladesh, Cambodia, China and Indonesia improve their energy efficiency and reduce their carbon footprint. The project, which was co-financed by the German Development Bank, identified over 200 measures with the potential to save a total of approximately 100,000 tonnes of CO₂ and generate an attractive return on investment.

2015 highlights and outlook for 2016

The launch of PUMA's *IGNITE* running innovation, which was presented by the World's Fastest Man Usain Bolt on New York City's Times Square in February, got 2015 off to a good start. The breaking new *IGNITE* foam technology offers maximised energy return and strongly represents PUMA's "Forever Faster" positioning. The sell-through of this cutting-edge footwear technology was a huge success throughout the year. The introduction of *IGNITE* was supported by PUMA's "Ignite Your City" film series, featuring ten global running crews wearing the new PUMA *IGNITE* in their respective cities. The campaign went viral on social media and created lots of positive buzz for PUMA.

Underlining its strong position in Football, PUMA achieved great visibility at both the Copa América in Chile and the FIFA Women's World Cup in Canada. At the Copa América, PUMA partnered host nation Chile, whose stellar performance throughout the tournament was rewarded with their first continental trophy. The PUMA team secured their victory with a penalty shootout over archrival Argentina and PUMA ambassador Sergio Agüero was amongst the tournament's best scorers with three goals.

At the FIFA Women's World Cup, PUMA star Marta made headlines by becoming the all-time leading scorer in Women's World Cup history, while Germany's Céline Šašić finished the tournament as the top scorer with six goals. Together with PUMA's three participating teams, Cameroon, Ivory Coast and Switzerland, more than 50 PUMA players helped give PUMA a strong on-pitch presence.

During the 2015 IAAF World Championships in Beijing, PUMA benefitted from excellent athlete and team performances with 18 podium positions for PUMA sponsored athletes and teams. The world's fastest man Usain Bolt once again proved his status as the greatest athlete of all time with triumphs in the 100 m, 200 m and 4x100 m relays, extending his record-breaking personal haul of IAAF World Championship gold medals to 11. The outstanding performance of the Jamaican Team, which finished second in the medals table after Kenya, as well as the performance of the other PUMA teams including the Bahamas, Cuba, Grenada, Cayman Islands, Switzerland and the Dominican Republic, ensured strong brand visibility for PUMA throughout the competition.

In our successful Motorsports category, PUMA continued to be a leading supplier with its exceptional Mercedes AMG Petronas and Scuderia Ferrari F1 teams. The Mercedes team's Lewis Hamilton won his third Formula 1 Drivers' World Championship, while Mercedes also won the Constructors' Championship title for the second consecutive year, marking the most dominant season for the "Silver Arrows" in more than 60 years.

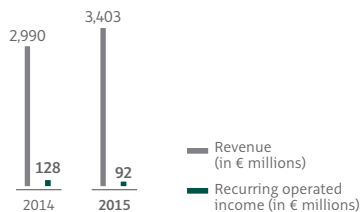
In September, COBRA PUMA GOLF golfer Rickie Fowler enjoyed another victory in the Deutsche Bank Championship at TPC Boston. Wearing his signature orange apparel and equipped with his Fly-Z+ Driver, Fowler powered his way to victory. He wore PUMA apparel and footwear from the 2015 Autumn/Winter collection, including the *Titantour*, the coolest shoe in golf. COBRA PUMA GOLF athlete Lexi Thompson also proved her outstanding talent by winning the LPGA KEG Hana Bank Championship in South Korea, amongst others.

In 2016, PUMA will continue to invest in marketing, extending its own retail store network and upgrading its IT infrastructure to become a faster, leaner and more efficient company in the future. Furthermore, the development of innovative and commercial products and close collaboration with key retailers will remain an important focus in PUMA's go-to-market strategy.

PUMA's "Forever Faster" brand campaign will see continuous investments accompanied by exciting product launches, as well as new partnerships with globally relevant brand ambassadors. Building on its strong heritage and credibility with women, PUMA has emphasised female consumers as a key growth segment. Its partnership with world-famous artist Rihanna, who is acting as a brand ambassador and Creative Director, underlines the brand's continued commitment to the female athletic consumer. PUMA will further optimise its product offering for women across its Performance and Lifestyle categories in the coming seasons. This improved product line-up for women includes the "Fierce", a training shoe with revolutionary specifications and aesthetics, and a complete collection of footwear and apparel styles by Rihanna.

Moving forward, 2016 promises to be an eventful year full of opportunities to further strengthen PUMA's positioning as a performance brand. In PUMA's football category, both the UEFA European Championship in France, where PUMA will be represented through Italy, the Czech Republic, Slovakia, Austria and Switzerland, and the Copa América in the US, will be major events to showcase PUMA's genuine focus on sports. In addition, the Olympics in Rio de Janeiro will be an important platform for increasing PUMA's brand presence through the world's fastest man Usain Bolt and many more of the world-class athletes and teams it sponsors.

Revenue and recurring operating income



other brands

- Volcom
- Electric

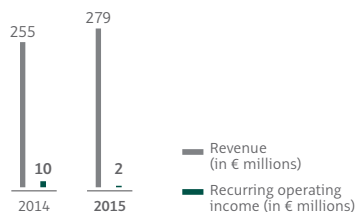
2015 key figures

€279 million
in revenue

€2 million
in recurring operating income

784
average number of employees

Revenue and recurring operating income





Founded in the early 1990s, Volcom was created on the belief that there is a higher level of consciousness to be found within oneself through the internal and external journeys that board sports, music, art and film provide. These finite moments of enlightenment are referred to as "Spiritual Intoxication". Built on liberation, innovation and experimentation, Volcom provides lifestyle-enhancing apparel, outerwear, accessories and footwear to people who share their passion. It is the only company in its category founded on all three board sports: skate, surf and snow.

During the year, Volcom reinforced its efforts to strengthen both its products and marketing, and has implemented a global organisation structure to improve its performance and relevance to its markets and clients.

Volcom has continued to experience positive sell-through in wholesale distribution and has continued to gain market share in core retail accounts. Branded retail was also a key focus for Volcom, with store openings particularly in France and the United States during the year, and some initiatives to optimise the network where needed. Volcom expanded the reach of its e-commerce platform, which is instrumental to foster online presence and drive sales.

Volcom has pursued its investments in marketing and operations in the Asia Pacific and Latin America regions, which are key markets for the brand and provide potential growth opportunities.

Volcom is continuously reinforcing its brand image through the sponsorship of world-class athletes, targeted grassroots marketing events, distinctive advertising and the production of board sport and youth lifestyle-related films, art and music under the "True To This" brand mantra. In 2015, Volcom launched several new campaigns, including its new surf movie, "Psychic Migrations", as well as two new major marketing campaigns, "Real Life Happening" and "Welcome to Water".

ELECTRIC



Founded in 2000, Electric is a premium Lifestyle brand rooted in southern California's action sports, music, art and customisation culture. It designs and markets sunglasses, snow goggles, backpacks, luggage, watches and accessories through the Americas, Europe, Japan, China and Australasia. Electric sells in Lifestyle boutiques, department stores, sports shops and online, including its own e-commerce website.

chapter 3

sustainability

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1. *sustainability at kering*

1.1. *a long-standing commitment*

For more than 15 years, Kering has pursued and improved on its sustainability strategy, with the following key milestones:

1996

- Group's first Ethics Charter.

2001

- Creation of the *SolidarCité* association, promoting solidarity-based initiatives among employees.
- First employee opinion survey.

2003

- Creation of a Group Sustainability Department.
- Establishment of an environmental reporting platform.

2004

- Signature of the Diversity Charter by PPR's Chairman and creation of the Diversity Committee and the *Mission Handicap* project.

2005

- Signature of a partnership agreement with Agefiph, a French association promoting job placement and vocational training for the disabled.
- Deployment of the Code of Business Practices and creation of the Ethics and Corporate Social Responsibility Committee (ECSRC).
- Creation of the *Télémaque Institute*.

2006

- Definition of the Group's CSR commitments.

2007

- Creation of a Group Corporate Social Responsibility Department, represented on the Executive Committee and reporting directly to the Chairman.
- Definition of seven strategic priorities for the Group with respect to CSR for 2008-2010.
- Signature of a second agreement with Agefiph to support the employment of people with disabilities.

2008

- Membership of the UN *Global Compact*.
- Creation of the PPR Corporate Foundation for Women's Dignity and Rights.

2009

- Worldwide release of Yann Arthus-Bertrand's documentary *Home*, co-produced by EuropaCorp and Elzévir Films, and financed primarily by PPR.
- Dissemination of the updated Code of Business Practices to all Group employees.
- Signature of a third agreement with Agefiph.

2010

- Launch of PPR's Innovation and Sustainability Awards.
- Sustainability criteria included in performance evaluations of PPR group leaders.
- Adoption of the Charter of Commitments on the quality of life at work and the prevention of work-related stress for employees of the PPR group in Europe.

2011

- Launch of PPR HOME, the new initiative and organisation dedicated to sustainability.
- Publication of the first Environmental Profit & Loss Account (EP&L) by PUMA.
- Formalisation of the strategic "Gender Equality in Leadership" programme.

2012

- Formalisation and publication of a set of ambitious sustainability targets to be achieved by the Group's brands by 2016.
- Creation of a Sustainability Committee within the Board of Directors.
- Launch of a mentoring programme as part of the strategic "Gender Equality in Leadership" programme.
- Third edition of the Foundation's Social Entrepreneurs Awards.

2013

- Kering was listed on the Dow Jones Sustainability World and Europe Indices (DJSI World and Europe) and qualified for the Climate Disclosure Leadership Index (CDLI) in France.
- Launch of a new Group platform devoted to internal mobility and career management.
- Creation of the Materials Innovation Lab (MIL).
- Strengthening the Group's ethics organisation and updating the Code of ethics.
- PPR Corporate Foundation for Women's Dignity and Rights becomes the Kering Corporate Foundation, with the slogan "Stop violence. Improve women's lives".

2014

- Extension of the EP&L process to cover the entire Group.
- Intensification of initiatives aimed at meeting sustainability targets for 2016, and publication of a mid-term progress report.
- Redefinition of the Group's materiality analysis, by a range of internal and external stakeholders.

- Signature by Kering of a five-year strategic partnership with the London College of Fashion's Centre for Sustainable Fashion to promote more sustainable and innovative design practices in the fashion industry and among its future practitioners.
- Kering named industry leader of the DJSI (Dow Jones Sustainability Indices) within the Textile, Apparel & Luxury Goods sector.

2015 provided further testimony to Kering's conviction that sustainable business is smart business, and that sustainability contributes to creating value within the Company. Kering reaffirmed its commitment to achieving fundamental change in its *modus operandi* in respect of ethics and in the fight against climate change and, more broadly, environmental pollution of all sorts. Internally, it continued to rally employees around the Group's key values and skills, while also working to win the support of its external stakeholders for its flagship commitments. To this end, Kering has turned its focus on innovation, on partnerships with key members of civil society committed to sustainability, and on the sharing of knowledge and methods, with a view to achieving ever greater mobilisation of all of its external stakeholders in the service of a more sustainable world. The 2015 highlights are a faithful reflection of this spirit and conviction.

1.2. 2015 highlights

Kering publishes the results of its Environmental Profit & Loss Account (EP&L), one year ahead of schedule

Kering released two sets of EP&L results in 2015 – those related to the 2013 reporting year in May and to the 2014 reporting year in November – fulfilling the public commitment taken by the Group in 2012. Amounting to €776 million and €793 million respectively, these initial results confirm the pertinence of the Group's sustainability strategy and policies, which specifically target the issues highlighted by the EP&L. Noteworthy findings include:

- 93% of the Group's total environmental impact is attributable to the supply chain, half of which to the production of raw materials (Tier 4);
- within the supply chain, a quarter of the total environmental impact is attributable to the processing of raw materials (Tier 3), and nearly 20% to product manufacture and assembly (Tiers 1 and 2);
- 7% of environmental impacts are directly attributable to Kering's activities, including retailing and sales (Tier 0);
- approximately 35% of the total environmental impact comes from greenhouse gas emissions, and more than a quarter from land use;

- over a quarter of the Group's environmental impact results from the use of leather.

The 2013 and 2014 results were the subject of detailed reports published on the Kering website, with the disclosure of the EP&L methodology used within the Group. Kering decided to open-source its EP&L methodology in the hope that other corporations, both within the Group's industry and adjacent industries, will adopt similar natural capital accounting methods and work together to address shared issues.

Kering and BSR analyse the resilience of the fashion and luxury industry to climate change

Kering and Business for Social Responsibility (BSR), a global business network and consultancy dedicated to sustainability, published a groundbreaking report on climate change and the luxury industry in November 2015, during the COP21 summit in Paris. The report, entitled *Climate Change: Implications and Strategies for the Luxury Fashion Sector*, provides the first analysis of the impact of climate change on the luxury sector. It aims to help industry players see where their specific vulnerabilities lie, and makes recommendations promoting the development of more resilient business models.

Kering rolls out its Leadership Model to all Group employees

To allow all Kering employees to become leaders, regardless of their role or position, the Group distributed its Leadership Model widely among employees in 2015. The Kering Leadership Model works as a compass, shaping a management culture and a shared language around four cardinal points: Create with a vision; Drive and deliver; Engage with all; and Build from heritage to legacy. The balance between these four themes is embodied on a day-to-day basis in the Group's corporate signature, "Empowering Imagination". To encourage the Group's employees to appropriate the themes of the Kering Leadership Model, employees each had the opportunity to form a team to make a creative contribution – video, photos, text or the like – illustrating their vision of the Kering Leadership Model.

The Kering Foundation's annual campaign to raise awareness about violence against women potentially reaches over 300 million Internet users

The Kering Foundation renewed its White Ribbon for Women campaign in 2015, in the aim of promoting greater awareness of the issue in the lead-up to the International Day for the Elimination of Violence against Women on November 25, in partnership with Condé Nast International.

This year, 125,000 badges designed by Stella McCartney, a member of the Kering Foundation's Board of Directors, were given away in more than 800 stores in 41 countries. From November 21 to 28, the badges were given to customers in nine of Kering group's Luxury Goods houses: Gucci, Alexander McQueen, Balenciaga, Brioni, Stella McCartney, Boucheron, Dodo, Pomellato and Qeelin.

At the same time, the Kering Foundation ran a digital campaign with the hashtag #BeHerVoice to encourage everyone to play a part in ending violence against women. The campaign potentially reached over 319 million Internet users worldwide.

Kering strengthens its ethics and compliance organisation

In 2015, the Group started down a new road with the creation of a Compliance structure, led by a Group Chief Compliance Officer (CCO) backed up by an international network of Compliance Officers appointed by the CEOs of each brand. The Compliance team will be tasked with assisting and guiding employees at all levels of the Group to ensure compliance with prevailing legal requirements, including those relating to the fight against corruption and those relating to competition law.

Kering maintains its position as industry leader of the DJSI (Dow Jones Sustainability Index)

For the second consecutive year, Kering was named industry leader of the Dow Jones Sustainability Index (DJSI) World and Europe in 2015, retaining the top spot within the Textile, Apparel & Luxury Goods sector.

Improving its overall performance compared with the previous year, Kering received the best scores in its sector on supply chain management, stakeholder dialogue, environmental reporting and social reporting. The Group also obtained the maximum score for its approach in three areas, namely responsible product stewardship, codes of conduct and compliance, and corporate citizenship and philanthropy.

Kering co-produced Luc Jacquet's new movie, *Ice and the Sky (La Glace et le Ciel)*.

In 2015, Kering co-produced Luc Jacquet's new movie, *Ice and the Sky*, which recounts the adventures of Claude Lorius, a climatologist, glaciologist and one of the first scientists to discover global warming. Kering's decision to co-produce this climate change documentary is a reflection of the Group's dual commitment to both sustainability and cinema. The movie, directed by Luc Jacquet who previously directed *March of the Penguins* in 2005, drew much attention due to its timely release which coincided with COP21 Paris summit. Selected to close the 68th edition of the Cannes Film Festival, *Ice and the Sky* was released in French cinemas in October 2015.

1.3. *vision and strategic challenges*

Vision

Kering firmly believes that sustainable business is smart business. It is this commitment to sustainability in its social and environmental dimensions that informs the Group's strategy in this area. Sustainability creates value and competitive advantage, for it enables Kering to lead with new business models and innovative practices, whilst often reducing costs. It is also a motivating factor for the Group's employees, helping to attract and retain the best talent.

Sustainability is a key component of the Group's brands' strategy. Kering serves as a catalyst, encouraging them to develop increasingly innovative, high-quality and sustainable products.

Through the Kering Foundation, Kering is also firmly committed to combating violence against women. With the help of its employees, the foundation supports local and international NGOs, distributes grants to social entrepreneurs and organises awareness campaigns.

Targets

To nurture this vision, Kering builds on a set of ambitious targets laid down in 2012 to achieve by 2016:

- roll out the EP&L across all Luxury and Sport & Lifestyle brands;
- assess our key suppliers at least every two years, mainly to monitor their application of the Group's Code of ethics;
- reduce our carbon emissions, waste and water usage resulting from the production of goods and services by 25%, without compromising our growth;
- offset all remaining CO₂ emissions from Scope 1 and Scope 2 of the Greenhouse Gas Protocol through programmes contributing to the conservation of biodiversity and the welfare of local communities in the geographic areas where the Group operates;
- 100% of paper and packaging will be sourced from certified sustainably managed forests with a minimum of 50% recycled content;
- eliminate PVC from all our collections;
- ensure that all hazardous chemicals have been phased out and eliminated from our production by 2020;
- 100% of gold and diamonds will be sourced from verified operations that do not have a harmful impact on local communities, wildlife or the ecosystems that support them;
- 100% of leather from domestic livestock will be sourced from responsible and verified sources that do not result in converting sensitive ecosystems into grazing land or agricultural land used to produce livestock feed;

- 100% of precious skins and furs will be sourced from verified captive breeding operations or from sustainably managed wild populations. Additionally, suppliers will be required to employ accepted animal welfare practices and humane treatment in sourcing.

The achievement of these targets is factored into the calculation of the variable remuneration of key executives.

As transparency is central to Kering's approach, the Group regularly shares updates on its progress towards these targets with all its stakeholders. A progress report was given at the April 2014 Annual General Meeting, and a review covering the 2012-2016 period will be published in 2016.

Some key objectives have already been achieved. They include the EP&L which has been rolled out across all of the Group's brands, and was the subject of two detailed reports published in 2015, presenting the results for 2013 and 2014.

EP&L, a cornerstone of the measurement and the achievement of targets set by Kering

Faced with accelerating ecosystem degradation, and aware that corporations and society as a whole are reliant on natural resources, Kering developed the Environmental Profit & Loss Account (EP&L), an innovative tool enabling companies to identify and monetise the impacts of their activities.

The EP&L measures the environmental footprint of all supply chains for the Group's brands, and highlights the environmental risks and economic opportunities linked to its activities, making it a crucial tool in deploying responsible sourcing strategies and measuring progress towards the Group's targets.

Kering used the two reports published in 2015 to share the results and lessons of its 2013 and 2014 EP&L, as well as the methodology developed by the Group. Kering aims to encourage other organisations, both private and public, to identify and control their impacts on natural resources.

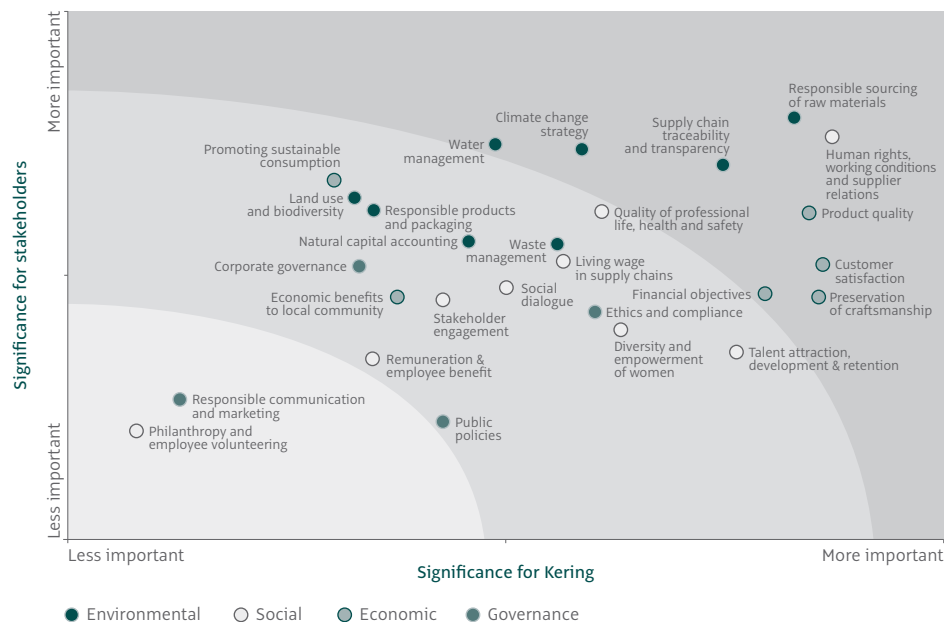
Materiality Matrix: prioritising our challenges

The materiality principle, which is at the heart of the Kering sustainability approach, on an equal footing with the EP&L, allows Kering to focus on activities with the most extensive environmental footprint. The materiality approach, laid out in the guidelines of the Global Reporting Initiative (GRI), allows Kering to identify its key challenges (based on their economic, environmental and social impacts) and governance issues, and to gauge their assessment by the Company's key stakeholders.

In 2014, Kering collaborated with Business for Social Responsibility (BSR), a consultancy specialised in the field of stakeholder dialogue, in order to update its materiality analysis. As part of the process, 12 interviews were carried out internally with senior executives of Kering and its brands. Kering also sent a questionnaire to over 100 external stakeholders (universities, NGOs, consumer groups, trade

unions, investors and rating agencies, suppliers and business federations). The results, presented below, confirmed the Group's view of the key impacts relating to its supply chain, both environmental (quality, traceability, use of sustainably produced raw materials, etc.) and social (respect for human rights, working conditions, etc.).

MATERIALITY MATRIX



Governance and organisation

Kering's Sustainability Department operates as a resource platform, setting out and building on the initiatives implemented individually by each brand. More than 15 specialists, who report to the Group's Chief Sustainability Officer, a member of the Executive Committee, assist the brands with the implementation of the Group's sustainability strategy by systematically looking for possible synergies with a view to continuous improvement. In addition, each brand has at least one Sustainability Director and, for the larger brands, entire sustainability teams. At Group level, there are thus over 50 people working on Kering's sustainability strategy.

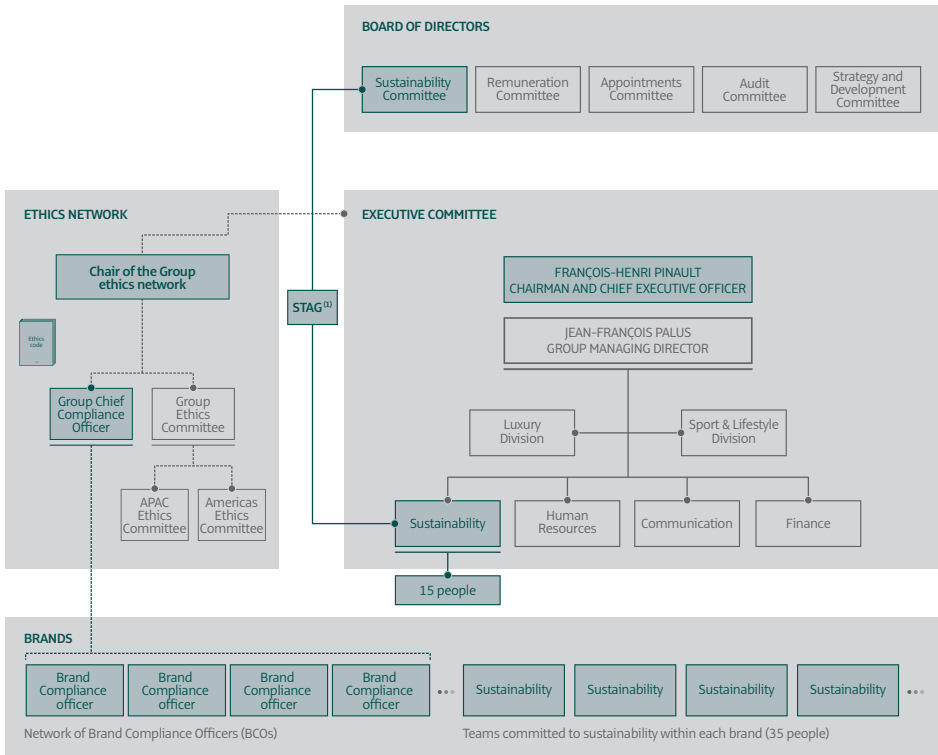
Testimony to the integration of sustainability at the core of the Group's business, the subject has since 2015 been on the agenda of one of the four quarterly Business

Reviews during which each brand presents its roadmap to Kering executives, along with an overview of the resources it has dedicated to sustainability and the progress made by their brand in this field.

As for governance, a Sustainability Committee, established in 2012 at Board level, provides advice on and guides the Group's sustainability strategy. The Committee is chaired by Jochen Zeitz, and is composed of Group Directors François-Henri Pinault, Jean-François Palus, Patricia Barbizet and Luca Cordero di Montezemolo. The Committee met twice in 2015 to review the detailed action plan of the Group and its brands to reach sustainability targets. The Committee's members thus worked on the targets in place for 2016 as well as key challenges and large-scale projects led by Kering (sourcing of precious skins, ethical gold, Materials Innovation Lab, EP&L, etc.).

In addition, the Sustainability Technical Advisory Group (STAG) provides the Committee with technical expertise on the challenges faced by Kering in its sustainability initiatives. This Group is composed of members of Kering (Jean-François Palus, Group Managing Director, Jochen Zeitz, Director and Chairman of the Sustainability Committee, and a Chief Executive Officer from a brand on a rotating basis) as well as external advisors.

In 2015, Kering strengthened the compliance organisation at Group level with the creation of an international network of Compliance Officers appointed by the CEO of each brand. Reporting to the Group Chief Compliance Officer, the network is tasked with assisting and guiding employees at all levels of the Group to ensure compliance with prevailing legal requirements, including those relating to the fight against corruption and those relating to competition law. The Group Chief Compliance Officer reports directly to the Chairman of the Group Ethics Committee.



(1) STAG: Sustainability Technical Advisory Group.

1.4. reporting, recognition and sri⁽¹⁾ ratings

In recognition of its sustainability strategy and its main achievements, Kering received several distinctions in 2015:

- **DJSI (Dow Jones Sustainability Indices):** for the second consecutive year, Kering was named industry leader of the Dow Jones Sustainability Index (DJSI) World and Europe in 2015, retaining the top spot in the Textile, Apparel & Luxury Goods sector.
- **Global 100:** in 2015, Kering also earned its first listing in the Global 100 ranking of the 100 most sustainable companies worldwide. This ranking, created by *Corporate Knights* magazine in 2005, is unveiled at the World Economic Forum in Davos each year. Kering was the only luxury group in the Global 100 ranking, and ranked second in the Textile, Apparel & Luxury Goods sector.

- **CDP:** with a score of 95B, Kering did not make it into the A-List of the CDP Climate Performance Leadership Index this year, although it remained the top player in the Textile, Apparel & Luxury Goods sector. Kering did, however, enter the CDP Forest ranking for the first time in 2015, receiving a commendation for its work in the management of deforestation risk associated with the use of raw materials such as leather or wood derivatives such as viscose.
- **Enjeux Les Echos ranking:** Kering ranked sixth in the Top 10 most sustainable CAC 40 companies, a distinction it owed largely to the rollout of its EP&L.
- **Other SRI indices:** Kering has been included in the main benchmark indices: FTSE4Good, Euronext Vigeo Eurozone 120 Ethibel Sustainability Index Excellence, MSCI Global Sustainability Indices and STOXX Global ESG Leaders indices and Triodos Sustainable Investment Funds.

1.5. key figures

- 38,801 employees as of December 31, 2015, 57.87% of whom are women;
- 90.84% of employees on permanent contracts;
- 50.57% of Group managers are women;
- 11.27% of permanent employees work part time;
- 35 years is the average age of permanent employees;
- 5 years is the average length of service of permanent employees;
- 379 workers with disabilities;
- 393,906 hours of training, or 20,628 employees trained;
- 11,888 permanent employees hired;
- over 300 million Internet users potentially reached by the Kering Foundation's annual campaign to raise awareness about violence against women;
- 2 consecutive years of results published as part of the deployment of the EP&L across the entire Group;
- 75% of the environmental impacts generated by the Group's activities are related to the production and initial processing of raw materials (Tiers 4 and 3);
- 2,849 social audits carried out among the Group's suppliers;
- 317,532 tonnes of CO₂ emitted by the Group in 2015 attributable to energy consumption and transport;
- 23.7% is the share of electricity purchased from renewable sources in 2015;
- 85% of paper consumed by the Group is PEFC or FSC-certified or recycled;
- 99% of the Group's reference products contain no PVC.

(1) Socially Responsible Investing.

2. supporting our employees

Kering helps its employees reach their potential and express their creativity by developing their skills and performance in the most imaginative way possible. The Group provides its brands with the support necessary for their growth, promoting the sharing of and access to best practices, and encouraging the development of talents for the benefit of all brands. Kering encourages the pooling of expertise and the creation of synergies.

In today's world of fast-changing markets, competition and customer needs, finding and retaining the best talent is a strategic challenge.

Kering's human resources policy continues to cultivate human and cultural diversity so as to give the Group an economic and competitive advantage. It is designed to offer each employee opportunities to develop their expertise and leadership, enabling them to contribute to the success of the Group's strategic priorities.

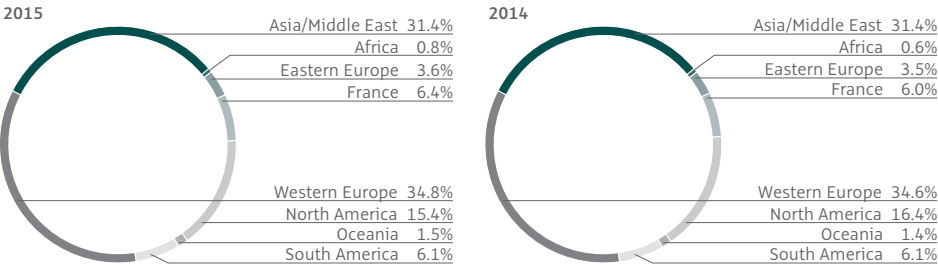
2015 marked an important year, with the strengthening of the Group's policies and its support for brands, in particular with the deployment of the Kering Leadership Model, the foundation of a shared management culture.

2.1. the group's human resources profile⁽¹⁾

2.1.1. Breakdown of the workforce

The total workforce as of December 31, 2015 was 38,801 employees, an increase of 3.6% or 1,360 employees. Changes stemmed primarily from business development, particularly the establishment of growing brands in new markets and the opening of new stores.

Change in the regional breakdown of the workforce as of December 31, 2014 and December 31, 2015

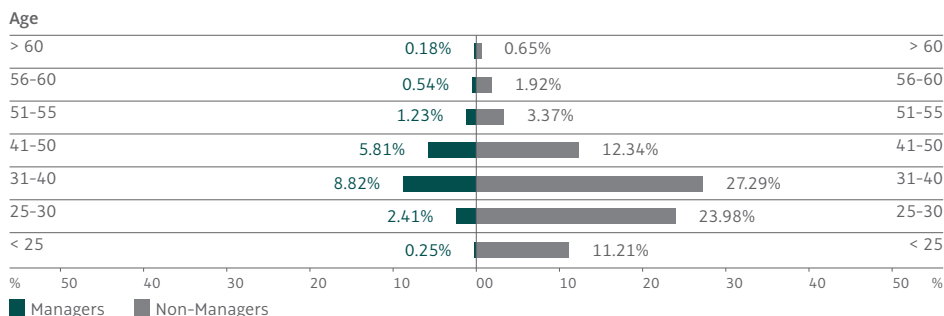


(1) The rate of coverage, calculated as a percentage of the Group's workforce as of December 31, 2015, is 100% for all indicators, with the exception of the number of workers with disabilities, which is 82.2% (excluding the United Kingdom and the United States).

Breakdown of the workforce as of December 31, 2015 (Men/Women managers, Men/Women non-managers) by region

	Managers				Non-Managers			
	Women		Men		Women		Men	
	2015	2014	2015	2014	2015	2014	2015	2014
Africa	28	31	49	36	132	88	114	71
Asia/Middle East	1,071	980	941	911	6,755	6,554	3,400	3,293
Eastern Europe	109	111	72	71	627	626	572	518
France	611	555	358	332	962	873	550	486
North America	623	587	554	559	2,547	2,590	2,270	2,411
Oceania	44	32	36	36	269	263	227	199
South America	128	110	202	218	725	673	1,327	1,279
Western Europe	868	819	1,192	1,156	6,954	6,625	4,484	4,348
TOTAL	3,482	3,225	3,404	3,319	18,971	18,292	12,944	12,605

AGE STRUCTURE OF THE PERMANENT WORKFORCE IN 2015: MANAGERS & NON-MANAGERS



2.1.2. Establishing a long-term hiring policy through international partnerships

Kering continues to develop its partnerships with first-class universities worldwide in order to hire the best talent in all key areas within the Company.

Fostering the development of talent and encouraging creativity are central to Kering's vision, as reflected in its corporate signature, "Empowering Imagination". This is why Kering seeks to give itself the means to attract, develop and retain the most imaginative candidates across all business lines and activities.

As a partner of the ANDAM Fashion Award in France, for instance, Kering provides support to creative talents who are on the verge of embarking on a career in fashion.

In the United States, a partnership is now in place with the Parsons School of Design for the organisation of a competition to select the best graduates of the Fashion Design programme and offer them an internship with brands or, in 2015, a learning expedition to several brands in Europe.

In Paris, Kering continues to develop its partnership with the HEC Paris Luxury Certificate, having previously helped more than 250 students from a wide variety of backgrounds acquire a thorough knowledge of the luxury business.

Kering contributes to the emergence of future talent for the fashion and luxury industry by working closely with numerous schools and universities worldwide.

Most recently, Kering established a strategic partnership with the Sustainable Fashion Centre of the London College of Fashion to support the role of sustainability in tomorrow's fashion. A specific curriculum has been developed. Open to students from a range of disciplines, it is geared towards enabling them to acquire both sound knowledge and practical experience spanning every stage of the creative process. A competition caps off the programme, with prizes awarded to the two best projects.

Day in and day out, the Group and its brands work to develop ties with numerous institutions, building on the close relationships developed by Kering's entire HR community worldwide, including the Institut Français de la Mode, Istituto Marangoni, Politecnico di Milano, Bocconi University, Tsinghua University, Hong Kong Polytechnic University and Columbia University.

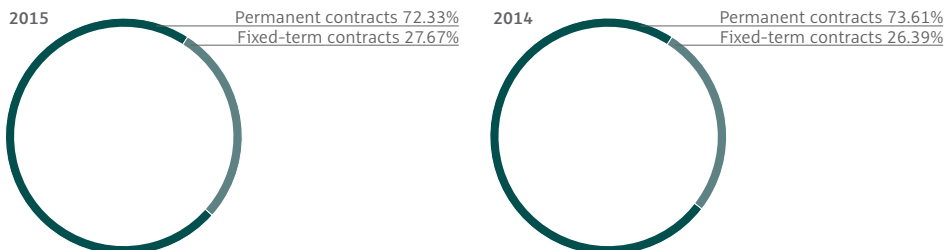
These initiatives resulted in Kering's recognition in the 2015 Universum ranking as an employer of choice in Italy, where the Group has very deep roots. Kering ranked second in the fashion industry.

Moreover, in their desire to make a sustainable investment in tomorrow's professionals, the brands go to great lengths to preserve and pass on their expertise. Many of them

have contributed to the establishment of schools dedicated to the training of highly qualified young craftspeople. They include Brioni, with the *Scuola di Alta Sartoria*, Bottega Veneta with the *Scuola dei Maestri Pellettieri*, and the *Alta Scuola di Pelletteria* in Tuscany, which enjoys the active support of Gucci.

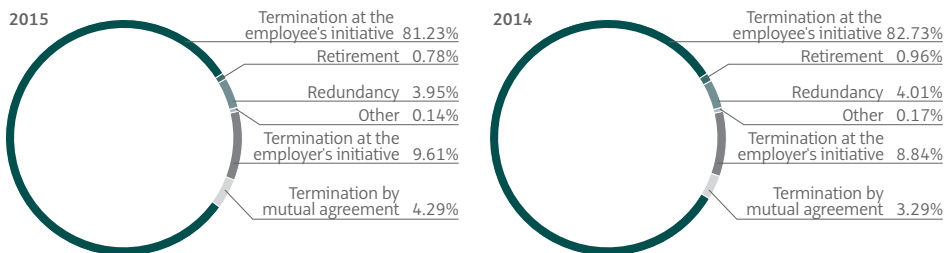
Hires

BREAKDOWN OF FIXED-TERM AND PERMANENT CONTRACTS AMONG NEW HIRES



Of the 11,888 employees hired in permanent contract in 2015⁽¹⁾, 54.1% were women and 89.6% were non-managers. The Kering group also had a monthly average of 1,297 temporary employees across all of its brands in 2015.

BREAKDOWN OF PERMANENT EMPLOYEE DEPARTURES BY CATEGORY



Departures of permanent employees, on all grounds, totalled 10,344 in 2015, of which 8,402 at the employee's initiative (81.23% of departures) and 994 dismissals (9.61% of departures).

(1) As the way of counting the employment contracts in China has been standardised in 2015, some new hirings for the concerned entities are related to the change from fixed-term status to the permanent one.

2.1.3. Supporting responsible change within the organisation

In 2015, Kering pursued its policy of supporting and redeploying employees, striving to help employees find other positions within the Group. In France, this policy involves support from the Social Development Coordination, a body of brand HR representatives led by Kering's Human Resources Department, for individual

redeployment solutions. It aims to assist employees when an organisational change such as a store transfer or closure is liable to have an impact on jobs.

In all countries and for all brands, when departures are being considered following reorganisations (for example a store closure or transfer), efforts are made that go beyond what is required by law to find employees another position.

2.2. *remuneration and employee benefits*

Remuneration and employee benefits

- Total Group payroll in 2015: €1.56 billion;
- €68.124 million in employer contributions from the brands in Metropolitan France in 2015.

Kering's remuneration policy

Remuneration is a key component that managers can use to reward the commitment and the individual and collective performance of their teams.

Remuneration is structured around the guidelines set by the Group, including the principle of variable remuneration starting at a certain level of responsibility. Accordingly, almost 90% of the Group's employees have variable remuneration subject to the achievement of individual and/or collective objectives.

In 2015, many brands continued talks on the harmonisation of the incentive systems offered to their sales forces so as to make them more effective or more consistent from one geographic area to another. In each case, change in the mechanism is based on an analysis of practice within the market and among the competition.

For non-retail teams, the widespread introduction of performance appraisals helps strengthen the link between remuneration and the achievement of predefined objectives.

Efforts are made to ensure that the amount of individual remuneration for each employee is both fair internally and competitive within the market. It is reviewed annually on the proposal of line managers.

Executive pay

The remuneration of the Group's 300 senior executives is monitored by the Group's Human Resources Department, with the aim of ensuring consistency and competitiveness in light of industry practice.

The structure of remuneration for senior executives (base pay, short-term variable remuneration, long-term profit-sharing) is set out by the Group based on their level of responsibility.

The policy for short-term variable remuneration (annual bonus) aims to reward senior executives for meeting objectives – in part financial and in part individual – set in line with the strategy of the Group and the brands. Two indicators that show performance in terms of the brands' profitability and cash flow management (EBIT and free cash flow) are used to assess financial objectives. Moreover, some individual objectives set for senior executives are subject to the achievement of sustainability targets.

Long-term profit-sharing granted to the Group's senior executives in 2015 draws on the new system put in place in 2013. The goal is twofold: to compensate executive teams for their performance over time, and reward them for their loyalty.

The amounts granted and the means used (Kering Monetary Units and Cash Plans) are directly linked to the position held by the beneficiary and the level of his or her responsibility within the Group.

At the end of a three-year vesting period, Kering Monetary Units received by executives can be exchanged on two occasions over each of the subsequent two years. Executives benefiting from a Cash Plan receive all or part of the corresponding payment, subject to the achievement of the three-year EBIT and free cash flow objectives laid down in the award.

As regards the remuneration of Directors and executive corporate officers, the Board of Directors complied with the say-on-pay requirements set out in the revised AFEP-MEDEF Code in its proposals to the Annual General Meeting of April 23, 2015.

Employee benefits within the Group

In addition to monetary remuneration, the Kering group has always valued the social benefits offered to its employees through healthcare, disability/life and pension benefits. Therefore, virtually all employees have supplementary insurance coverage in addition to coverage provided by law through the various schemes put in place by the Group's brands.

Some brands (Gucci, Bottega Veneta and Pomellato in Italy, as well as PUMA) have for several years offered more comprehensive benefit schemes allowing employees to balance their work and personal lives. Such schemes often take the form of an offer of education, recreation, transport or family support. Very popular, they are constantly changing to better meet employees' expectations.

In the same spirit, a "Professional Life/Personal Life" portal was launched in 2015 to facilitate the daily lives of Kering

Corporate employees. Thus, in addition to the information available online, employees at headquarters now benefit from personalised services accessible via the 360° internal platform, through a network of experts who can be contacted via a toll-free number for practical questions regarding their everyday lives.

These schemes all demonstrate the Group's commitment to social responsibility.

Profit-sharing, incentive and employee savings agreements

In accordance with national legislation, almost all of the Group's employees in France benefit from profit-sharing and incentive schemes governed by agreements specific to their legal entity. Tax and payroll deductions may apply to the amounts derived from these schemes in accordance with the applicable regulations.

2.3. *promotion and respect of ethics within the group*

Kering's Code of ethics, the foundation for ethics within the Group and for all employees

Set out since 1996 in the Group's first Ethics Charter, Kering's ethical principles apply to everyone within the Group and reflect the Group's strong convictions about business practices. Kering's Code of ethics, which was established in 2005 and first updated in 2009, was overhauled again in 2013. It fits in firmly with the major international reference texts (United Nations Universal Declaration of Human Rights, European Convention on Human Rights, the main conventions of the International Labour Organization, OECD Guidelines for Multinational Enterprises, United Nations Convention on the Rights of the Child, United Nations *Global Compact*) and demonstrates how the Group continually strengthens its commitments and the systems in place to ensure compliance. Sustainability for Kering is not attainable without the Code of ethics, which is used as the sole set of standards implemented by all throughout the Group, regardless of their level of responsibility, position held or location. The Code of ethics is available in the 12 most widely spoken languages in the Group on the Group's intranet, and on Kering's website for readers from outside the Group.

An ethics structure reinforced in late 2013 and again in 2015

Initially based on a single body (ECSRC – Ethics and Corporate Social Responsibility Committee, set up in 2005), the ethics organisation has since late 2013 drawn on the work of three Ethics Committees, a Group committee and two regional Committees (Asia Pacific and the Americas), thereby dovetailing with the policy applied within the Group of delegating responsibility to ensure the existence of bodies that can act effectively in the light of actual operating conditions, within a shared reference framework applied throughout the Group.

Each of the three Committees is made up of representatives from Kering and representatives from the Group's brands to ensure greater diversity.

Employees are able to call on these Committees to request clarification or ask a question regarding the interpretation of the Code, if they are unsure how to behave in a specific situation or if they wish to submit a complaint to the Committee for alleged non-compliance with one of the principles of the Code for examination.

An ethics hotline was also set up for all Group employees in their country or area of operation. The hotline assists the Ethics Committees in reporting information, questions and complaints from employees and can be called by anyone in the Group who prefers this system over contacting one of the three Committees directly.

In 2015, the Group started down a new road with the creation of a Compliance structure, led by a Group Chief Compliance Officer (CCO) backed up by an international network of Compliance Officers appointed by the CEOs of each brand. The Compliance team will be tasked with assisting and guiding employees at all levels of the Group to ensure compliance with prevailing legal requirements, including those relating to the fight against corruption and those relating to competition law.

2015: addressing employee comments and improving procedures to increase efficiency, speed and objectivity

After 2014, a year dedicated to the re-release of the Code throughout the Group and the initiation of new ethics measures, particularly the establishment of the Asia Pacific (APAC) and Americas regional Committees and their interaction with the Group committee, 2015 was used to test the robustness of the procedures in place. The findings resulted in changes in the complaint handling procedure, which is the Committees' key procedure. Indeed, the processing of a number of complaints or questions from Group employees highlighted:

- the insufficient scope left to the claimant to respond to the investigation conducted by the Ethics Committee before its findings are handed down. The procedure now allows certain information to be shared with the claimant prior to the issuance of statements and recommendations, in order to allow the claimant to react to this information or elaborate on his complaint;
- the difficulty in some cases of conducting an investigation that is both fast and, above all, completely impartial, even though the people questioned during an investigation can be wholly or partially party with the complainant to the complaint itself. Kering's Executive Management has accordingly decided to leave the possibility for Ethics Committees to carry out the investigation themselves or to mandate one of the various departments sitting on such Committees (Internal Audit, Legal, Compliance, Human Resources) to instigate an on-site audit within a maximum of three weeks, during which time the brand concerned by the complaint is required to suspend any action or decision in respect of the question under investigation.

The complaint handling procedure has been amended accordingly.

Training employees on ethics and asking the right questions when dealing with situations and dilemmas they may face at work

In 2013, the Group decided to put in place a training programme on ethics and the Code for all Group employees worldwide. The programme was developed in 2013 and introduced throughout Kering in February 2014.

Available in nine languages, it sets out the ethical ground rules in place at Kering, and presents case studies and ethical dilemmas that help employees ask themselves the right questions. It will be updated annually, and will cover all the major ethics principles upheld by the Group's Code of ethics, with a module dedicated to the fight against corruption. The topics covered in 2014 included corruption, fraud, conflicts of interest and the confidentiality of information on social media.

In 2015, the second year of the programme covered topics related to diversity, corruption, respect for human rights and protection of the environment. In 2016, the themes of corruption, conduct in the workplace, responsible sourcing of raw materials, traceability and compliance with business confidentiality, will be highlighted.

Over the course of the various meetings held in 2015, Kering's three Ethics Committees handled 27 requests (13 complaints, two of which from suppliers, and 14 questions from employees who wanted to make sure that they had properly understood the Code's provisions on a specific topic or who wished to report a potential conflict of interest or the receipt of a gift). These issues were brought to the attention of the Committees either directly or through the ethics hotline.

For each complaint, an enquiry involving both sides was conducted under the responsibility of the Committee contacted, and three violations of the Code were identified. The other enquiries did not show a failure to comply with the Code of ethics; rather, they generally revealed management issues or differences in assessments between an employee and his or her manager, without constituting an ethics violation of any sort.

2.4. *enhancement of talent and skills*

Developing talent and skills is at the heart of Kering's human resources policy.

The policy focuses on two main areas:

- better understanding talent, and fostering mobility and professional development within the Group;
- developing a structured training policy to facilitate the development of all employees.

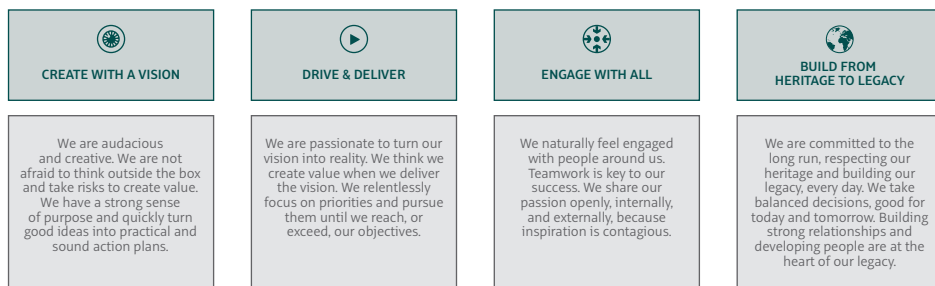
It now draws on a stronger shared managerial culture. The Kering Leadership Model has been rolled out across the Group, contributing to the emergence of a single managerial language.

2.4.1. **Better understanding talent, and fostering mobility and professional development within the Group**

Kering develops processes and tools geared towards better identifying talent, and helping employees constantly expand their career prospects and strengthen their skills through mobility and career opportunities.

Allowing everyone to lead: the Kering Leadership Model

There is a firmly held belief at Kering that everyone can and must be a leader, whatever his or her role or position within the company. The Kering Leadership Model works as a compass, identifying four themes as cardinal points: Create with a vision, Drive and deliver, Engage with all, and Build from heritage to legacy. The aim is to strike the right balance between the four themes in terms of conduct and the resources provided to allow all people to meet and exceed their goals.



The Kering Leadership Model is suited to all brands and all countries, and therefore defines what it means to be a leader at Kering. It is our single language for collective success.

To encourage the Group's employees to appropriate the themes of the Kering Leadership Model, employees each had the opportunity to form a team to make a creative contribution illustrating their vision of the Kering Leadership Model. Dubbed KLM Live, the initiative was open to all, and was a great success. More than 1,000 employees around the world found inspiration in one of the four themes; their videos, photos and other contributions were widely shared, earning almost 7,000 likes, and reflected the diversity of the Group and the universality of the Kering Leadership Model.

Identifying and developing the talent of all, supporting future leaders and organising succession plans

Throughout the Group, identifying and developing individual talent is a priority.

The aim is to have a clearer picture of talent in terms of the organisation and its evolution, and to draw up succession plans and the necessary support initiatives. The Group's Talent Management for leadership processes, initiated in 2013, have entered a new phase. In addition to performance management, they now serve to identify the talents of leaders within the brands and within Kering Corporate, helping ensure the effectiveness of the organisation, define development plans and build succession plans.

In 2015, a new global and digital People Performance and Development process was established for Kering Corporate. It was designed to promote managerial dialogue throughout the year, in acknowledgment of the fact that the quality of this dialogue, more than simply its tools and processes, is key to making a difference and creating value. More than 600 people attended coaching workshops spanning a day and a half in order to better prepare the critical annual appraisal. These workshops included core elements (performance evaluation, Kering Leadership Model) and a choice of workshops (driving motivation, feedback, etc.) to allow individual employees to play an active role in their performance and development, through an ongoing process throughout the year.

In addition to this Group approach, individual brands have mechanisms in place for all of their employees.

Gucci continued to implement its programme to identify and develop talent. The process is designed to establish succession plans, identify needs and implement the necessary hiring and development initiatives.

People@PUMA is the backbone of the talent management culture shared across PUMA. In 2015, more than 5,000 employees worldwide used People@PUMA and its talent management modules (performance management, skills, training, career development, etc.).

Promoting mobility and careers within the Group and its brands

Professional mobility is a pivotal means to help develop skills, offer career prospects and give everyone the opportunity to grow within the Group.

After its launch in July 2013, the internal mobility platform on the 360° Group intranet was rolled out for all brands and all countries. Its aim is to allow employees to view job opportunities published by each brand within the Group. This internal platform allows employees to be active players in their professional development by writing and posting their CV, sharing their career plans and promoting their skills.

It also helps HR professionals to be more proactive and closer to managers in managing talent and job mobility. This makes it possible to offer the Group's brands a shared pool of talent and expertise, and to promote synergy and the sharing of best practices.

Regular meetings of the brands' talent managers were held in 2015 within Talent Watch Committees designed to search for internal talent liable to progress and to fill key positions vacant at all levels of the organisation.

In 2015, over 2,300 job vacancies were posted on the platform, and approximately 100 employees took advantage of internal mobility opportunities made possible directly through it. All the brands are present on the platform and post job offers to provide greater visibility for their organisation and possibilities for career development. All positions are now posted, including jobs available in stores.

2.4.2. Developing a structured training policy for all employees

In 2015, the Kering group devoted a budget of €17.28 million to employee training, corresponding to 1.1% of the total Group payroll. On this basis, 393,906 hours of training (excluding safety training) were provided across the Kering group brands in 2015, and 20,628 employees took at least one training course. Over one in two employees received training in 2015.

Women accounted for 57.2% of the workforce trained in 2015 (excluding safety training). Furthermore, 79.2% of employees trained in 2015 were non-managers.

In light of the brands' new operations and Kering's new projects, the increase in the number of people trained illustrates the Group's desire to give employees the means to promote their development, and to assist new staff members.

TRAINING (EXCLUDING HEALTH AND SAFETY), PERMANENT CONTRACTS, FIXED-TERM CONTRACTS



For many years, Kering has organised training programmes for senior executives, senior managers and future leaders, thereby promoting a shared management culture. Kering seeks to strengthen its management-training offering in the regions (Asia Pacific, the Americas, Europe and the Middle East) so as to offer a training path marking the various stages in the individual development of managers. Performance culture, innovation, digitisation and

entrepreneurship are central to these programmes every year. In 2015, the catalogue of existing programmes was updated, and new programmes were rolled out to incorporate the themes of the Kering Leadership Model, thereby promoting the dissemination and appropriation of a shared management culture and a single managerial language.

Breakdown of the training offering within the Group, and examples of training provided:

	KERING	BRANDS
Today's and tomorrow's leaders	Annual "Imagine" seminar 360° Feedback session Leadership Development Programme Talent Development Workshop Digital Academy	Top management seminar Leadership
Managers	Talent Development Programme Management Essentials Digital Academy Leading business across cultures	Retail Management Professional development
All employees	Digital Academy Ethics training programme	Integration programme Sales-force training CRM (Customer Relationship Management) Other business and craftsmanship training Development training

These ongoing changes aimed at broadening and updating the training offering are the result of regular discussions within the Kering Learning Community, which consists of the Directors and Learning and Development managers of the brands and Kering Corporate, and involves identifying needs and sharing best practices. More than simply sharing, the idea is to give Kering the means to promote the best innovations globally, for all of its brands. At the same time, the brands develop training related to their individual needs.

The 360° feedback project: developing senior executives

The work undertaken in 2012 on 360° feedback was continued with brand and Corporate senior executives in 2015 to help support their development. The process aims to gather information on the perception of a person's skills from several sources (supervisors, colleagues, employees, customers, etc.), with a view to enhancing these skills and promoting progress. At the end of the process, each leader has a one-on-one coaching session to analyse the results and define an action plan for personal and professional development.

The Kering group Leadership Development Programme

In 2015, Kering continued its development programmes for the Group's future leaders (Leadership Development Programme), with three classes representing more than 30 participants from Luxury and Sport & Lifestyle brands currently receiving training. The training involves 360° feedback, a learning expedition in the Group's key growth areas, finance seminars at the IMD Business School in Lausanne, and leadership sessions at Columbia University in New York. It is designed to allow participants to share professional experience and improve their grasp of the Group's strategic challenges.

One of the 2015 classes completed its 18-month course with a practical project in Cambodia involving the provision of support for a social enterprise specialising in natural silk production and working for the professional integration of women who have been victims of violence. A second class travelled to New Zealand to develop a business case in connection with the Sustainability Department and the Materials Innovation Lab.

In 2015, the Group also developed a new international programme known as the Talent Development Workshop, targeting young talents. Twelve managers from seven different brands took part in the pilot two-day session in

New York in April 2015. The training, which comes before the Leadership Development Programme, is intended to be a first step in leadership development. Its goal is to cultivate participants' understanding of their personal nature so as to foster their individual leadership style (peer coaching methods, etc.).

An addition to the Group's management training offering

A wealth of training is offered to all managers across the world, particularly to support the fast-growing brands.

International Talent Development Programme seminars have been implemented, helping the Company's managers bolster their strengths and develop their skills. Each session begins with 360° feedback allowing participants to better understand how they are perceived by their colleagues. The seminar continues with role plays and the drafting of a personal development plan. Two sessions took place in 2015: one in Europe and for the first time another in the United States, bringing together a total of 24 people from all brands.

To provide management training to as many people as possible, Kering has adopted Management Essentials, the training programme initiated by Gucci, offering it to all brands. The first to benefit in 2015 were Saint Laurent, Kering APAC and Stella McCartney. In 2014, Gucci used this module to train 350 managers, to help them gain a better understanding of Gucci's talent management strategy and to strengthen their HR development skills: hiring, employee development and fostering employee loyalty.

Kering Corporate World has introduced a new annual People Performance and Development process into its performance management processes. Its implementation was accompanied by a global training and support programme. After a half-day presentation and discussion session in the presence of top managers, the programme continues in the form of practical workshops lasting a full day devoted to key management roles (evaluating goals, giving feedback, etc.), all in connection with the Kering Leadership Model and its four themes. More than 600 people have benefited from the programme worldwide.

Kering University continued to roll out Leading Business Across Cultures seminars to help employees grasp multicultural differences and work better together internationally by taking them into account. These sessions, led by INSEAD, involved more than 70 people in Asia and the United States in 2015, whereas the 2014 sessions were conducted in Europe.

Kering Digital Academy

The Digital Academy – an integral part of Kering's digital strategy since 2011 – is designed to instil a digital culture within the Group, support the brands' business performance and help make Kering a major digital player.

In June 2014, the Digital Academy also launched the Digital Academy eCampus, a virtual platform for all Kering employees that is accessible through the Group's intranet. In 2015, the focus was placed on the development of content. With daily news, digital initiatives put in place by the brands and e-learning courses (creation of six new modules), the Digital Academy eCampus aims to become the go-to place to discover, learn and share all types of digital content, while fostering collaborative behaviour.

2.4.3. Training by the brands

To accelerate the Group's transformation and growth, the Group has put in place training in each of its brands on topics that are important for the growth of Kering's employees and its sales. This involves both integrating a number of new talented employees and strengthening business skills.

Integrating new talent

In order to improve the retention of new employees, the brands have put in place training and programmes for new hires. This involves offering training on the values and heritage of the brands and initial development training to foster integration and develop brand culture.

Gucci, for example, has harmonised its retail training strategy by focusing on four main areas, namely sales techniques, integration and Gucci's DNA, product training and leadership.

Balenciaga has created an induction programme run by the HR and retail training departments for all employees in France before they are sent abroad. The programme covers the history of Balenciaga, its values and its know-how.

In London, Kering provides induction sessions for all employees, regardless of their brand.

Developing the managerial skills of teams and store managers

In addition to the Group's training sessions for talented employees and senior managers, the brands organise training for retail and/or corporate managers within the regions. The goal is to train these managers so they can be better integrated, and to enable them to progress, thereby supporting the growth of the brands in their markets in a spirit of retail excellence. The approach has received support at Group level since 2015, with the aim of ensuring more effective sharing of knowledge and best practices.

Thus, Brioni ran its maiden international session in Milan, hosting 20 new managers, with the support of Kering. The session included a digital customer service component.

Stella McCartney has launched a three-part two-year training programme for more than 90 managers worldwide. Known as Superheroes, the programme is designed to give participants a better understanding of the values of the brand and the conduct expected of managers, before turning the focus to challenging individual management styles.

Gucci continued the Management Essentials programme initiated in 2014.

Lastly, PUMA continued its International Leadership Programme (ILP), with 123 managers benefiting worldwide in 2015.

Allowing each employee to gain and reinforce business skills

In addition to management training, the brands and Kering Corporate have strengthened the training offering in various areas.

Gucci undertook a thorough review of both the content and the resources of its training courses in 2015. Everything was redesigned to ensure that training truly serves the professional development of all, with shorter courses, digitally enhanced resources and methods geared towards giving employees an active role in their training request. By the end of October 2015, more than 1,100 people in Italy had enrolled in courses, with six modules created and 46 courses scheduled.

Volcom Europe sought ways to offer more training tailored to its various functions (English, management, back office). The number of people trained increased from 75 to 127, and the number of training hours increased by 70%.

Other brands have strengthened their organisation to meet the challenges emerging in their various markets. They include Saint Laurent, which now has dedicated training teams for APAC and Europe.

Preparing for the future in craftsmanship

The brands also implement training with a view to continuing to develop craftsmanship and know-how essential to the Group's activities.

Bottega Veneta continues to support the next generation of designers and craftsmen at the *Scuola dei Maestri Pellettieri*, created in 2006. The aim is to maintain the technical excellence, culture, passion and skills required by the brand among its craftsmen and designers. The activities organised with the *Scuola dei Maestri Pellettieri* take place at Bottega Veneta's offices, at the Montebello Vicentino Atelier.

2.5. *promotion of diversity*

Kering has long been committed to diversity, and was among the first signatories of the French Corporate Diversity Charter in 2004. Equivalent charters were also signed by PUMA in Germany in 2010, and by Gucci in Italy in 2011.

In early 2015, the Executive Management of Kering and the European Works Council signed their first Empowering Talent agreement. It provides a forceful and comprehensive reassertion of Kering's commitment to equal opportunities.

It is a commitment that goes beyond social responsibility and compliance, rooted in the Group's belief that diversity is a source of creativity and innovation, and as such of economic performance. The Code of ethics, implemented in 2005 and whose third version was made available to all employees at the end of 2013, demonstrates the Group's commitment to ethics.

The policy has resulted in practical initiatives in the Group's various geographies: Kering Asia Pacific received the gold trophy for diversity at the inaugural Asia Recruitment Awards in 2015, organised by *Human Resources* magazine. The award acknowledges the company's ability to create a diverse environment in terms of age, culture and backgrounds.

2.5.1. **Establishing a culture of gender equality within the Group**

While Kering addresses the issue of diversity in all its aspects, particular emphasis is placed on equal opportunities. In 2010, the Group was one of the first companies in France to sign the Women's Empowerment Principles, drafted by UN Women and the United Nations Global Compact. These principles offer guidance on how to promote the presence and progression of women in business and, more generally, in society. The brands have also made commitments at national level: in Italy, Gucci is a signatory of the *Carta per le pari opportunità e l'uguaglianza sul lavoro*, initiated at the same time based on the model of the French Charter.

The same year, Kering launched the Gender Equality in Leadership programme, the aim of which is to stem the loss of female talent at all levels of authority, and more generally to establish a culture of equality within the Group. This strategic programme focuses on three key priorities:

- ensuring transparency and equal opportunity throughout men's and women's careers, thanks to human resources policies and processes that treat all employees fairly;
- promoting the advancement of talented women in the organisation through special development and networking programmes;
- having managers take an active role in this commitment to gender equality during their day-to-day team management, particularly regarding the issue of work/life balance.

In 2015, with 33% women on its Executive Committee and 36% on its Board of Directors, Kering was one of the CAC 40 companies with the highest proportion of women Directors.

• **Ensuring transparency and equal opportunity throughout men's and women's careers**

A culture of equality cannot be built without regularly raising awareness among employees and managers. To coincide with International Women's Day, Kering organised a series of events to rally its employees around its commitment to the empowerment of women. Known as Kering for Women, this multisite and multi-media programme covered the three pillars of the Group's commitment in favour of women: the Kering Foundation for the fight to end violence against women, the Gender Equality in Leadership programme to make Kering the employer of choice for women, and Women in Motion to promote the role of women in the film industry, particularly through a partnership with the Cannes Film Festival.

The Kering for Women programme resulted in 10 days of initiatives at the global and regional levels, including live webchats with women representatives of the Kering Executive Committee, talks by recognised experts on the subject (filmmakers, sociologists), involvement in a UN round table and breakfasts with Group executives. The underlying goal was to involve employees in collective thinking on the status of women in the Group and within the broader community.

At the same time, Kering strives to ensure that the objective of equal opportunity is fully integrated into its human resources processes. The main quantitative data are reported and broken down by gender to monitor this commitment over time. In 2015, women represented 54.1% of new hires and 50.57% of managers.

- **Promoting the advancement of talented women in the organisation through development and networking programmes**

In 2013, Kering launched a pilot session of inter-brand and inter-business mentoring in France for talented women, putting them in contact with male and female senior executives. The programme was organised again in 2014 and 2015 for 14 women, and also accepted a few men. The 18 mentors and 18 mentees from this second round of Kering Mentoring met again in June and September for mid-way assessments, assisted by a special project team and external coaches. The scheme, which has been very positively received, was taken in late 2015 to the United Kingdom, Italy and Asia Pacific, where it will be rolled out in 2016.

In France, the Group regularly invites female talent to take part in events promoting gender equality (*Printemps des Femmes*, Jump Forum, Happy Training) in order to support their personal development through assertiveness and leadership training, seminars and networking opportunities. In 2015, *Leadership au Féminin* saw 13 women from several brands in France attend a specific event.

- **Promoting a better work/life balance**

The brands and Kering Corporate take initiatives to ensure that Group policy directly benefits employees, both men and women, by promoting work/life balance. Kering also made this commitment official in 2014 by signing the 15 commitments for work/life balance introduced by the French Ministry of Social Affairs, Health and Women's Rights in order to promote a management culture that is more respectful of the private life of all employees.

Ongoing brand initiatives to promote better work/life balance have been in place for several years, and new initiatives are added regularly.

Kering Corporate France takes part in the approach by offering women and men new ways of reconciling work and their personal lives: a telework pilot started in September 2015 has been extended for several years owing to its success. In parallel, a Professional Life/Personal Life web portal has been launched. Its purpose is to simplify the daily lives of employees by giving them access to a range of information about life at work, leisure, 360° parenthood and administrative procedures. The portal, which can be accessed from the office or from home, also offers toll-free numbers to reserve temporary childcare. Both initiatives are aimed at making it easier for employees to strike a balance between their personal and professional lives.

Wellbeing@PUMA illustrates PUMA's commitment to continuing to promote the welfare of parents working at

its headquarters in Germany. Further improvements were made in 2015. They include two-week summer camps for employees' children (40 children in 2015), featuring sports and games supervised by qualified instructors, and cooperation with the Nuremberg city authority's family welfare service. In addition to child minding, the company offers places in nurseries and retirement homes. This programme is subject to a federal *Beruf & Familie* audit that rewards initiatives related to the different phases of life.

Similarly, PUMA signed a company-level agreement on tele-working in 2014 to offer employees greater job flexibility and thereby improve work/life balance. In 2015, 440 employees at PUMA's headquarters were provided with equipment allowing them to work remotely.

In the United Kingdom, Stella McCartney and Alexander McQueen offer female employees more favourable parental leave conditions than those imposed by law, maintaining their full salary for three to six months of leave. Both brands help young parents and employees with dependent parents through a partnership with My Family Care, which offers support and advice.

In the United States, Bottega Veneta has introduced a new family and sick leave policy, which is particularly advantageous in comparison with practices in the North American market. Employees can (if they have at least one year of service) take 12 weeks' paid leave for the arrival of a child (birth or adoption), to take care of a sick family member or if a spouse in the military reserves is called to duty.

In Italy, since 2013, children of Pomellato employees between the ages of six and ten have had the opportunity to attend a one- or two-week summer camp organised by a school that gives English classes near Pomellato's head office. In 2015, 11 children took advantage of this offer, which was paid for by Pomellato.

2.5.2. Promoting the integration of people with disabilities

As of December 31, 2015, the Kering group employed 379 workers with disabilities (rate of coverage: 82.2% – excluding the United Kingdom and the United States).

Kering has been committed to the integration of people with disabilities for over 10 years. Its *Mission Handicap* project, established in 2004, conducts regular campaigns against stereotypes and provides support for initiatives in favour of the employment of people with disabilities.

In 2015, *Mission Handicap* launched a global awareness campaign on the 360° intranet under the heading "All different, all competent", timed to coincide with the European week for the employment of disabled people.

Targeting all Group employees, the project was designed to foster the emergence of a culture of diversity and inclusion across all brands by showing disability in a positive and fun light. The campaign, focused on the theme of skills recognition, included an exhibition on disability throughout the world, practical information for the right attitude to adopt with a disabled customer or colleague, and an online quiz highlighting the names of disabled personalities.

The headquarters in France and the various brands were also involved in this Group campaign, organising other events devoted to disability. The list includes a partnership with the organisation *Accolade* for its planned web documentary *Look at Me* for Kering Corporate, the production of bags from fabric offcuts by people working in vocational rehabilitation centres, with the visit of seamstresses to their workshop, and awareness raising among retail staff at Balenciaga.

The Group's brands in France and Italy also continue to outsource to the sheltered sector to promote the employment of people with disabilities. Special service providers using workers recognised as disabled can be used for such services as printing, data entry, archiving, catering, preparing mailshots and responding to mail. Several brands outsource responses to unsolicited applications.

2.6. *quality of life at work*

Providing its employees with a quality of life ensuring the health and safety of all is a fundamental duty performed by all of Kering's brands. In 2010, the European Works Council and Kering group's management signed a "Charter framework of commitments on quality of life at work and prevention of work-related stress". In 2015, health, safety and the quality of working life were the key thrusts of Kering's commitments under the European agreement signed with the European Works Council on February 19, 2015.

Within its framework, the brands are adopting procedures and taking action to identify, assess, reduce and prevent the key risks associated with their activities. They are also taking initiatives designed to achieve continuous

To create a pool of candidates, the brands continued their partnerships with institutional players and specialised recruiting firms. In France, Volcom participates twice yearly in job dating sessions organised by the disability network of the Bayonne Chamber of Commerce and Industry, which presents CVs matching vacant positions.

2.5.3. **Supporting young people from disadvantaged backgrounds and those struggling at school**

In France, the Group is a founding partner of *Télémaque Institute* (created in 2005), which, through a dual programme of academic and business tutoring, helps talented and motivated young people from underprivileged backgrounds complete their secondary schooling. In 2015, 10 employees of the Group in France tutored students attending *Télémaque* middle school or high school. Their role is to help students – through feedback, meetings and events – expand their sociocultural horizons and feel confident and ambitious about their studies. At the end of October 2015, the Kering tutors and their students had the opportunity to visit Boucheron to learn about its history and heritage.

The brands are also actively involved in social responsibility initiatives. Boucheron has developed relationships with associations that help young people, providing financial support and also involving employees who participated in a sporting competition, as part of the Sport in the City initiative for example.

improvements in the quality of working life. Kering has in turn undertaken to develop a working environment and working relationships that ensure wellbeing at work in order to promote the development of all employees and contribute to the Group's performance.

The in-house social climate survey carried out every two years, "What's the weather like where you are?", is a critical tool for defining priorities as regards the quality of work life. It serves to identify and assess the causes of stress and the sources of wellbeing at work, with questions on work organisation, working conditions and the work environment, communication and subjective factors. A new edition was launched in October 2015, covering all Group employees.

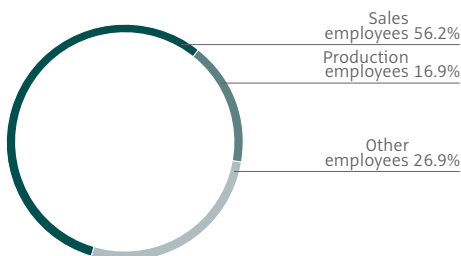
2.6.1. Health and safety in the workplace, a Group priority

Health and safety are priorities for all the Group's entities. In 2015, 387 lost-time accidents were recorded across all Group brands, compared with 303 in 2014.

The types of risks match the Group's areas of activity:

- sales: risks related to handling, falls, etc.;
- production: cuts, pin/needle pricks, etc.;
- other areas (Corporate, logistics, etc.): risks related to handling, falls, etc.

PROFILES OF WORKFORCE AS OF DECEMBER 31, 2015
BY AREA OF ACTIVITY⁽¹⁾



Frequency and severity rate of work-related accidents in 2015 and 2014

	2015	2014
Frequency of work-related accidents (Number of accidents per million hours worked)	5.85%	4.88%
Severity rate of work-related accidents (Number of days lost per thousand hours worked)	0.19%	0.08%

Across all of the Group's brands, 22 employees were recognised as suffering from a work-related illness in 2015.

The brands continued in 2015 their clear focus on the principle of prevention, a priority for all Group entities. The actions are grouped into two themes: organisation and prevention.

Several brands have implemented dedicated resources to reinforce their health and safety organisation, with the appointment of points of contact either externally (Volcom France) or internally (Brioni Italy, Kering Corporate France).

In addition, several brands have taken preventive action with support from consultants or partners, including occupational therapists, occupational physicians and occupational health and safety specialists. Balenciaga has initiated a risk prevention approach involving training for employees in its stores and workshops in France, including an assessment performed by occupational therapists and occupational physicians, and work with the Health, Safety and Working Conditions Committee. Training on chemical risk has been established for all employees in the workshop.

Sowind has conducted an audit of personal protective equipment in partnership with SUVA, a body providing insurance against workplace accidents.

Saint Laurent has set up a musculoskeletal disorder (MSD) prevention programme at its workshop in Angers. Several sessions of physical exercises are offered every week to employees to prevent MSDs. An average of seven to ten people attend each session, and regular participants reap real benefits confirmed by occupational physicians.

Lastly, Gucci's health and safety risk prevention is a key part of its integrated management system. An Environmental, Health and Safety Committee has been established to handle issues related to these topics. In 2015, an awareness campaign was conducted on road accidents.

A total of 28,104 hours of risk prevention and safety training were provided to 11,826 Group employees in 2015.

Overall lost time and sick leave (%)

	2015	2014
Overall absenteeism rate	4.30%	4.19%
Rate of absenteeism due to illness	2.05%	2.09%

(1) Sales: employees working in wholesale, stores and e-commerce; production: employees working in the areas of production (workshops, tanneries, etc.); other areas: employees working in support or logistics functions.

The total figure for absenteeism due to illness includes sick-leave, work-related illness, work-related accidents and commute-related accidents. The overall absenteeism rate includes absenteeism due to illness and every other kind of absence (maternity leave, paternity leave, unjustified absences, etc.), calculated from the first day of absence.

2.6.2. Organisation of work

Kering strives to implement an organised and collective structure, methods and know-how that allow employees to work together, in the interest of the organisation and based on set objectives.

The average working time of the Group's full-time employees is 39.8 hours per week. In 2015, 29,438 overtime hours were recorded in France.

Staff working part time accounted for 11.3% of permanent employees, and were located mainly in the United States and Western Europe. Contractual working hours are spread out on the basis of the specific business and organisation of each brand, either over certain days of the week, or over small slots on all working days.

The organisation of working time in the Group's brands varies according to the countries, sites and employees concerned. In France, work is organised on the basis of a fixed number of hours or days, with annualised working time and the possibility of flexitime.

Beyond these legal aspects, the brands try to find and offer more flexible ways to organise working time so as to meet the needs of the organisation and those of both head office and production employees, as part of their policy on the quality of life at work (flexitime in several brands, telework at PUMA Germany, leave to care for sick children at Boucheron, part-time work at Pomellato).

2.6.3. The 2015 in-house social climate survey: "What's the weather like where you are?"

Every two years since 2001, Kering has conducted a worldwide in-house social climate survey, "What's the weather like where you are?", to measure the perceptions of employees of all brands across the Group on topics related to their work and their working environment.

Kering and all the brands ensure that answers are completely anonymous. They also promise to publish the results and to implement action plans based on the analysis of the responses.

In 2015, 24,589 employees and managers of the Group in more than 60 countries responded to the survey, representing a response rate of 79%, an increase of 8 percentage points compared with the 2013 edition.

The results at Group level show an improvement in employees' perceptions since 2013, especially in regard to the management of change within the brands, information on internal mobility, training opportunities and customer focus.

WHAT'S THE WEATHER LIKE WHERE YOU ARE?



Kering boasts strong foundations on which to build: employees continue to be motivated by their brand, and this is reflected in widely shared confidence in the Group's strategy and objectives. The performance culture also offers a strong base for the future.

Significant progress can be seen compared with 2013 in respect of employee benefits, change management, information relating to internal mobility and training opportunities, with increases of between 4 and 7 percentage points.

Expectations are yet to be fully satisfied on subjective and personal themes, as well as in respect of fairness, projection into the future, organisational and managerial aspects, operational efficiency and skills development, with greater or lesser acuteness depending on the brand.

2.6.4. Initiatives promoting quality of life at work that are clear for all employees

Quality of life at work is a major theme of the Empowering Talent agreement in Europe. The Group's brands have taken initiatives across a wide range of areas: awareness raising and prevention, work/life balance, change management and organisation.

In the field of awareness raising and prevention, substantive work has been done by several brands, including Balenciaga and Volcom, to include psychosocial risks in the mandatory documents listing occupational risks and recording preventive action. An emphasis has been placed on training managers to identify complex situations of risk within their teams (training of Kering Corporate France managers in 2015) and, for employees, on stress management (Saint Laurent).

As regards work/life balance, Kering Corporate France has opened a Professional Life/Personal Life web portal, and at the same time satisfied the expectations expressed at the latest employee opinion survey by offering telecommuting options.

PUMA, with its Wellbeing@PUMA programme, is a veritable model. It offers a set of initiatives geared towards improving the work/life balance of its employees, including activities for children and childcare programmes, in addition to a flexible schedule.

The Group's brands in Italy have implemented or enhanced the content of benefits initially established by Gucci, Bottega Veneta, Pomellato and Kering Corporate

have established Welfare, a highly popular employee benefits scheme available in Italy.

Lastly, change management is naturally a critical challenge. Volcom, for instance, has set up forums for dialogue and working groups in France, with the introduction of e-commerce.

The amenities of the Group's premises are also key to the quality of working life. Noteworthy in this regard is the move of Kering's IT, HR and Legal teams in Italy into their new premises near Florence, with the aim of improving conditions and the organisation of work, reducing travel time and avoiding unnecessary meetings through the use of modern equipment.

2.7 *social dialogue*

The Kering group strives to ensure ongoing social dialogue specific to each of its bodies. 2014 marked the first full year for the new members appointed in 2013 to Kering's social dialogue bodies, working under the Group's new Luxury and Sport & Lifestyle scope.

2.7.1. Listening to and engaging with employees: Kering's first European agreement signed on February 19, 2015

By promoting free expression within the Group and ongoing social dialogue with employee representatives, Kering has long made clear its determination to forge sustainable and constructive relationships with all of its employees and their representatives.

In late 2014, the Human Resources Department and the Select Committee of the European Works Council (EWC) decided to negotiate a new European agreement to further the commitments already undertaken to promote diversity and quality of life at work by including them in a broader framework. Management and representatives from the EWC met for four two-day sessions between September and December 2014 to discuss and sign Kering's European agreement on behalf of the European Works Council.

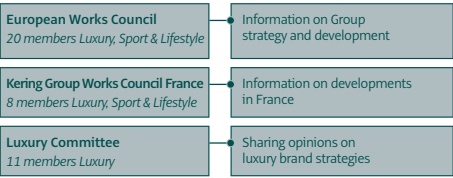
The goal of this agreement, Empowering Talent, signed on February 19, 2015, is to underscore the priorities of Kering's human resources policy for all employees. The agreement sets out the Group's commitments in three key areas, namely to develop a working environment and working relationships that improve quality of life at work, to promote diversity and foster the emergence of a culture of diversity and inclusion, and, lastly, to expand opportunities for all employees to boost their professional development.

Terms for monitoring the agreement have been laid down in an annual framework, and the first review of initiatives taken under the agreement was conducted at the EWC meeting of November 17, 2015 in Florence.

The commitment has also been adopted within each Group brand. As such, in 2015, 102 collective agreements were concluded within the Group, chiefly in Western Europe and Asia. They mainly covered pay and benefits (wages, variable remuneration, profit-sharing and incentives, etc.), working hours and the organisation of working time (telework, flexitime, generational agreements, donating leave, etc.), as well as health and safety (working conditions for retail employees, health and safety conditions, and employee reintegration after long-term sick leave).

In this context, the number of working hours of industrial action totalled 331 in 2015, down from 652 in 2014, or 0.01 thousandths of theoretical working hours.

2.7.2. The Group's forums for dialogue



The Kering European Works Council

Created pursuant to the agreement of September 27, 2000, the Kering European Works Council (EWC) provides a Europe-wide forum for information, consultation, the exchange of views and dialogue.

The EWC is a cross-border institution, and operates alongside existing national employee representative bodies in accordance with specific prerogatives. The membership of Kering's EWC was renewed in November 2013. Upon taking office in 2014, all members received three days of training on economic fundamentals provided by *École Supérieure de Commerce* in Paris. In 2015, members of the Select Committee received a day of training on social dialogue in Europe. This training offered members an opportunity to better grasp legal and cultural differences existing in Europe, but also to see Kering's EWC agreement in the light of legal requirements.

The EWC holds two three-day plenary sessions per year, at which it is informed of and, where applicable, consulted on cross-border issues affecting the Group's employees in a manner laid down in precise terms by the agreement governing implementation signed on September 3, 2008 and revised pursuant to the agreement dated June 26, 2013.

The EWC's ordinary plenary meetings took place in Paris on June 16, 2015 and in Florence on November 17, 2015. The main information provided to its members included the Group's economic and financial situation, its outlook and strategy, and its cross-business projects. Meetings also looked at social issues and provided an overview of the initiatives undertaken within the scope of Kering's

European agreement. EWC members were also able to visit a workshop producing Gucci shoes, which gave them a first-hand view of the excellence expected in these crafts.

The EWC also has a Select Committee composed of five members, elected by their peers, who meet at least five times a year to prepare and analyse the two annual plenary sessions and to discuss various issues with Group management.

The Kering Group Works Council

Created in 1993 and renewed most recently in 2015, the Kering Group Works Council represents workers in France and operates under French law. Its members, who meet in plenary sessions once a year, are kept informed of and exchange views on the Group's strategies, economic and financial imperatives, and human resources management policy. The plenary session is preceded by a preparatory meeting of members, held the day before.

The plenary session of the Group Works Council was held on May 12, 2015.

The Kering Luxury Works Council

Successor of the European Committee of the former Gucci Group, this re-established body now known as the Kering Luxury Works Council held its annual meeting in September 2015 in Florence. Its purpose is not to take the place of the European and Group bodies. The Luxury Works Council is a forum for information, dialogue and exchanges with the unions in Kering's Luxury Division in Italy and France. At the meeting of September 29, 2015, discussions focused on the Group's results, the training policy, and measures designed to ease the impact of organisational changes within the Group on jobs.

Social dialogue at Group level is naturally complemented by intense social dialogue at brand level, particularly in France, Italy and Germany, where Corporate teams and production sites are located. The year was marked by the renewal of collective agreements, and meetings between Human Resources departments and the unions to present proposed changes among the brands or within the Group.

3. *reducing our environmental impact*

The Kering group's environmental strategy is based on four key goals:

- maximize environmental strategy;
- make environmental concerns central to the activity of the brands by involving all stakeholders along the entire value chain;
- exceed mere compliance with legal environmental obligations, through a macro-environment approach such as that of the EP&L;
- drive the Group's sustainability leadership, through a collaborative approach that favours the sharing of knowledge, progress and results with competitors and stakeholders.

3.1. *environmental management*

Strategy and objectives

In April 2012, Kering announced a set of ambitious targets for all Luxury and Sport & Lifestyle brands to achieve by 2016. The main issues covered by these targets were the reduction of CO₂ emissions, waste production and water consumption; responsible sourcing of raw materials, optimisation of the use of chemicals, paper and packaging, and last of all, the reinforcement of the compliance of the supply chain on labour-related issues.

Since the publication of these targets in 2012, under the direction of François-Henri Pinault, Chairman and Chief Executive Officer of the Group, the Group's brands have adopted roadmaps to track their progress on each target. This ongoing, collaborative process is used to prepare an inventory of all projects currently in progress and to identify their contribution to the objectives. The brands' progress in relation to the roadmaps is measured against milestones at regular intervals by the Group's Chief Sustainability Officer and the brand CEOs.

Sustainability is fully integrated to all aspects of the Group's business, and since 2005 it has been included in the agenda of one of the quarterly Business Reviews during which each brand presents its roadmap to Kering executives, along with an overview of the resources it has dedicated to sustainability and the progress made by their brand in this field.

Internal organisation for environmental management

The Kering Sustainability Department comprises around 15 specialists tasked with planning the deployment of Group environmental policy on a daily basis and helping the brands identify priority focuses and implement the action plans necessary for achieving the targets set by the Group for 2016. To this end, Kering has provided its

brands with a set of tools such as the environmental reporting system or the EP&L, as well as practical documents laying down principles and guidelines aimed at helping the brands manage their environmental impacts. This is the case, for example, for energy and water consumption, waste treatment and raw material supplies. These tools are regularly updated and expanded to cover the broadest range of subjects in view of the latest research.

Group-brand coordination of operations is ensured through a network of managers dedicated to sustainability issues, and each brand has at least a Sustainability Lead to spearhead the drive towards sustainability. In total, over 50 people work on implementing sustainability policy at both Group and brand level.

The brands have also set up in-house structures to coordinate their sustainability policies and work towards achieving their targets. Most of them have Green Teams, i.e., cross-cutting and collaborative bodies representing the key departments involved in the deployment of the company's sustainability projects. Highlights of 2015 included:

- the establishment of a Green Team at Ulysse Nardin, a brand that recently joined the Group, whose first task was to draw up its roadmap (ethical sourcing of gold, energy conservation, etc.);
- the update of Gucci's key sustainability policies;
- the performance by Volcom of a wide-ranging consultation of key stakeholders aimed at aligning the brand's sustainability policy with the Group's strategy;
- regular interaction at Saint Laurent between more than 20 people belonging to various key brand functions (design studio, production, logistics, merchandising, human resources, sales, etc.) and regions with the brand's sustainability team.

Environmental reporting is also backed up by a substantial global network of nearly 400 contributors working in the Group's brands. It guarantees optimal precision of the data, and enables the Group to monitor its environmental impact and performance extremely closely.

Managing the network

The Sustainability Leads and the Kering Sustainability Department meet monthly to coordinate deployment of the sustainability strategy and to share best practices developed at brand level. In addition to sharing experiences, these meetings enable participants to draw up action plans to deal with cross-company issues within the Group, as well as more specific issues affecting individual brands. Kering's sustainability network, which brings together Corporate and brand teams, meets physically once every year for two days of working groups and idea sharing. The 2015 Sustainability Network Meeting provided the forum for an update on actions taken as part of the 2012-2016 sustainability strategy and to share preliminary ideas about the next stage. Jean-François Palus, Kering Deputy Chief Executive Officer, outlined the Group's business strategy and growth outlook to participants, while the Kering Human Resources Department presented the new Kering Leadership Model.

In 2015, Kering reinforced its Idea Labs, which are working groups bringing together experts and operational staff from several brands with a view to sharing knowledge, nurturing and structuring new ideas, and implementing practical solutions, notably in terms of improving the environmental and social footprints of raw material supplies and controlling the use of harmful chemicals. In 2015, eight Idea Labs involving a total of 50 employees met regularly around the following themes:

- leather;
- fur;
- gold;
- diamonds;
- chemicals.

And, newly created in 2015:

- precious skins;
- wool, cashmere and other noble fibres;
- silk.

In 2016, Kering plans to create new Idea Labs devoted to cotton, viscose and energy efficiency.

The Group also offers its brands tools to help them adopt the best environmental management practices. *The Smart Sustainable Store*, aimed at stores, provides a guide to best management practices in respect of energy, waste, paper, water and other resource consumption, packaging and shipping, as well as maintenance and servicing. It is available in six languages: English, French, Italian, Japanese, simplified Chinese and traditional Chinese. A more detailed version is also available, focused on the life

cycles of stores and their fittings. A similar best practices guide, entitled *Smart Sustainable Office*, was prepared in 2015. Designed by Kering and the Group's brands, this guide provides office workers with solutions and recommendations, encouraging them to implement environmentally friendly practices in their daily tasks. A checklist is also provided to help them monitor their progress. The guide is available in English, French and Italian.

Informing and raising awareness among employees

As part of Kering's policy of engaging all employees around its sustainability policies and making it part of the Group's corporate culture, Kering regularly organises awareness initiatives and training.

The sustainability team gathers news on sustainability within the Group and circulates it through a variety of media, including the Group's intranet 360°. This shared platform contains a dedicated sustainability space where employees of all brands can exchange information on multi-brand initiatives like the EP&L or individual brand roadmaps.

In addition, two internal newsletters dedicated to sustainability are circulated twice a month: *Sustainability Monitoring*, which contains all national and international press articles citing the achievements of Kering and its brands in favour of sustainability, and *Regulatory Watch*, which summarises the latest regulatory news in the field of sustainability.

Digital technology is regularly used to train employees in the use of these tools. Five webinars were organised by the Kering team to train and inform network members through a detailed presentation of Group-wide environmental reporting objectives, guidelines and applications, as well as the specifics of 2015. These webinars addressed network contributors and validators.

Four webinars designed for training in responsible sourcing were also organised around the purchase of python skins, cotton, cashmere and wool, as well as nanotechnology. Each of them attracted between 10 and 20 people, essentially Sustainability Leads and brand production managers.

Store sales consultants are also a prime target for training and awareness raising about Kering's sustainability strategy so that they act as effective spokespeople with customers. A specific guide entitled *Sustainability in Retail* was drafted in 2015 for Kering and brand teams tasked with training staff in customer relations. It is composed of modules covering the key raw materials used by the Group, and aims to help employees (and ultimately customers) understand where and how products are made, the challenges facing the supply chain, their key impacts and the strategy implemented by Kering and the brands to meet these challenges. The guide will be adapted by each brand to reflect its own needs, and used as a training tool for retail teams in 2016.

The Kering Sustainability Awards are another ideal way of raising awareness. Since 2010, the Awards have allowed Group employees to showcase their sense of initiative, their creativity and their values. Launched in October 2014, the fifth edition of the Awards – complete with a dedicated website – allowed the Group's employees to submit and vote for projects in the following categories:

- product innovation;
- efficiency increase;
- stakeholder communication;
- community empowerment.

The winning projects were announced at a ceremony held on June 2, 2015 in Hong Kong, as part of the *Fashioning the Future* event organized by Kering. François-Henri Pinault and Marie-Claire Daveu presided over the ceremony, held for the first time in Asia, with both internal and external stakeholders in attendance. The awards ceremony was preceded by Q&A sessions with François-Henri Pinault, then Marie-Claire Daveu and Dennis Chan, Chairman and Creative Director of Qeelin, who each testified to the close and growing link between sustainability and fashion. The prize went to Stella McCartney for its sustainable viscose project aimed at developing a fully traceable and sustainable supply of cellulose fibres. A material widely used in the brand's ready-to-wear collections. The manufacture of these fibres from dissolving wood pulp represents a significant risk in terms of deforestation. The awards ceremony was followed by *Caring Day* on June 5, 2015. This event, held to coincide with World Environment Day, seeks to raise employees' awareness of environmental issues, with a range of activities organized at Kering headquarters, from Hong Kong to Paris.

The brands also determine their own initiatives aimed at raising their employees' awareness and encouraging them to play a part. Saint Laurent uses various communication channels to raise employee awareness on sustainability issues: newsletters, intranet, talks by outside experts as part of events, and one-hour training modules now regularly organised ahead of new store openings in Europe and as part of the integration programme for new hires. Brioni has developed a training portal dedicated to

sustainability aimed at in-store staff. In addition, a conference on sustainability for the Merchandising Department and buyers was organised to coincide with an internal showroom. In the same vein, three training sessions devoted to major sustainability challenges were organised for the Pomellato *Green Team* on the following topics: "What is sustainable business?", "Measuring environmental impacts" and "The Kering Foundation for Women's Rights". To coincide with World Environment Day on June 5, Balenciaga conducted awareness-raising campaigns with its employees in France to reinforce the commitment of all to protect the environment, and to encourage them to act in simple ways. For this, best practices allowing people to be "green in the office" were circulated, and environmentally friendly bottles were offered to each employee in order to reduce consumption of paper cups. These initiatives were also conducted with employees of the Novara product development platform in Italy. At Gucci, an operational guide was prepared and distributed to General Services managers to assist them in the implementation of good environmental practices. Gucci shares all key sustainability-related documents with its employees through a new dedicated space on its intranet. The brand also offers its employees specific training on topics such as RJC (Responsible Jewellery Council) certification and environmental reporting. Volcom, as part of its 2015 *Earth Day* campaign, organised a *Surf-Yoga-Bike-Walk-Clean Up* event for employees on a beach near its premises. Meanwhile, Stella McCartney accompanied the release of each new collection with a document highlighting the *responsible* nature of its products (organic cotton, sustainable wool, FSC wood, recycled polyester, etc.). Such documents are shared with management and sales teams before the collection's launch. The brand also organises two annual awareness-raising meetings devoted to key elements of sustainability for production teams and to fair trade for purchasing teams. Lastly, Boucheron published a double page dedicated to sustainability in its winter 2014–2015 Family Album, describing current projects on such topics as ethical gold, RJC certification, or responsible practices in the office.

Certification procedures

The number of the Group's sites for which ISO 14001 certification is relevant is limited due to the nature of the Group's activities. Thus, certification acknowledging the implementation of a system designed to manage environmental impacts is sought primarily for the sites with the greatest environmental impact, such as large

logistics centres and tanneries. In 2015, the Bioggio and Stabio logistics platforms renewed their certification, while the Sant'Antonino platform earned its first certification. In addition, some Bottega Veneta sites obtained or renewed their ISO 14064 certification covering the quantification of greenhouse gas emissions.

Brand	Site name	Activity	Certification (year)
Kering	Bioggio platform	Distribution	ISO 14001 (2015)
	Stabio platform	Distribution	ISO 14001 (2015)
	Sant'Antonino platform	Distribution	ISO 14001 (2015)
	Cadempino	Offices	ISO 14001 (2014)
	Caravel	Tanning	ISO 14001 (2014)
	Blutonic	Tanning	ISO 14001 (2014)
Gucci	Casellina warehouse	Distribution	ISO 14001 (2010)
	Casellina head office	Offices	ISO 14001 (2010)
	Tigerflex	Production	ISO 14001 (2014)
	Gucci Museo	Offices	ISO 14064 (2012)
Bottega Veneta	Altavilla Vicentina	Distribution	ISO 14001 (2010)
	Montebello Vicentino Atelier	Production	ISO 14001 (2014)
			ISO 14064 (2015)
	Montebello Vicentino	Offices	ISO 14001 (2014)
			ISO 14064 (2015)
	Milan head office	Offices	ISO 14064 (2014)

Reporting process and indicators

To accurately track the environmental footprint of its activities, Kering has undertaken environmental reporting based on around a hundred indicators every year since 2004. Representative of the environmental imperatives of the Group's brands, these indicators fall into eight categories: waste production, energy consumption, water consumption, water pollution, management of environmental risks, goods transport, business travel and use of raw materials.

In 2015, monitoring of stores' energy consumption was reinforced worldwide through the extension of the tracking system devised by NUS Consulting. Electricity and gas consumption is currently monitored on a monthly basis through the NUS system, and included directly in the end-of-year environmental reporting, reducing the risk of data entry errors and the use of estimates, and enabling stores to respond to any unmet objectives. In 2014, 450 stores in Europe and the United States were monitored via this system. In 2015, their number was expanded to 496, now including Asia.

To track its actual environmental performance as closely as possible, Kering's environmental reporting system is designed to cover all the Group's businesses, with the aim of gathering actual data from the 1,673 sites located around the globe. The methodology set out in the reporting protocol, however, allows the Group to estimate some data. Lastly, note that in 2015 a translation into Italian of all reporting indicators is provided alongside the English and the French to encourage people to appropriate the data and to facilitate its understanding.

To track changes reliably from one year to the next, several consolidated indicators are presented on a proforma basis in this report. This method eliminates changes in scope by only taking into account sites present over two consecutive years.

A methodological note provides all necessary information regarding the environmental reporting protocol, emission factors and rules for using estimated or extrapolated data. It is available on Kering's website, under Sustainability.

3.2. *environmental profit & loss account*

Since 2012, Kering has been working on the creation and deployment of its Environmental Profit and Loss account (EP&L), the stated objective given in 2012 being to cover 100% of the Group's activities by 2015. In 2013, six brands were covered by the EP&L (on the basis of their 2012 data), which allowed the Group to report the findings of the project in relation to 73% of the Group's 2012 revenue. Kering successfully covered all of its activities⁽¹⁾ in 2013. In 2015, the Group renewed the process on the 2013 data. Having two consecutive years of results covering the Group's entire scope will allow Kering to measure trends in its environmental performance going forward.

In 2015, Kering worked on three major projects: the publication of its results for 2013 and 2014, the standardisation of its calculations and methodology, and, lastly, widespread sharing of its methodology and its lessons with its peers.

In May 2015, Kering released the results of its EP&L (based on 2013 data) at a press conference. At this time, Kering also shared its methodology, with a view to encouraging other companies to adopt a natural capital accounting approach. A few months later, in November 2015, a new report outlining the EP&L based on the Group's 2014 results was published, and discussed during a Twitter chat. The publication of the results of natural capital accounting for two consecutive years was a world first.

The results were the subject of detailed reports available on the kering.com website in the Sustainability section.

The EP&L is intended to serve as a decision-making tool to spur the Group's sustainability projects and guide the day-to-day choices of decision-makers, with the ultimate goal of reducing and limiting the environmental impact of both Kering and its supply chains. Kering has developed calculation software that allows users to determine the environmental footprint of its operations in the space of minutes – not counting the time needed to gather the data for the preparation of the EP&L – as opposed to efforts spanning several months before. The standardisation of the calculation process is intended to allow better appropriation of the subject by operational teams, which can compare the impact of their decisions much more quickly. 2016 will see a continuation of these efforts and the implementation of software developed to simulate and visualise the impacts of different scenarios (change in sourcing, improvement in the efficiency of production processes, use of a different raw material, etc.). The EP&L will then be able to take its place among the standard decision-making tools used by Kering's brands.

The results and lessons of the EP&L were widely shared and clarified by Kering in 2015. Internally, all Group brands raised awareness among their key decision-makers (Executive Committee members, design studio, buyers, etc.) as to the main lessons of the EP&L, and above all the various decisions that can help improve results. Kering also shared its experience with several partners during the year, including the WBCSD, the European Union, the World Climate Summit during COP21, the RI Europe Conference, the CBD Business & Biodiversity Forum, the Sustainable Leaders Forum, the Systems Thinking round table organised by *The Guardian*, the French Ministry for the Environment and Sustainability, the BLC Leather & Sustainability in Retail Conference, the Leather Working Group, the *École des Mines de Paris* and the Tata Group.

Additionally, through its participation in the Technical Group of the Natural Capital Coalition, Kering contributed to the creation of the working version of the Natural Capital Protocol, which will give rise to a final version in May 2016.

What is an EP&L?

The EP&L is an innovative tool designed to assess impacts and reliance on natural resources. It makes it possible to attribute a monetary value to the consequences on population groups of the Company's environmental impacts throughout its supply chain. The use of a single unit for all types of impact makes it possible to compare, and as such prioritise them. It is a vital tool in reducing impacts by efficiently prioritising action in areas where the prospective return on investment is most promising.

The results of the EP&L allow the Group to:

- translate its environmental impacts into a language of business;
- compare different environmental impacts with each other, which was not directly possible previously;
- compare the magnitude of the impact of production or sourcing of raw materials in each location (this is particularly relevant to the availability of fresh water resources which is specific to each location);
- facilitate comparisons between its brands and business units.

Although the process is conducted in a world where companies do not have to bear the cost of their negative externalities, Kering believes that responsible businesses need to minimise their impact on natural resources. Moreover, many of the lessons provided by the EP&L foster a better understanding and improved management by Kering of difficulties in the supply of essential raw materials for its products, taking into account their region of origin.

(1) Excluding the Bottega Veneta furniture and Brandon activities (0.4% of consolidated revenue). Licensed activities (fragrances, cosmetics and eyewear) are not part of the consolidation scope (Kering does not have operational control).

The results should not be seen as a liability or a cost for Kering. Rather, they represent a new way of assessing the cost for society of environmental changes stemming from the activities of the Group and its suppliers. As this field of accounting is very new, it is important to note that no official standards have been proposed to estimate all of these values.

Why develop an EP&L?

For Kering and its brands, the EP&L represents a new way of looking at its activities. It reveals areas for improvement where the Group can deploy solutions, using innovative new technologies and materials that significantly reduce the environmental impact caused by the way in which raw materials are processed and goods manufactured. It helps to show:

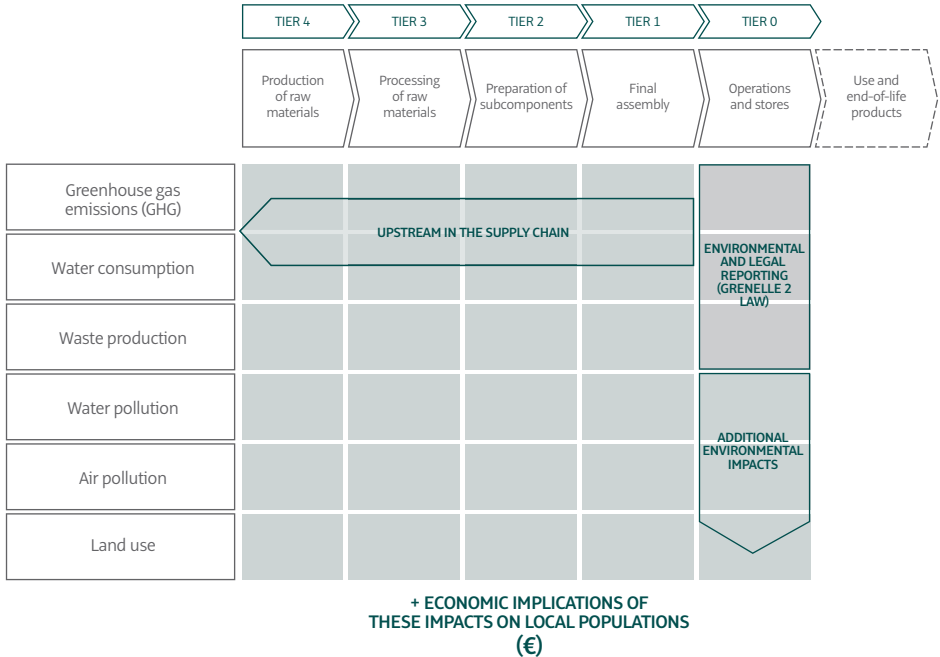
- **the source of key environmental impacts:** the EP&L deepens the understanding of comparisons between environmental impacts. Quantifying and valuing all environmental impacts in financial terms can help shape decisions between different types of impacts and their location, and ultimately the choice of materials and technologies;

- **the variety and complexity of the Group's operations and its supply chains:** the Group has used its EP&L approach to survey over a thousand key suppliers on five continents, ranging from product assembly to suppliers of raw materials, including notably silkworm farms in China, textile workshops in Asia, sheep farms in Argentina and tanneries in Italy. Working with suppliers and helping them better manage their own environmental challenges has strengthened the Group's relationships with key suppliers and contributed to securing its supply of key raw materials;
- **the impact of the Group's decisions:** sharing the results and lessons learned with the Group's various departments has fostered awareness of the potential impact and consequences a single decision can have on the other side of the planet. The EP&L also provides a straightforward methodology for assessing the environmental performance of the Group's projects and investments, and for setting the Group's priorities so that it can minimise its environmental impact as much as possible.

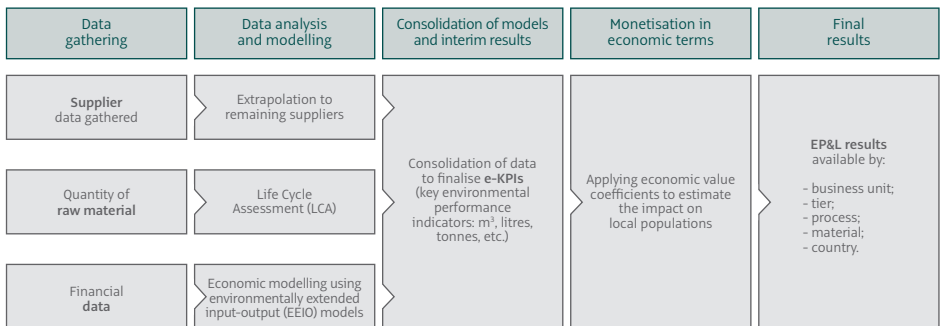
Summary of the methodology

The EP&L approach goes beyond standard environmental reporting, producing a much fuller picture of the impacts of Kering's activities.

SCOPE COVERED BY THE EP&L APPROACH:



KEY STAGES IN BUILDING THE EP&L:

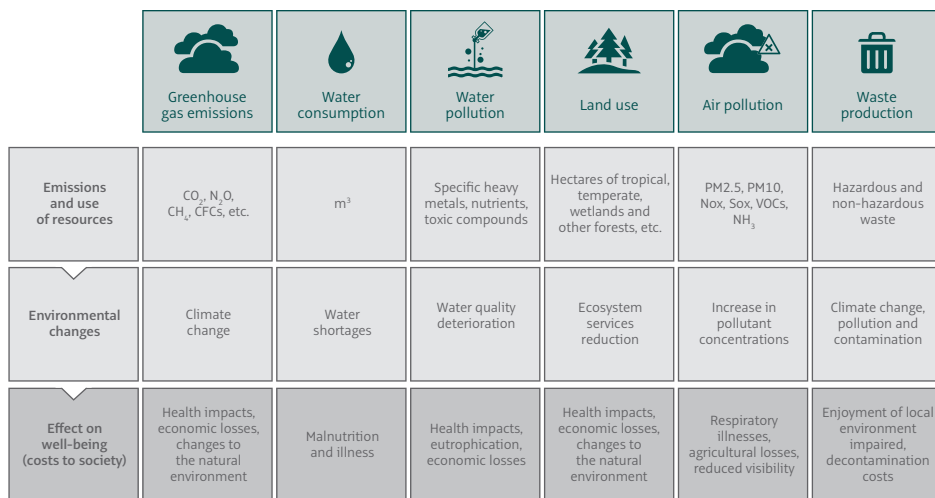


More than 70 emissions and resource consumption indicators were measured or estimated for all activities across the Group's entire supply chain. Kering gathered information on site wherever possible. When primary

data were not available, the Group used studies derived chiefly from life cycle analysis, reviewed by panels of experts. The data are then adapted to the specific countries where the impact occurs.

Environmental change resulting from the relevant emissions or use of resources is translated into economic terms, taking into account local contexts and the effects on the welfare of local populations. This valuation approach is consistent with the recommendations of the

European Commission⁽¹⁾, and is also increasingly used by French policymakers⁽²⁾. The EP&L approach values the impact of emissions and resource consumption in a given local context.

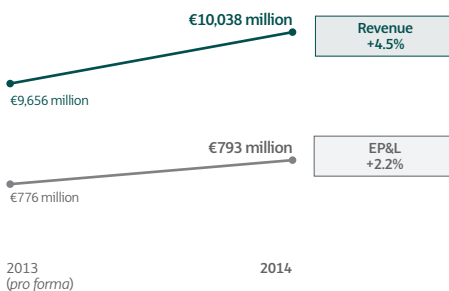


Building on the extensive work done by Kering and its brands to map and test its suppliers, Kering now has an extensive base of environmental impact data for each production process and in each of the countries where they take place. In 2015, the Group capitalised on this valuable work to reduce the data-gathering process and devote its energy to creating software for calculating the EP&L. Known as Demeter, this software, built on a financial calculation tool, can now calculate a brand's EP&L in minutes once the key indicators reflecting its activity (amount of raw materials used, costs in the supply chain, revenue, etc.) have been entered. This progress is key to creating a fast and simple decision-making tool that can be used on a day-to-day by the Group's various decision-makers.

The findings of the EP&L

In 2014, the EP&L approach for the first time covered the Group in its entirety, based on the 2013 data. In 2015, the Group reiterated the process on the 2014 data, giving Kering the capacity to measure trends in its environmental performance going forward.

EP&L RESULTS AND CHANGE IN REVENUE BETWEEN 2013 AND 2014

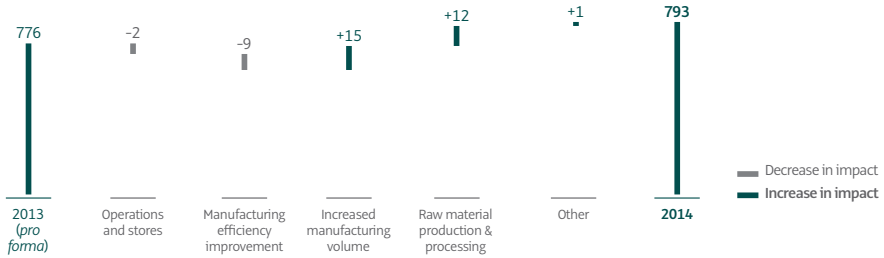


Kering incorporated the findings of its 2013 EP&L into its sustainability strategy, particularly in respect of its raw material consumption. Although it will take time for these projects to have a substantial impact, some efforts paid off as early as 2014. Kering's EP&L impacts increased by 2.2% in 2014, on growth of 4.5% in its revenue.

(1) See The economics of environmental policy; http://ec.europa.eu/environment/enveco/economics_policy/.

(2) See "Quelle évaluation économique pour les services écosystémiques rendus par les prairies en France métropolitaine?", French Ministry of Agriculture, Agri-Food and Forestry, Centre for Studies and Strategic Foresight, Office of Statistics and Foresight.

CHANGE IN KERING'S EP&L RESULTS BETWEEN 2013 AND 2014 (IN € MILLIONS)



The improved energy efficiency (Tier 0 in the EP&L) of Kering's sites enabled the Group to reduce its footprint. Also, the Group's support of key direct suppliers is starting to pay off, as the impact of textile factories is diminishing. For raw materials, although the substitution of certain

metals by less polluting plastics and the deployment of responsible sourcing projects have allowed Kering to reduce its environmental impact at constant revenue, the effort has not been sufficient to fully offset growth in the Group's manufacturing volume.

The EP&L allows us to map the following impacts:

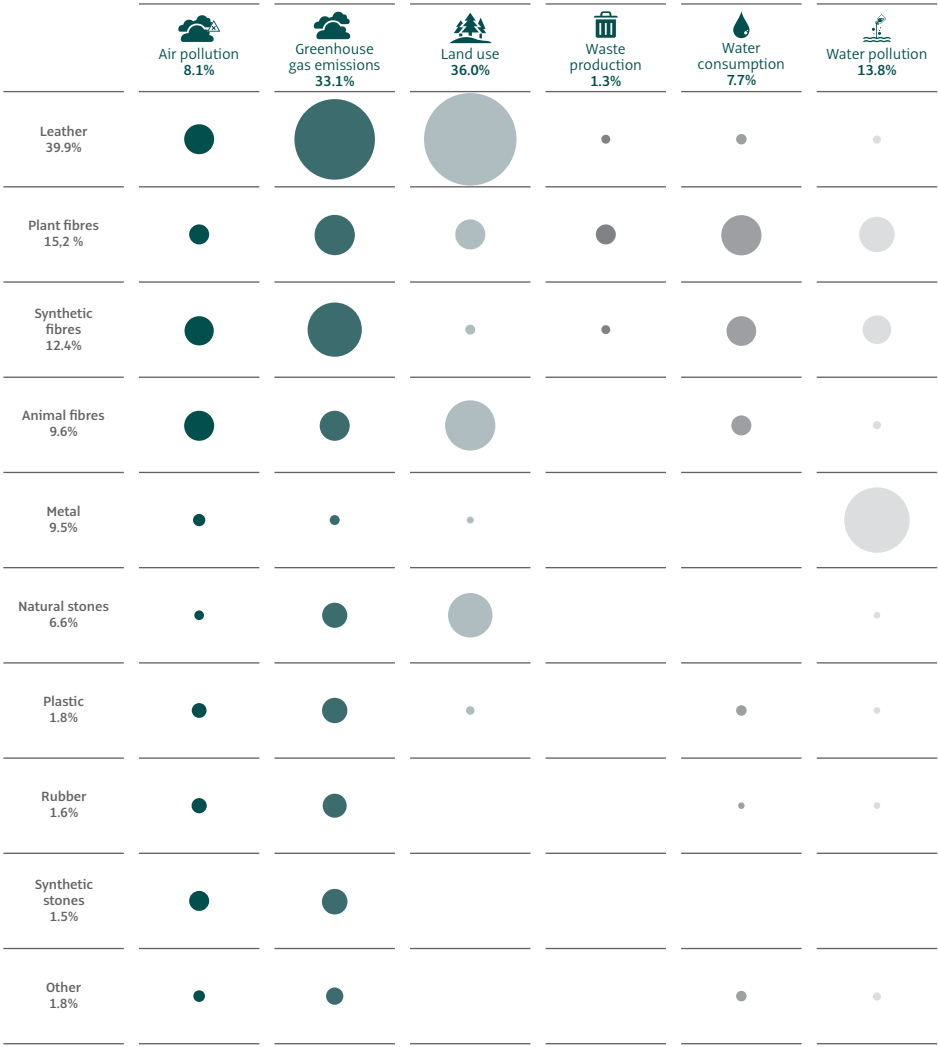
THE KERING GROUP'S 2014 EP&L BY TIER AND ENVIRONMENTAL IMPACT:



The production of raw materials (T4) and their processing (T3) generated the biggest impacts in Kering's 2014 EP&L, together representing more than 75% of total impacts. Similarly, water pollution, greenhouse gas (GHG) emissions and land use account for 76% of the Group's impacts. This mapping, virtually unchanged compared

with 2013, shows the typical profile of the impact of Kering's activities.

The details of the environmental impacts of raw materials shed particular light on the Group's activities generating the biggest Tier 3 and Tier 4 impacts.



Leather products have a strong impact in terms of greenhouse gases and change in land use, while textile fibres consume energy and water, which explains their air pollution, climate change and water impacts. Moreover,

the use of metals, especially precious metals, has a significant impact on water pollution because of the chemicals used in extraction and in the refining process.

Kering's response

These findings reinforce the Group's sustainability strategy, which relies heavily on a responsible sourcing policy and a quest to improve the environmental efficiency of industrial processes. While at the same time Kering is aiming to achieve optimal management of the Group's sites and activities:

1. **Development of more robust internal procedures:** a better understanding of the Group's risks and opportunities has helped adapt and optimise internal procedures, especially as regards the sourcing of raw materials such as leather and precious skins, cotton, wool, fur, gold, diamonds and plastic (see section 3.4 in particular);
2. **Implementation of targeted projects:** the Group has prioritised its sustainability actions in response to the findings of the EP&L, in particular around:
 - a. the choice of materials, both the material itself and its country of production,
 - b. production processes such as chrome-free tanning technology and improvements in suppliers' environmental performance,
 - c. cooperation between brands and their various departments: encouraging the brands to work together allows them to share the wealth of knowledge and expertise present within the Group, helping to generate synergies and provide a response to the issues facing the Group, such as the impact of plastics, leather, gold, diamonds and cotton, while naturally respecting requirements in terms of confidentiality and each brand's own specific image;
3. **Sharing and communication:** the Group utilises the EP&L approach to nurture its dialogue with peers and stakeholders by sharing its findings and by fostering a better understanding of the concept of natural capital and a common language in which to address it. The Group has been able to discuss the EP&L with investors, NGOs and CSR analysts, and within bodies of professionals from different sectors (Natural Capital Coalition, WBCSD, etc.).

A summary of some of the projects carried out in response to Kering's EP&L is provided below.

TIER 4	TIER 3	TIER 2	TIER 1	TIER 0
Idea Labs An inter-brand working group meeting to consider specific issues (see Chapter 3.1).				
Smart Sourcing Materials Innovation Lab (MIL) Encouraging brands to integrate more sustainable raw materials into their collections (see Chapter 3.4). Identifying and securing sustainable sourcing Leather Precious skins Organic cotton Wool and cashmere Synthetic fibres Organic silk Fur Gold Diamonds and precious stones (see chapters 3.4, 3.6 and 4.4). R&D investment to set up polyester and cellulose fibre closed loop recycling.	Smart Suppliers Clean by Design Programme to work with suppliers to reduce their environmental footprint (see Chapter 4.3). Production process innovations Tanning without heavy metals, water-free dyeing, etc. (see Chapter 3.4). Financing suppliers' ecological solutions Study made available to suppliers proposing local financing mechanisms (see Chapter 4.3).	Smart Operations Guidelines and best practices Two guides, for shops and offices (see Chapter 3.1). Pooled purchasing of electricity from renewable energy sources A renewable electricity monitoring and purchasing programme available to the brands (see Chapter 3.3). Smart meters Installed in a selection of Group stores (see Chapter 3.3).		

Support the development of a global framework for natural capital accounting

Kering has shared its experience with the Natural Capital Coalition to help shape the Natural Capital Protocol. After participating in the technical group that drafted the first version of the protocol, Kering volunteered among the "Deep dive pilot partners" to test the protocol's approach

to natural capital accounting. Lastly, Kering took part in discussions leading to the drafting of the Apparel Sector Guide for the application of the Natural Capital Protocol.

Kering's aim in sharing its experience is to encourage other companies to take these issues into consideration and to engage in a similar process, thereby uniting efforts across the board to build a more sustainable economy.

3.3. *measurement and reduction of our carbon footprint*

The Kering group helps address the impacts of climate change in two ways: by directly reducing the carbon footprint associated with its energy consumption and the transport of people and goods, but also, from a longer-term perspective, by evaluating and reducing emissions of greenhouse gases in its supply chain, especially by using the EP&L analysis implemented by the Group for all its brands. This approach is also a key tool in Kering's strategy for adapting to climate change, as demonstrated in the report analysing the consequences of climate change for the luxury industry, published jointly with BSR in November 2015. The report, entitled *Climate Change: Implications and Strategies for the Luxury Fashion Sector*, aims to help industry players see where their specific vulnerabilities lie, and makes recommendations promoting the development of more resilient business models.

In addition, Kering can now utilise, via an external service provider, an application for mapping and analysing its global risks, divided into several broad categories, including:

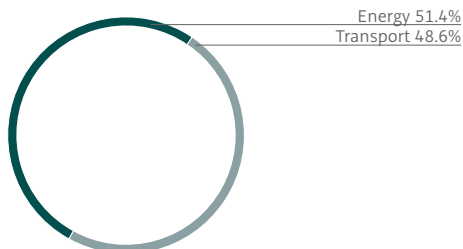
- human rights;
- climate change;
- the environment;
- changes in environmental regulations.

Energy consumption and the transport of goods and people are the two main sources of the Group's CO₂ emissions (excluding emissions related to the supply chain). Total emissions for 2015 came in at 317,532 tonnes of CO₂.

Note: for the calculation of CO₂ emissions, emission factors used in 2015 are the same as those used in 2014 and 2013 in order to monitor the direct impact of the actions of the Group and its brands in terms of energy consumption and transport. The choice has accordingly been made not to allow factors that could distort the results, such as the energy mix used to generate electricity in the different countries where the Group operates.

Details of the emission factors used are presented in the methodological note to Kering's 2015 environmental reporting on the Group's website.

BREAKDOWN OF TOTAL TRANSPORT- AND ENERGY-RELATED CO₂ EMISSIONS IN 2015



Total: 317,532 tonnes of CO₂

The share represented by energy-related CO₂ emissions in relation to transport-related CO₂ emissions increased from 49.5% in 2014 to 51.4% in 2015. This is attributable first to the increased use of energy as a result of growth in the manufacturing volumes of several brands, and second to a reduction in express transport.

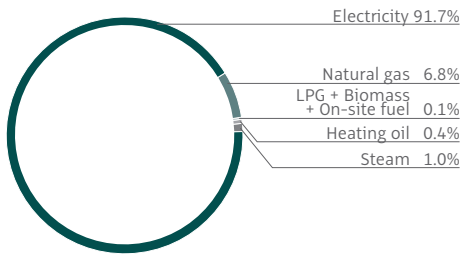
Energy consumption and related CO₂ emissions

The energy-consumption indicators below enable the Group to assess its energy use, together with the related greenhouse gas emissions, both direct (Scope 1 of the GHG Protocol: burning of natural gas, heating oil and LPG) and indirect (Scopes 2 and 3 of the GHG Protocol: electricity and steam production, line losses, upstream production phase of energy fuels and treatment of waste generated by electricity production).

Energy consumption and related CO₂ emissions in 2015

	Energy consumption (MWh)	Related CO ₂ emissions (tonnes of CO ₂)
Electricity	273,694	149,651
Natural gas	48,113	11,062
Heating oil	2,317	689
Steam	6,985	1,551
LPG	64	20
Fuel for transport and on-site handling	677	197
Biomass	813	-
Total energy	332,663	163,170

BREAKDOWN OF ENERGY-RELATED CO₂ EMISSIONS IN 2015



Total: 163,170 tonnes of CO₂

The Kering group's energy consumption relates mainly to the heating, lighting and air conditioning of stores, warehouses and offices. In 2015, it amounted to almost 333 GWh. Electricity is the Group's main source of power, representing 82% of total energy consumption, as in 2014.

CO₂ emissions related to the Group's energy consumption in 2015 totalled 163,170 tonnes. Nearly 92% stemmed from the generation of electricity, and were therefore indirect emissions relating to the amount of electricity consumed, but also to its mode of generation (coal, hydrocarbon, nuclear, renewable, etc.).

Proforma year-on-year change in energy consumption (MWh) and related CO₂ emissions (tonnes)

	2015-2014 proforma scope		Year-on-year change
	2015	2014	
Electricity (MWh)	253,133	244,608	+3.5%
Natural gas (MWh)	46,235	46,077	+0.3%
Heating oil (MWh)	2,317	2,964	-21.8%
Steam (MWh)	6,248	6,759	-7.6%
LPG (MWh)	64	143	-55.1%
Biomass (MWh)	813	47	+1,627%
Total energy (MWh)	308,810	300,598	+2.7%
Direct emissions (Scope 1) (tonnes of CO ₂)	9,641	9,780	-1.4%
Indirect emissions (Scopes 2 and 3) (tonnes of CO ₂)	138,144	133,378	+3.6%
Total energy-related emissions (tonnes of CO₂)	147,785	143,158	+3.2%

On a proforma basis, the Group's energy consumption increased from 301 GWh in 2014 to 309 GWh in 2015. This breaks down as an increase in electricity consumption, partially offset by a decrease in fuel and steam consumption. Throughout 2015, the C. Mendès ready-to-wear workshop in Angers, which belongs to Saint Laurent, used biomass rather than gas to meet its heating requirements, a process dating back to September 2014.

CO₂ emissions from energy consumption increased by 3.2%.

Measures to improve the energy efficiency of stores and infrastructure

In 2011, the Sustainability Department and the Indirect Purchasing Department – in partnership with NUS Consulting – launched a major energy management project intended for all Group brands. In 2012, it resulted in the establishment of a more accurate energy-consumption monitoring system. In 2015, 496 Group sites were covered in Europe, the United States and Asia,

46 more than in 2014. The project focuses on streamlining the energy procurement process by pooling and consolidating energy consumption, increasing the use of renewable energy and centralising energy procurement management. The project has generated tangible energy savings and cost reductions for the Group. A module that trains people how to use this energy management tool has been deployed in most brands, aimed above all at facility managers.

To achieve further improvement, sub-metering of different types of consumption (lighting, air conditioning, etc.) was implemented at the end of 2013 in six Parisian pilot stores in partnership with Schneider Electric. The Parisian flagships of Saint Laurent, Bottega Veneta, Boucheron, PUMA, Balenciaga and Stella McCartney were chosen for the project. The initial analysis of energy consumption monitored in real time has highlighted the most energy-intensive items and areas, and identified store management best practices to optimise both energy performance and comfort. The study has identified a potential 5% to 20% reduction in energy costs, depending on the site, which can be implemented immediately without changing equipment. Monitoring continued in 2015 with a view to confirming the actual gain, and will be operated in partnership with the brands from early 2016.

In compliance with the European Directive on energy efficiency, Kering commissioned 51 energy audits on its sites in 2015, of which 7 in Italy, 9 in the United Kingdom, 11 in Germany and 24 in France. This took the Group beyond the minimum requirements in terms of scope covered. The audits identified potential to reduce energy consumption by between 15% and 20% for stores, offices and warehouses, often just by adjusting lighting and air conditioning systems. Similar or better potential savings have been identified for the industrial sites audited in Italy.

In the Luxury Division, LEED certification (Leadership in Energy and Environmental Design) for New Construction and Major Renovations is a concrete example of what is being done to cut energy consumption. The certification programme is based on six evaluation criteria, of which energy is the most important (optimising energy performance, using renewable energies, etc.). Gucci had 10 LEED-certified stores in late 2015, while Saint Laurent has had four stores certified, three of which to Platinum level, the most demanding defined under the certification.

On top of certification, the Group's brands are striving to improve the environmental performance of their facilities. The Stella McCartney *Green Guide*, initially released in

2012 and updated annually, helps stores manage their energy consumption sustainably. Saint Laurent continued to deploy its Environmental Management programme in its store network, with an implementation rate of 84% at the end of 2015 (excluding shopping centres and department stores). The brand has also prepared a guide containing architectural best practices, based on the LEED standard. Among other aspects, it covers lighting and heating and air conditioning systems. These actions enabled Saint Laurent to improve the energy efficiency of its stores by 37% between 2012 and 2015. Saint Laurent also assists its main stores in the management of their energy consumption, sending them a personalised dashboard each quarter. Using invoice data, this tool monitors the store's consumption, providing a calculation of its energy efficiency and a regional performance ranking. Also in 2015, Boucheron conducted a feasibility study devoted to water lost in cooling at its historic home at 26 Place Vendôme, with a view to installing a more economical water system and a more efficient energy system.

Girard-Perregaux and JEANRICHARD became official members of the Energy Agency of the Swiss Private Sector (*Agence de l'Énergie pour l'Économie* – AENE) in January 2014, and have established a ten-year energy efficiency improvement programme. In 2015, the roof of the Villa JEANRICHARD was insulated, the boiler of the main workshop building was replaced, and maintenance personnel were trained in boiler settings. Together, the three initiatives are expected to save about 200 MWh and 45 tonnes of CO₂ each year. Ulysse Nardin has also signed up to the energy conservation programme of the Energy Agency, and met its energy consumption reduction targets several years ahead of schedule.

Lastly, the deployment of LED technology for lighting, a source of significant energy savings (up to 90% on lighting), continues in the stores of various brands. In 2015, Gucci invested €2.4 million to continue the replacement of lighting in its stores with LED fixtures. All new Stella McCartney outlets are LED-lit, and the brand completed the renovation of its Parisian boutique in 2015, replacing all lights with LED equipment. The result was a saving of 164 MWh.

Saint Laurent is following the same approach for the brand's new boutique concept, and all new or renovated stores are 100% LED-lit, cutting their energy consumption by an average of more than 30%. At the end of 2015, more than 70% of Saint Laurent's directly owned stores were 100% LED-lit.

In 2014, Balenciaga laid down 10 golden rules for the environmentally friendly management of its stores. Each of the brand's stores then selected three golden rules, with a view to applying them in 2015. The rules set out actions focused notably on optimising the management of lighting, heating and air conditioning, on paper consumption, and on the reuse of transport packaging. In 2015, Balenciaga also undertook to fully equip all of its new stores with LED lighting, and has done so in Madrid, Florence and South Coast Plaza.

LED installation programmes also continued in Boucheron and Bottega Veneta stores in 2015. To go further, the Italian House is mapping the use of LED technology in its facilities worldwide. The process will be completed in 2016. This type of lighting was also used in the four stores opened by the brand in 2015, resulting in a saving of between 20% and 25% on energy bills. Alexander McQueen also opened eight stores lit exclusively by LEDs in 2015.

On the Sport & Lifestyle side, Volcom pledged in 2015 that LEDs would account for at least 75% of lighting in all new stores going forward. In its existing stores and its headquarters in Costa Mesa, the brand is continuing to replace more energy-intensive lighting systems with LED systems. At PUMA, the new store concept provides for exclusive use of LED technology for lighting.

The gradual shift towards renewable energy

The proportion of renewable electricity used within the Group is growing thanks to numerous green energy contracts implemented by the brands with the Group's support. It amounted to 24.5% in 2015, compared with 22.8% in 2014 on a pro forma basis.

In 2015, Kering renewed its master energy agreements for all brands in Italy and France, as it had already done in the United Kingdom, to ensure that electricity consumed in both countries is fully renewable in origin. Sites powered exclusively by green electricity numbered 132 in Italy, 38 in France and 26 in the United Kingdom from the third quarter of 2015. Thus, electricity from renewable sources accounted for 85% of the mix in Italy (up 7 points compared with 2014), 63% in the United Kingdom (up 27 points) and 30% in France (up 14 points). Moreover, green electricity accounts for 89% of consumption on the Group's German sites. Gucci has also increased the use of green electricity in Switzerland and Austria, while Girard-Perregaux and JEANRICHARD opted exclusively for green electricity for their Swiss sites, which represent over 93% of their total consumption, in 2015. Similarly, 55% of Stella McCartney's total electricity supply is renewable. Bottega Veneta, which is also taking part in the project, extended the initiative to its Austrian and Swiss sites in 2015. More than 86% of the electricity consumed by the brand's European sites is renewable.

In 2015, the share of electricity derived from renewable sources rose to 19% of PUMA's total electricity consumption, thanks notably to the significant increase since 2012 in the use of this type of energy in Germany and Italy, where nearly 100% of electricity consumed is renewable, and in Austria (66%), the United Kingdom (60%) and the Benelux countries (26%).

On top of external purchases, the brands have been boosting their reliance on renewable energies, for instance by installing photovoltaic panels. Some brands have already installed panels on the roofs of their buildings, such as PUMA's head office in Germany, a warehouse operated by the Luxury Division in the United States and two Bottega Veneta sites in Italy. Volcom plans to install solar panels on the roof of its team house at the Banzai Pipeline surf spot in Hawaii by 2016.

Since September 2014, the C. Mendès ready-to-wear workshop in Angers, which belongs to Saint Laurent, has used biomass rather than gas to meet its heating requirements, and renewable electricity has covered all of the site's consumption since November 2015. Using green energy has significantly reduced the site's carbon footprint, saving 180 tonnes of CO₂ in 2015, a reduction of 70% compared with 2014.

Transport-related impacts and emissions

Methodology

Data on transport are divided into three main categories:

- **B2B transport:** this includes all transport of goods paid for by the brands between suppliers and logistics platforms or industrial sites, and between logistics centres and points of sale. The transport of goods between logistics centres also falls into this category. B2B transport includes road freight, rail freight, shipping and air freight. Express transport includes goods that are delivered by express transport service providers via road and air freight;
- **B2C transport:** this covers all deliveries of finished products between logistics platforms or points of sale and customers. These deliveries can be carried out either by the brands' own fleets or by subcontractors' vehicles. As with B2B, only transport that is paid for by the brands is taken into account. B2C transport includes road freight;
- **business travel:** this covers business air travel and the use of company cars.

All the emission factors used in the reporting process are derived from internationally recognised public sources, i.e., internationally recognised academic establishments or institutions. These emission factors are also aligned with those used in the EP&L. Details of the methodology used are available in the methodological note to Kering's environmental reporting on the Group's website.

Emissions related to transport and travel

Transport and business travel-related CO₂ emissions in 2015 (in tonnes of CO₂)

	2015
B2B transport	117,283
B2C transport	5
Business travel	37,074
Total	154,362

In 2015, the Group's transport- and business travel-related CO₂ emissions totalled 154,362 tonnes. B2B transport accounted for 76% of these emissions.

B2B transport volumes in 2015 and related CO₂ emissions

	Total 2015 (in t/km or teu/km for shipping)	Related CO ₂ emissions (tonnes)
Road freight	76,301,607	11,744
Shipping	348,067,722	29,602
Air freight	84,811,703	57,505
Rail freight	22,623,742	643
Express air delivery	17,679,926	14,062
Express road delivery	24,194,680	3,727
Total emissions		117,283

Within the Group, the most frequently used means of transport for goods in volume terms is shipping. Air transport is also frequently used to move goods

manufactured in Europe to faraway destinations quickly. It accounts for 61% of CO₂ emissions from B2B transport.

Proforma year-on-year change in CO₂ emissions from B2B transport (in tonnes of CO₂)

	2015-2014 proforma scope		Year-on-year change
	2015	2014	
Road freight	11,744	10,660	+10.2%
Shipping	29,601	26,232	+12.8%
Air freight	57,435	58,700	-2.2%
Rail freight	643	548	+17.5%
Express air delivery	14,062	17,863	-21.3%
Express road delivery	3,727	3,751	-0.6%
Total emissions	117,212	117,754	-0.5%

The Group's proforma B2B transport emissions were stable. This was attributable to a decline in air transport, both standard and express, as well as an increased use of

sea, road and rail transport, which emit less CO₂. Emissions from express transport fell by 17.7%.

B2C transport-related CO₂ emissions in 2015 and proforma year-on-year change (in tonnes)

	Related CO ₂ emissions (tonnes of CO ₂)	2015-2014 proforma scope		Year-on-year change
		2015	2014	
B2C – own vehicle fleets	1.6	1.6	1.9	-13.7%
B2C – subcontractors' vehicles	3.6	3.6	108.1	-96.7%
Total	5.2	5.2	110	-95.3%

CO₂ emissions from B2C transport totalled 5.2 tonnes in 2015. On a proforma basis, B2C transport emissions fell by 95.3%, but this covers only a very small scope, and the absence of subcontracted B2C transport in one country for a brand was equivalent to the entire decline.

Optimising logistics flows and switching to alternative means of transport

Goods transport has a significant impact on the Group's CO₂ emissions, and the brands have been working to reduce the distances covered during the supply and delivery of goods, to improve truck load factors and the performance of truck fleets, and to develop alternative means of transport.

In 2015, further efforts were made to optimise freight load factors on the multi-brand logistics platform in Switzerland. After careful evaluation of rounds and the optimal load factor, cardboard was reformatted in three new types. Several other initiatives were performed on the platform in 2015:

- further work on the truck load factors and introduction of reusable cardboard;
- selection of aircraft from transport service providers based on maximum fuel efficiency;
- review of all transport contracts to ensure that they require the provider to leave the smallest possible footprint in performing the service. For example, in road transport, contracts include the obligation to perform the transport with euro 5 trucks. In 2015, the system was extended to air transport, with a provision capping air emissions added to the contract.

Several brands are working on reducing packaging, which can result in an improvement in the load factor of trucks, and ultimately a reduction in the number of trucks on the roads. The optimisation of deliveries is also an important focus, particularly as part of the pooling of deliveries to the stores of the Group's various brands in major urban centres. Another source of improvement is to change the mode of transport wherever possible. PUMA uses rail rather than road for some shipments, an option that was extended in 2015, as evidenced by emissions from rail transport. The substitution of air transport for sea transport is also a critical issue, especially when there is no obvious urgency as is the case with non-market products such as point-of-sale advertising, packaging and merchandising items. The Luxury Division boutiques in the Middle East already apply this policy by routing all packaging by sea. When air freight is required, the Group's brands favour direct connections.

Gucci continued its "High Street Fashion" partnership with TNT and ND Logistics to deploy sustainable delivery strategies in major European shopping districts using electric cars. Launched in 2012 in Amsterdam, Milan, Florence and the entire distribution chain in Switzerland, the project has now been extended to Paris. Within this framework, Gucci sharply increased its fleet of clean cars to 19 hybrid cars and three electric cars in 2015, compared with five and two respectively in 2014. Stella McCartney is involved in the same programme in Italy.

In Paris, electric vehicles now perform the daily shuttles between the various Saint Laurent stores. Charging stations have been installed at the brand's headquarters in the French capital. Overall, the use of clean vehicles enabled Saint Laurent to save 650 litres of fuel in 2015.

Business travel

CO₂ emissions from business travel in 2015 and proforma year-on-year change (in tonnes of CO₂)

	Related CO ₂ emissions (tonnes)	2015-2014 proforma scope		Year-on-year change
		2015	2014	
Business air travel	28,335	28,229	24,120	+17%
Company cars	8,739	8,601	8,260	+4%
Total	37,074	36,830	32,380	+14%

CO₂ emissions associated with employee business travel amounted to 37,074 tonnes in 2015. On a proforma basis, emissions increased by 14%. The increase is partly attributable to Kering's transformation to an integrated group and the ensuing team-building work conducted by Kering Corporate across the world. Expansion of the scope of coverage is another factor. In 2015, it covered flights taken by employees based in 21 different countries (up from 19 in 2014).

Some brands took the Group's policy even further by factoring environmental criteria into the selection of company vehicles. Bottega Veneta, for instance, continued the renewal of its fleet with the inclusion of new hybrid vehicles, which accounted for 43% of its fleet in 2015, an increase of 14 vehicles compared with 2014. Stella McCartney in turn only uses companies offering hybrid vehicles for taxi journeys in the UK. A similar policy is followed by Saint Laurent in Paris.

Emissions testing in accordance with Scopes 1, 2 and 3

CO₂ emissions by scope as per the GHG protocol in 2015 (in tonnes of CO₂)

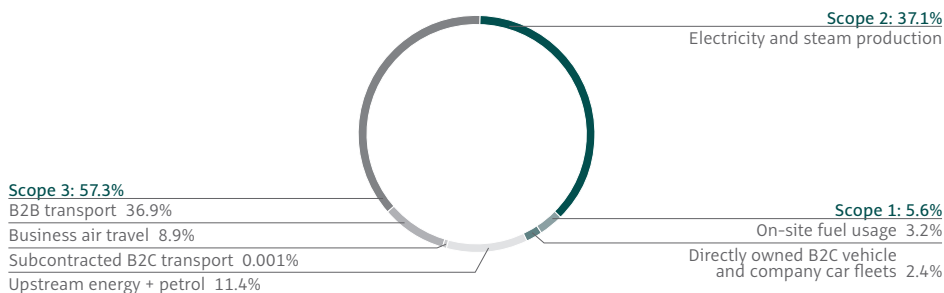
	2015
Scope 1	17,716
Scope 2	117,920
Scope 3	181,896
Total	317,532

The GHG Protocol defines three operational scopes in respect to greenhouse gas emissions. To facilitate clarity, Kering publishes its emissions as follows:

- Scope 1 refers to direct emissions attributable to on-site fuel usage and the fuel burnt by the Kering group's directly owned B2C vehicle and company car fleets;
- Scope 2 refers to indirect emissions resulting from electricity and steam production;

- Scope 3 refers to emissions resulting from goods transported by subcontractors (all B2B deliveries and nearly all B2C deliveries) and from most employee air travel, the production of energy fuels (upstream energy + petrol) and line losses. Emissions attributable to the production of raw materials by suppliers or to employee business travel other than by air (by car, train, etc.) are not taken into account.

BREAKDOWN OF CO₂ EMISSIONS IN 2015



Total: 317,532 tonnes of CO₂

In 2015, 94% of the Kering group's CO₂ emissions were not under its direct control. Reducing electricity consumption, switching to renewable energy sources,

optimising transport and opting for alternative forms of transport that emit less CO₂ all constitute effective ways of reducing the Group's carbon footprint.

Proforma year-on-year change in CO₂ emissions (in tonnes)

	2015-2014 proforma scope		Year-on-year change
	2015	2014	
Scope 1	17,200	17,211	-0.1%
Scope 2	106,206	102,696	+3.4%
Scope 3	178,427	173,290	+3%
Total	301,833	293,197	+2.9%

On a proforma basis, the Group's total emissions edged up due to increased power consumption and increased B2B transport and business travel.

The carbon-offset programme

As defined in 2012 as part of its sustainability targets, Kering continues to offset its residual Scope 1 and 2 greenhouse gas emissions, and was able to offset the 123,560 tonnes of CO₂ emissions that it generated in 2014. Carbon credits have been purchased with the support of several REDD+ (Reducing Emissions from Deforestation and Forest Degradation) programmes, and subject to VCS (Verified Carbon Standard) and CCBA (Certification of Competency in Business Analysis) certification and audit. This guarantees not only the generation of carbon credits, but also their benefits for biodiversity and local populations. They have been purchased from Wildlife Works Carbon, of which Kering has been a shareholder since 2012, and support the protection and restoration of the Kasigau Corridor in Kenya, as well as other REDD+ projects in

Brazil and Indonesia. These projects contribute to the protection of more than 440,000 hectares of particularly biodiversity-rich ecosystems, which represent a resource for more than 100,000 people.

The brands also develop their own carbon-offset initiatives. In 2015, Volcom's most widely publicised event in Hawaii, the Volcom Pipe Pro, was once again a certified Deep Blue Surf Event™. This label, verified by Sustainable Surf, an NGO, is awarded on the basis of respect for the environment and the ocean. The greenhouse gas emissions generated by the event are fully offset. To take its commitment a step further, the brand certified a second major event, the Volcom TCT Championships, in 2015.

In turn, 2015 saw Bottega Veneta once again offset all of the 2014 GHG emissions of its Milan head office, i.e., 435 tonnes of CO₂, of which 182 offset by Kering. Similarly, 987 tonnes corresponding to the emissions of the new Montebello workshop were offset through Wildlife Works in 2015, including 338 tonnes of CO₂ offset by Kering.

3.4. *sustainable use of resources*

The Group's EP&L clearly shows that most environmental impacts (75%) are caused upstream of the supply chain by the extraction and production of raw materials and the initial transformation stage (Tiers 3 and 4). For Kering, critical impacts are generated by the raw materials used in large quantities and whose production can have a significant impact on the environment (leather, cotton, synthetic fibres, etc.), or by raw materials used in small quantities but whose extraction or production can have a heavy impact. This is the case for animal fibres such as wool, cashmere and silk, and for metals and precious stones (gold and diamonds).

Kering has committed to reducing its environmental footprint in the pre-operations phase, starting with the production of its raw materials. To this end, the Smart Sourcing programme, launched in 2013, provides recommendations and guidance for brands, allowing them to use raw materials produced sustainably and responsibly. This project involves supply chain management, R&D and sustainability teams working closely with the Group and the brands to come up with responsible sourcing solutions tailored to the specific needs of each brand.

Within this framework, a set of basic principles and guidelines has been in place since 2013, in line with the Group's overall sustainability policy, targets and existing best practices. In 2015, these guidelines covered:

- cowhide and sheepskin leather;
- precious skins;
- cotton;
- wool;
- fur;
- gold;
- diamonds;
- coloured gemstones;
- plastics;
- paper and wood (including cellulose-based materials);
- rubber.

These principles and guidelines have all been established in consultation with all the brands, and have been the subject of dedicated information, notably via webinars or through the Idea Labs. They are updated annually and published on the Group's intranet. A series of tools also provides detailed information and advice on specific sourcing issues, such as the sustainability of certain textile fibres, CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora) information about precious skins, or certification. In addition to these internal documents, specific codes applicable to suppliers of gold and diamonds were drafted in 2015 to ensure that suppliers also incorporate Kering's standards for raw materials.

To better assess the impact of its supplies of raw materials and develop sustainable solutions, Kering contributed to the publication of several collaborative research projects in 2015.

Thus, in 2015, Kering co-wrote and published a report entitled *Climate Change: Implications and Strategies for the Luxury Fashion Sector* with BSR. The analysis contained in the report covers six critical raw materials for the fashion and luxury industry: cotton, cowhide, sheep- and lambskin leather, vicuna wool, cashmere and silk. It assesses the impact of climate change on production and on the areas where suppliers operate. The report aims to help luxury brands, and more broadly the fashion industry, understand and address their specific risks in relation to climate change.

Kering also contributed, as a member of the Nexus Network initiative coordinated by the University of Cambridge and supported by the United Kingdom Economic and Social Research Council, to the preparation of a scholarly article, "Managing the Impacts and Dependencies of Business upon Food, Energy, Water and the Environment: What are the Research Priorities?", which highlights the critical sustainability challenges that

should be prioritised by research programmes aimed at developing innovative and sustainable approaches.

Leather

Leather is one of the key raw materials used by Kering brands. Cattle and sheep farming and leather processing operations (including tanning) together represent one of the most significant environmental impacts across the Group's supply chains (more than 25% of the total impact). A specific working group (Idea Lab) on leather, involving most of Kering's brands, met three times in 2015 to identify solutions for reducing the environmental impact of the production of leather and share best practices (husbandry practices, traceability, tanning without heavy metals, recycling of offcuts, etc.).

One of Kering's commitments is to avoid the conversion of sensitive ecosystems into grazing land or agricultural land used to produce livestock feed. In 2015, Kering continued its collaboration with Origem, a consulting firm specialising in responsible sourcing, to further explore the environmental and social challenges facing the cattle and sheep industries. This study will allow the Group and its brands to assess the risks and opportunities stemming from leather supplies in each of its sourcing countries. These actions in 2015 allowed Kering to identify new sources of leather with controlled and/or certified production, ensuring the highest animal welfare standards and reduced environmental impact through sustainable pasture management and the implementation of biodiversity protection measures.

Many brands also have projects to reduce the environmental impact of leather tanning. In 2015, Gucci continued the use of a tanning process eliminating the need for metal to produce three of its iconic bags and wallets. Bottega Veneta also made progress on this issue by increasing the amount of leather produced without chromium. The new process reduces water consumption during the tanning process by about 30%, and energy requirements by about 20%. Stella McCartney does not use leather or fur in its products, in keeping with the commitments of the brand and its Creative Director. An alternative bioplastic leather with a coating created from 50% non-edible vegetable oil is used to produce Stella McCartney shoes and bags.

PUMA is also striving to reduce the environmental footprint of its leather production by encouraging its footwear suppliers to work with tanneries that belong to the Leather Working Group, which brings together a wide range of stakeholders committed to improving environmental stewardship in the Leather Goods industry. The Leather Working Group has developed a dual rating system for member tanneries: Gold, Silver or Bronze to describe environmental performance; and A, B or C for the quality of the traceability of skins. More than 90% of leather used by PUMA comes from certified tanneries. In 2015, for PUMA suppliers that are members of the working group,

89% of leather came from Gold-rated tanneries, while 4% and 6% respectively came from Silver- and Bronze-rated tanneries.

Textile fibres

As part of the Group's Smart Sourcing programme, Kering founded the Materials Innovation Lab (MIL) in 2013. Based in Italy, the MIL provides technical support to the Group's brands in order to identify sustainable raw materials for their collections. In addition to their close collaboration with Kering Sustainability Department, the MIL's team of experts work with individual brands and their respective suppliers in order to integrate these new more sustainable textiles into the brand's supply chain. The MIL now boasts a library of over 2,000 certified fabrics and an in-house evaluation tool, which is based on EP&L learnings and assesses fabrics' environmental impacts. The MIL primarily focuses on supporting the Group's Luxury ready-to-wear brands, and as of 2015 has extended its services to now also cater to the Group's Sport & Lifestyle brands on an adhoc basis.

In 2015, a particular focus was placed on organic cotton. A key material for the Group, cotton causes a significant environmental impact, as shown in the EP&L. Conventional cotton is grown using pesticides and fertilisers, and organic cotton can reduce the resulting environmental impact by up to 80%. Kering therefore encourages its brands to use more organic cotton in their collections. To this end, a thorough study of conventional and organic cotton sourcing practices across the Group was conducted in 2015 to identify constraints and recommend effective arrangements in the aim of achieving a significant increase in the share of organic cotton products in 2016. To back up the effort, Cotton Connect, an NGO specialised in organic cotton supply chains, produced a detailed report on the various potential sources available to the brands.

To the same end, Kering partnered with Cotton Connect and the Heritage Cotton Project in India in 2015 to work directly with organic cotton farmers to improve cotton yield and quality through training and agricultural advice. In addition, as co-founder alongside Textile Exchange, Kering continued its support for the Organic Cotton Accelerator (OCA) in 2015, in the aim of expanding organic cotton farming and the market for such cotton. Companies joining the OCA undertake to comply with a number of guiding principles, such as promoting organic cotton and improving the environmental, social and economic aspects of production conditions. Kering also

contributed to the work of the Organic Cotton Round Table, led by Textile Exchange, on innovative production methods, as well as the Cotton ARC initiative launched by the Cambridge Institute for Sustainability Leadership (CISL) to develop guidelines on the relationship between cotton production and natural capital.

These initiatives have paid off, allowing the Group's brands to continue to increase their use of organic cotton in 2015. PUMA is one of the ten biggest users of organic cotton worldwide, and is committed to adhering to the Better Cotton Initiative (BCI) in 2016. The BCI's purpose is to connect stakeholders across the cotton sector, from farm to store, to promote measurable and continuous improvements for the environment, farming communities and the economies of cotton-producing regions. Alexander McQueen used more than 20,000 kg of organic cotton for its men's ready-to-wear collections. Stella McCartney continues to use organic cotton – with the more than 87,000 kg used in 2015 accounting for 65% of its total cotton use – focusing on GOTS (Global Organic Textile Standard) and OCS (Organic Cotton Standard) certifications to ensure the highest standards in terms of traceability and environmental impact along the entire textile production chain. For the first time in 2015, children's collections with GOTS and OCS certification were given specific labelling, and in-store sales consultants were trained to explain the principle of the two labels to customers. Bottega Veneta used nearly 700 kg of organic cotton to make over 3,000 accessories in its men's ready-to-wear collections.

For wool, Kering and the MIL continued to identify new sources of high-quality fibre that meets the Group's sustainability standards, and also contributed, along with many stakeholders, to the development of a new wool standard, Responsible Wool Standard (RWS). The same approach has been taken for mohair, camel and vicuna wool.

A fabric synonymous with luxury, cashmere has been the subject of research and experimentation to improve the environmental impact of its production. In 2015, inspired by a Wildlife Conservation Society study, Kering launched a programme in the Gobi Desert to promote responsible production of high-quality cashmere in partnership with several cooperatives of nomadic shepherds, with particular attention to grazing practices, as well as the protection of biodiversity and the improvement of animal welfare. To strengthen the promotion and development of responsible cashmere within the sector in Mongolia, the Group is also a founding member of the Sustainable Fibre Alliance (SFA).

Gold, and precious metals and stones

Illegal or unregulated mining activity leads to devastating social conflict and corruption, and poses a serious threat to local biodiversity. This is why Kering pledged that it would only use gold and diamonds sourced from verified operations that do not have a harmful impact on local communities, wildlife or the ecosystems that support them.

Taking a first step in the right direction, Kering purchased 55 kg of Fairmined-certified artisanal gold in 2014. Fairmined gold is extracted by artisanal miners in accordance with the standards developed by the Alliance for Responsible Mining (ARM). The stringent ARM standards cover the social and economic development of communities, working conditions and best practices for the handling of chemical substances.

To further this initiative, in 2015 an internal platform was created that allows all brands to buy responsibly-sourced, traceable gold. Kering's gold purchasing platform is based on the Responsible Jewellery Council's (RJC) Chain-of-Custody certification, which guarantees the origin and traceability of the gold used. Gold purchased through the platform is made from recycled gold that meets the RJC's Chain-of-Custody Standard. Additionally, it is extracted from RJC-certified mines or from artisanal mines that are Fairmined or Fairtrade certified. For every kilogramme of gold purchased through the platform by Kering brands, gold refineries offering ethical gold receive special compensation that helps them carry out certification procedures and invest in sustainability projects launched by Fairmined- or Fairtrade-certified artisanal and small-scale mines.

The system resulted in the aggregate purchase of 220 kg of responsibly-sourced gold in 2015, and the participating brands (Gucci, Boucheron, Girard-Perregaux, JEANRICHARD and Ulysse Nardin) have pledged to increase the volume purchased through the platform in 2016. Since November 2015, Gucci has limited gold purchases for its jewellery to sources with RJC Chain-of-Custody certification.

In March 2015, Kering organised a field trip for several Gucci, Pomellato and Boucheron employees, giving them the chance to meet artisanal miners working at Fairmined-certified mines in Peru. The trip helped employees gain knowledge on how artisanal mines operate and establish principles governing the pooled purchasing platform at Group level. Lastly, Kering was quick to help finance the repair of damage caused by a fire that destroyed Macdesa, an artisanal mining town, during the summer.

As for diamonds, all brands strive to ensure that the Kimberley Process is respected, which serves as a guarantee that the proceeds from the sale of rough diamonds on the international market are not used to finance armed conflict. Some brands have, as it happens, joined the RJC (Responsible Jewellery Council), an organisation that promotes responsible and transparent social and environmental practices throughout the jewellery and watch sector, from the mine to the point of sale. In 2012, Bottega Veneta, Girard-Perregaux and JEANRICHARD obtained RJC certification for their gold and diamond activities, following Gucci and Boucheron, both certified in 2011. In 2015, Gucci upgraded its certification to the RJC Chain-of-Custody Standard, the aim of which is to promote the purchase of precious metals from responsible sources. In 2015, Bottega Veneta, Girard-Perregaux and JEANRICHARD renewed their RJC certification for a three-year period.

Plastic

A working group on alternative plastics was set up in March 2013 to help the brands pool their research and share their needs in terms of sustainable plastics. To this end, Kering has developed, in partnership with the Fraunhofer Institute, an innovative tool known as SAM Plastic, which compares the environmental performance of different types of plastics. This tool is based on a simplified life cycle analysis of environmental impacts (CO₂ emissions, discharges into water, water consumption and waste production) consistent with the methodology applied in the EP&L and backed up by qualitative analysis (average fossil fuel content, food competition, essential ingredients, etc.). The results obtained using this tool show that bioplastics are a credible alternative to fossil-based plastics, and that the industry still has significant scope for improvement in terms of the optimisation of its production processes. Five types of plastics used in the shoes made by the Group's various brands have already undergone a comparative environmental impact assessment using this method, as part of continued efforts to improve sourcing.

Furthermore, consistent with the Group's objective of eliminating PVC by 2016, the brands are working to substitute this material where it is still used. Gucci, for instance, expanded its use of recycled ABS in shoe heels in 2015.

Paper consumption

Paper consumed by the Kering group and its subsidiaries comes from two main sources:

- indirect purchases of paper ordered by service providers outside the Group (printers and agencies) for printing

communication media such as reports, posters, mailshots and point-of-sale advertising;

- office paper.

In 2015, Kering's overall paper consumption totalled 2,363 tonnes. A breakdown by category is presented below.

Paper consumption in 2015 and proforma year-on-year change (tonnes)

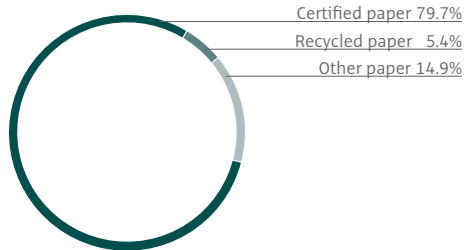
	Consumption in 2015	2015-2014 proforma scope		Year-on-year change
		2015	2014	
Paper – indirect purchases	1,584	1,563	1,380	+13.2%
Office paper	779	716	778	-8.1%
Total paper	2,363	2,279	2,158	+5.6%

Between 2014 and 2015, the Group's paper consumption increased by 5.6%. The increase stemmed chiefly from increased commercial activity and the printing of a significant number of catalogues for three Group brands. Office paper consumption fell by 8.1%, reflecting the Group's ongoing efforts to reduce paper consumption and to promote paperless alternatives.

In 2015, the proportion of certified (FSC or PEFC) or recycled paper was 85% across the Group, breaking down as 80% certified paper and 5% recycled paper. The proportion exceeds 90% in several Kering brands, including Bottega Veneta, Saint Laurent, Stella McCartney, Brioni, Boucheron, Ulysse Nardin, Girard-Perregaux and JEANRICHARD.

Furthermore, various initiatives were continued in 2015, rounding out the extensive list of measures already in place at the Group's brands. An example is Volcom's B2B catalogues, which were printed on FSC paper. FSC- or PEFC-certified paper is used for all office purposes and for Boucheron's internal publications.

TYPE OF PAPER USED IN 2015 (%)



Packaging consumption

The Group still uses significant volumes of cardboard and plastic for the protection and transport of goods sold in stores or online. For reporting purposes, plastic bags and paper bags are distinguished from other types of packaging.

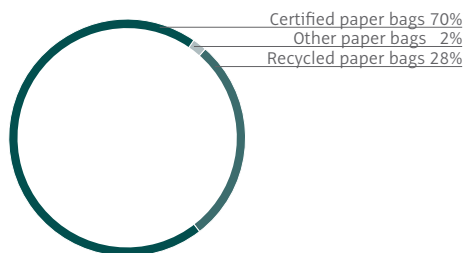
In 2015, Kering consumed 16,647 tonnes of packaging, 69% of which was cardboard and 20% paper bags. Paper bag consumption is nearly 20 times higher than plastic bag consumption, as the brands of the Luxury Division use this type of bag almost exclusively. Some brands have also introduced reusable bags.

Packaging consumption in 2015 and proforma year-on-year change (tonnes)

	Consumption in 2015	2015-2014 proforma scope		Year-on-year change
		2015	2014	
Plastic bags	175	170	146	+17%
Paper bags and gift-wrapping paper	3,269	3,127	1,357	+130%
Total shopping bags and gift-wrapping paper	3,444	3,297	1,503	+119%
Plastic packaging	551	542	253	+115%
Cardboard	11,500	11,405	9,950	+15%
Paper for packaging	453	453	329	+38%
Flannel bags	699	699	170	+311%
Total packaging excluding shopping bags and gift-wrapping paper	13,203	13,099	10,702	+22%
Total packaging	16,647	16,396	12,205	+34%

On a proforma basis, total packaging consumption increased by 34%. The increase stemmed chiefly from:

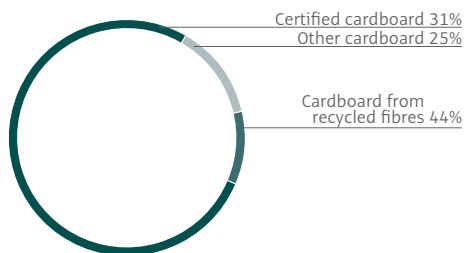
- the introduction of an additional protective box to protect a brand's light-coloured customer packaging;
- the change of another brand's customer paper bag during the year; and
- better brand coverage in the reporting scope for packaging paper.



Many brands also promote the use of certified or recycled materials for packaging. All Stella McCartney packaging is made from FSC-certified cardboard and paper. A new type of customer packaging, fully FSC-certified and containing 50% recycled materials, was developed by Bottega Veneta in 2014. It was widely used in 2015. In the outlets, Saint Laurent bags are also fully FSC-certified, and contain 65% recycled materials. The Brioni, Gucci, Pomellato and Balenciaga brands also all use substantial quantities of FSC-certified materials in their packaging.

Balenciaga is conducting research in partnership with LGL, the Groups' logistics platform, to significantly reduce cardboard consumption for store deliveries. Protective packaging for deliveries of small items is fully organic and biodegradable, made using cornstarch.

The goal set by the Group is to ensure that packaging is fully certified or recycled in 2016. This was already the case for 98% of the paper bags and 75% of the cardboard used by the Group in 2015.



In a similar approach, PUMA decided in 2014 to redesign its shoeboxes, opting for a more conventional format, but one that still meets the highest environmental standards. This fully FSC-certified packaging represented 70% of all boxes sold in 2015.

Water consumption

Given the nature of the Group's operations, the bulk of its industrial water consumption is attributable to tanneries. While none are located in water-stressed zones, the brands are still working tirelessly to come up with innovative tanning processes that eliminate heavy metals and use less water.

Across the Group, 71% of water consumed is used for domestic purposes (store cleaning, lavatories, air conditioning, etc.). Consequently, the direct environmental impact of the Group's water consumption is low.

Kering is, however, using its groundbreaking EP&L approach to conduct a review of responsible water management across its entire production chain. Indirect water consumption linked to the use of agricultural raw materials like cotton constitutes an environmental issue that Kering is striving to quantify and address.

Water consumption in 2015 and proforma year-on-year change (cu.m.)

	Consumption in 2015	2015-2014 proforma scope		Year-on-year change
		2015	2014	
Industrial water	208,481	208,382	257,565	-19.1%
Non-industrial water	517,992	476,177	493,597	-3.5%
Total water	726,473	684,559	751,162	-8.9%

In 2015, Kering's water consumption amounted to approximately 726,500 cu.m. On a proforma basis, it was

down 8.9% because less water was used for industrial purposes.

3.5. waste management

Hazardous and non-hazardous waste

As is the case for consumption of packaging, the production of waste in Kering's operations stems mainly from the extent of its retail activities. The repackaging of goods and the use of pallets for transport mainly generate

non-hazardous waste. Kering mainly generates packaging waste and also small quantities of hazardous waste, corresponding to specific items of waste on production sites and other waste produced mainly in stores and offices (lighting, ink cartridges, etc.).

Total waste produced in 2015 and proforma year-on-year change (tonnes)

	Production in 2015	2015-2014 proforma scope		Year-on-year change
		2015	2014	
Non-hazardous waste	13,415	12,850	11,768	+9.2%
Hazardous waste ⁽¹⁾	456	400	215	+86.1%
Total waste	13,871	13,250	11,983	+10.6%

In 2015, Kering group's total waste production amounted to 13,871 tonnes, 97% of which was non-hazardous.

On a proforma basis, total waste production increased by 11%. The increase in non-hazardous waste was attributable chiefly to the more comprehensive nature of reporting

and the increased activity of certain brands. For hazardous waste, it stemmed primarily from demolition work on a Stella McCartney site, the year-end inventories of a Group tannery vacated temporarily in 2015 and more comprehensive reporting.

(1) Hazardous waste includes batteries, neon lights, waste electrical and electronic equipment, used oil, paint, aerosols, soiled packaging and ink cartridges.

Waste recycling

Rate of recycling and reuse of waste as energy in 2015 (%)

	% reused in 2015
Non-hazardous waste	65.0%
Hazardous waste	58.1%
Total waste	64.8%

Kering group recycled or reused as a source of energy 58.1% of its hazardous waste and 65.0% of its non-hazardous waste in 2015, resulting in an overall recycling and reuse of waste as energy rate of approximately 65%.

In 2015, Volcom continued to promote styrofoam recycling through its Waste to Wave programme. In partnership with Sustainable Surf, an NGO, polystyrene is sent to Marko Foam, a recycling company, to be reused in the manufacture of new products, including surfboards. To take this commitment further, Volcom has also launched a partnership with Resurf Europe, which aims to collect more used boards for recycling. The brand also continued its programme of recovering and recycling corrugated cardboard waste at its headquarters in Costa Mesa and in its distribution centres in Irvine and Anglet.

PUMA has for several years been working alongside I: CO within its Bring Me Back programme. The programme allows consumers to deposit their used clothes, shoes or accessories, regardless of the brand, in dedicated recycling bins, to be reused or recycled depending on their state of wear. In 2015, the system was extended to more than half of the brand's outlets.

In 2011, Balenciaga adopted waste sorting at its main sites in Paris. The brand works with Greenwishes, an external company specialising in the recovery and recycling of conventional office waste (paper, envelopes, flyers, etc.), as well as cardboard, plastic, cans and above all fabric. Every month, Greenwishes sends Balenciaga a set of indicators allowing it to monitor the effectiveness of measures implemented and to communicate with staff in an instructive manner on the benefits of daily sorting. Since the launch of the operation, 11 tonnes of paper, 44 tonnes of cardboard, 3.2 tonnes of plastic and 3.1 tonnes of fabric have been recycled. In 2015, for the second consecutive year, Balenciaga continued its Second Life Fabrics programme to find new uses for its unused fabrics. Since the project started, nearly 3,000 shopping bags and scarves were produced by workshops employing people in work reintegration programmes and sold within the Group, resulting in the reuse of almost 1,500 metres of fabric.

In April 2013, Bottega Veneta entered into a partnership with the ILSA Corporation to transform leather offcuts into organic fertiliser. ILSA collects waste leather from the brand's workshops and applies a specific process that breaks it down into a new biodegradable product. The five Bottega Veneta sites participating in this project recycled 95% of their leather offcuts, up from 90% in 2014 and 65% in 2013. Gucci set up a similar programme in 2012 to turn leather offcuts into organic fertiliser. The waste leather is collected, before being shredded and turned into fertiliser by a specialised company. In 2015, 244 tonnes of Gucci offcuts were used to produce fertiliser. Moreover, best practices for reducing the amount of waste generated were added to the new version of the "Gucci technical guide for the sustainable management of stores", and more than 200 of the brand's stores around the world have now set up recycling initiatives.

Saint Laurent also continued its efforts to recycle waste and unused materials in 2015. Partnerships were established with two French vocational rehabilitation organisations to give a second life to fabrics used in old collections. Some fabrics are transformed into insulation for buildings or cars by the *Relais Emmaus*. Others are reused by *Tissons la Solidarité* to create new clothes. For leather, Saint Laurent found an alternative to landfill for 95% of its scrap leather in 2015 and has implemented an innovative programme enabling the reuse and recycling of leather. Saint Laurent's *Règles d'Or* – its ten golden rules for good environmental practice throughout its stores – also have a waste management focus: managers must ensure that all waste paper, cardboard packaging, glass, plastic bottles, tins and ink cartridges are sorted and then recycled. Lastly, through pooling arrangements with Bottega Veneta, Gucci and Stella McCartney, Saint Laurent recycles all waste cardboard from its Parisian stores.

Water discharge and odour pollution

Water discharge does not represent a significant direct impact for Kering. The brands concerned have nonetheless introduced specific measures that go beyond regulatory requirements. This requires the installation of sewage treatment plants directly at tanneries. Furthermore, ISO 14001 certification for these sites goes hand-in-hand with the establishment of modern facilities to control possible odour emissions.

As water discharges during textile and leather processing or mining can potentially have considerable environmental impacts, they are subject to specific, targeted questionnaires during the data-gathering phase of the EP&L approach.

In 2011, PUMA publicly committed to removing all hazardous chemicals from its entire production chain by 2020, under the Detox campaign launched by Greenpeace, an NGO, especially as regards water discharge. To achieve this, PUMA has actively participated since 2012 in the Zero Discharge of Hazardous Chemicals Group (ZDHC), a body committed to communicating regularly and publicly on the progress of its member brands (around 20 major international textile brands). In 2015, PUMA carried out environmental audits of 12 of its key suppliers, following the protocol developed at the ZDHC's initiative. Several of the brand's other suppliers have already undergone similar environmental audits conducted by bluesign or by the Leather Working Group. PUMA also continued to work with the Institute of Public and Environmental Affairs (IPE), a Chinese NGO, to communicate transparently with all local stakeholders on the chemicals used and released into the environment by the brand's suppliers and subcontractors. By the end of 2015, 80% of PUMA suppliers with significant impacts in terms of water discharge (dyeing, tanning, etc.) disclosed their use and discharges of chemicals on IPE's online platform.

Management of chemicals

In addition to compliance with core local and international regulations such as REACH, Kering has set itself the target of completely eliminating hazardous chemicals from its

production by 2020, covering both production processes and the products themselves. To do so, the Group has established two types of lists of substances subject to restrictions: one for production processes, the Manufacturing Restricted Substance List (MRSL), and one for products, the Restricted Substance List (RSL). There is a single MRSL covering the entire Group, and several RSLs, one for the Luxury Division and one for each Sport & Lifestyle brand.

The MRSL is focused on discontinuing the use of toxic chemicals in the manufacturing process, first to ensure that workers in the supply chain of the Group's brands are not exposed to hazardous substances such as endocrine disruptors, and second to stop toxic discharges into water. The implementation of the MRSL, launched in 2014, continued in 2015. The Group's four tanneries and nine other tanneries used by the brands each verified their compliance with Kering's MRSL, involving a review of the more than 3,500 chemical products on their inventory. The review was complemented by extensive chemical tests on 23 types of leather and on water discharges from nine tanneries, as well as 63 tests on chemical inputs. It helped to identify the processes involving the greatest risk, the substances to be removed, those to be substituted and those for which research and development efforts will be necessary. Similar work was launched with ready-to-wear suppliers in late 2015.

Kering also joined the Zero Discharge of Hazardous Chemicals Group (ZDHC) in 2015 as an on-boarding member (observer) to share knowledge and best practices.

3.6. *protection of biodiversity*

Preservation of biodiversity is a key component of Kering's environmental policy. Kering strives to protect and respect it in three major ways: by understanding the sustainable origin and assuring traceability of raw materials, by promoting nature conservation and by raising awareness among its employees and consumers.

Use of precious skins, leather and fur

The sourcing of precious skins is a key challenge for the Group. Kering makes tireless efforts across several supply chains to ensure that the sourcing of animal skins such as python, crocodile and alligator does not have a negative impact on wild populations and is conducted in accordance with the highest standards of animal welfare. To this end, Kering's Sustainability Department works closely with the Group's industrial operations overseeing precious-skin tanneries owned by Kering and the purchasing departments of various brands. On top of this internal effort, Kering works with countless experts to discuss ongoing initiatives.

Kering and its brands comply with national and international requirements and regulations for trade in precious skins: the skins of all species listed by CITES as endangered or vulnerable and used by the Group must be accompanied by a certificate of legal origin issued by the CITES management authority of the exporting country in order to ensure that endangered species are not threatened. Kering's brands have also joined forces with the Luxury Goods working group, Business for Social Responsibility (BSR), to work on the issue of traceability.

Some brands go further, setting out specific policies. In 2012, for instance, PUMA adopted a specific and restrictive policy on the use of leather, skins, furs, feathers and wool. In this document, PUMA states that it does not use any raw material derived from endangered species as defined by the International Union for Conservation of Nature (IUCN). This policy also prohibits the use of feathers, leather and skins obtained from abused animals, whether they are farmed or not. PUMA has also banned the use of certain species such as crocodiles and snakes, and certain practices such as mulesing in merino sheep. Moreover, since 2010, the brand has been working alongside other companies and several NGOs within the Leather Working Group (LWG), a platform that brings together representatives of the leather industry, with the aim of drawing up and promoting a protocol of sustainable and responsible practices for the sector. While the main tanneries with which PUMA works have been certified by the LWG, the brand now wants to further increase the traceability of the leather used in its products through the LWG's protocol.

Bottega Veneta has opted not to use fur or coral in its collections and to limit its sourcing of python skins to suppliers who are members of the Python Conservation Partnership (PCP). Stella McCartney totally excludes the use of fur products, leather, precious skins and feathers.

Measures are also taken at Group and brand level in cooperation with international stakeholders to combat illegal trade in precious skins and to help improve scientific knowledge of certain species, and to improve animal welfare. 2015 saw Kering continue its work with the IUCN/SSC Boa and Python Specialist Group and the International Trade Centre (ITC) on the Python Conservation Partnership (PCP) to structure the trade in pythons and help move the sector towards more sustainable practices. The goal of this three-year research programme is to draw up recommendations on sustainable python breeding practices, animal welfare, the monitoring of wild populations and the resources of local populations involved in the trade in python skins. In 2015, a series of recommendations on how to improve python trade in Southeast Asia was shared with the industry following the results of various studies. It will be published in 2016.

In 2015, Kering continued its commitment to the Madagascar Crocodile Conservation and Sustainable Use Program (MCCSUP). This partnership aims to develop

responsible trade in Nile crocodiles in Madagascar. During the year, the programme created a Crocodile Management Unit in Madagascar, and developed a structure to improve the monitoring of wild populations of crocodiles and the collection of eggs by farmers.

Although the amount of fur used by the Luxury Division brands is minimal, Kering is working closely with its suppliers and with BSR experts to develop a programme that guarantees the traceability of any fur used and ensures animal welfare throughout its supply chains. The Group has established guidelines for sourcing fur and issued a practical guide on its use for design teams. These guidelines provide a list of the species covered and impose the obligation to minimise the negative impacts on them, to ensure the welfare of animals bred in captivity and to comply with the prevailing laws and regulations. Kering and BSR also held a meeting with the International Fur Federation and Fur Europe to address issues of transparency and how to improve practices in the fur industry together. Gucci, Alexander McQueen, Balenciaga and Saint Laurent took an active part alongside Kering in the round table.

Nature conservation

In addition to initiatives related to the use and preservation of animal and plant resources used by the Group, Kering and its brands have made a commitment in favour of biodiversity by developing initiatives to protect the natural heritage and raise the awareness of employees and consumers. This commitment features three major planks:

- Kering has partnered with the Stanford University Natural Capital Project to focus on improving the measurement of the impact of business activities on biodiversity and ecosystem services. Studies emanating from this programme will, among other benefits, allow Kering to improve its EP&L methodology through the inclusion of the biodiversity component;
- the Group continues to work with the Wildlife Friendly Enterprise Network (WFEN) to analyse the impacts of the production of materials such as wool, leather and cashmere on biodiversity and wildlife. In 2015, a WFEN study identified producers of natural fibres in Patagonia eligible for Wildlife Friendly® certification by virtue of their good practices and their ability to coexist with endangered species;
- Kering continues to offset its residual Scope 1 and 2 greenhouse gas emissions. In 2015, 123,560 tonnes of CO₂ corresponding to its residual emissions in 2014 were offset through various projects designed to safeguard and protect primary forests in Kenya, Indonesia and Brazil. These REDD+ projects (Reducing Emissions from Deforestation and Forest Degradation) contribute to the protection of more than 440,000 hectares of ecosystems, which support a population of over 100,000 people.

Among the brands, Stella McCartney made a strong commitment in 2015 alongside the NGO Canopy and other brands to ensure that all viscose and other cellulose-based materials (i.e., those made from wood pulp) used by the brand are traceable and certified, ensuring that their production is not the cause of deforestation in areas with high ecosystem value such as Indonesia. Since 2012, the brand has been partnering with the NGOs BioPlanet USA and Million Trees Miami to support the planting of 1 million trees by 2020 in the forests of Miami-Dade County in the United States.

Gucci joined the Treedom initiative facilitating the adoption of trees by employees as part of internal training on sustainability issues. Treedom is an association that aims to promote tree planting in developing countries through philanthropic projects for communities, farmers and NGOs seeking resources for planting.

Volcom strives to promote clean beaches through public awareness and clean-up campaigns. For the past six years, the brand has partnered with the Keepers of the Coast NGO and its Day After initiative to clean up Florida's beaches after the Fourth of July festivities. In the United States, the brand has partnered with the Newport Bay Conservancy and the Surfrider Foundation through various events to bring together volunteers and clean up a number of West Coast beaches. In Japan, Volcom took part in a post-winter mountain clean-up in partnership with the Patagonia brand and JEAN (Japan Environmental Action Network), a Japanese NGO. The brand also sponsors many other clean-up events.

4. supporting community development

4.1. community impact

Kering and its brands play a major role in the economic and social fabric of the regions where their sites are located. The sustainability of the Group's brands, particularly in the Luxury Division, stems from traditional know-how, often rooted in a given region. The Jura valley, for instance, is synonymous with watches, Tuscany with leatherwork and London with artistic creation. Kering sees it as essential to preserve these skills and this excellence in craftsmanship, both through specific training and local partnerships to support training in traditional artisanal skills:

- Gucci continued its partnership with the *Made in Italy* Tuscany Academy and the *Alta Scuola di Pelletteria Italiana* to contribute to the preservation of know-how specific to leather;
- Bottega Veneta supports the Giovanni Fontana vocational training centre and the IUAV University of Venice. The brand is involved in drawing up three-year educational programmes to train leather craftspeople, and provides tutors for classes and apprenticeships for students. Meanwhile, Bottega Veneta organises training sessions on its own premises as part of the *Scuola dei Maestri Pellettieri* to spread and transmit traditional leatherworking techniques that are so specific and essential to the brand. In 2015, 137 people from inside and outside the Company were able to refine their techniques in the field of leatherwork (tanning, cutting, sewing, finishing, etc.);
- Bottega Veneta also continued to offer funding and support to two community craft cooperatives, the *Comunità Montane Femminili* and launched in early 2011 in Alto Astico and Posina, located in an Italian valley with high unemployment among women. Given the success of these first two cooperatives, a third workshop opened in 2015, the Santa Margherita cooperative located in Rotzo. Trained in *intreccio infilato*, a traditional weaving technique used in the production of Bottega Veneta's products, more than 70 women are now able to run their workshops independently, and have accordingly become direct suppliers to the brand;

- Boucheron is heavily involved in the Paris-based *École de la Joaillerie* jewellery school through its active participation as a member of the school's Board of Directors. It offers internships within its workshops, has established an apprenticeship contract and is sponsoring the class of 2016;

- Stella McCartney offered one scholarship place at Central Saint Martins College of Art and Design, provided that the student commits to an ethical policy of not using fur or leather.

In addition to these partnerships, some brands have set up their own schools to help preserve both rare know-how and local employment. Brioni, for instance, offers training to 16 young people every year in a three-year tailoring course at its *Scuola di Alta Sartoria*, and then employs them in its own workshops.

The Group and its brands also sometimes take action in the form of partnerships with local schools or universities in more broadly based programmes, with the aim of integrating a sustainability component into the various courses.

Since 2014, Kering has participated in a strategic five-year partnership with the Centre for Sustainable Fashion (CSF) at the London College of Fashion (LCF) to promote sustainable practices and innovation in the fashion industry. This partnership focuses on three main areas:

- the Kering Talks: each year, visionaries and business leaders from the fashion industry speak on the latest developments in the area of sustainable fashion, sharing their vision of the sector and its most innovative advances. After the inaugural talk by François-Henri Pinault, Chairman and Chief Executive Officer of Kering, in 2014, Kelly Slater, world surfing champion and founder of responsible fashion brand Outerknown, this year shared his convictions and his vision of sustainability in fashion;
- the joint development of teaching modules for the Sustainable Design programme: Kering and the CSF, in collaboration with a community of experts, researchers and professors, have pooled their skills to create a full course module taught at the LCF. After a first year dedicated to the themes of supply chains and the environmental impact related to sourcing strategies, Kering plans to develop digital content in addition to the LCF courses in 2016;

- the Kering Award for Sustainable Fashion: each year, Kering brands and the CSF run a competition open to third-year BA and MA students. The 2015 winners were each awarded a grant of €10,000 for their project and given internships at Alexander McQueen and Stella McCartney, where they benefited from the two brands' expertise as they worked further on their projects. Stella McCartney and Brioni will sponsor the awards in 2016.

Kering has also partnered with two schools, Parsons and Tsinghua, through the organisation of conferences, competitions, scholarship programmes and knowledge sharing involving Kering executives.

Among Kering's brands, Gucci sponsors the IMLUX (International Master in Luxury Management) programme at *MIP Politecnico di Milano* and works with the MAFED (Master in Fashion, Experience & Design Management) programme at the University of Bocconi. The main themes promoted by Gucci as part of this partnership are "retailing and CSR in Luxury Goods".

In 2015, Brioni continued its *A Scuola di Sostenibilità* programme, which aims to welcome students from the Penne region, home to most of its production sites, to raise awareness on sustainability challenges and to show how these issues are taken into account in the brand's activities. Brioni continued a similar programme at the *Scuola di Alta Sartoria* in 2015 to raise awareness on sustainability challenges among future tailors and craftspeople.

Lastly, Kering sought to allow fashion and design schools to benefit from the unused fabrics of its ready-to-wear brands. More than 20,000 metres of fabric were given to

nine different schools in the United Kingdom, Italy, France and Belgium thanks to the participation of Gucci, Bottega Veneta, Alexander McQueen, Balenciaga, Brioni and Stella McCartney.

In another area, the Group's brands are committed in the fight against food waste, especially in Italy, where Gucci and Bottega Veneta support the *Sticibo* programme that redistributes leftover canteen meals to people in need. Gucci distributed more than 11,000 meals in 2015. As of October 2015, a similar programme was implemented at Bottega Veneta's workshops in Montebello.

When it comes to sourcing, Kering's strategy aims to ensure a responsible approach. Practically, this means reducing the environmental footprint stemming from the production of raw materials used by Kering and making a positive impact on the communities involved in their production. The importance of this approach is particularly acute in the field of gold mining, an activity that carries significant risks for the environment and local communities alike. Through the purchase of "ethical" gold with Fairmined certification, Kering has worked closely with the NGO *Solidaridad* to provide support to mining communities, notably through training or the funding of local infrastructure such as schools, transport and drinking water networks. Kering also works with the Alliance for Responsible Mining (ARM), the body tasked with monitoring the Fairmined certification, which guarantees that the gold used by Kering is "ethical", or in other words that it comes from small-scale mines that meet strict standards in terms of social development, environmental protection, working conditions and local economic development.

4.2. stakeholder dialogue

In an increasingly interconnected world, players in the private sector need to pay attention to and maintain relationships with their partners and stakeholders. Kering therefore aims to establish quality relationships built on trust with all its partners, regardless of location, with a view to gaining a full appreciation of their concerns and expectations, and, as far as possible, incorporating these aspects into its strategy. For Kering, this means:

- defining a policy for consultation and analysis of stakeholder expectations at the Group level;
- encouraging brands to develop their own stakeholder dialogue platforms at a more operational level.

Group approach

Materiality

In 2014, Kering called on the expertise of Business for Social Responsibility (BSR), a consultancy specialised in the field of stakeholder dialogue, to update its materiality analysis. To this end, 12 interviews were carried out internally with senior executives of Kering and its brands. Kering also sent a questionnaire to over 100 external stakeholders (universities, NGOs, consumer groups, trade unions, investors and rating agencies, suppliers and business federations). The results, presented below, confirmed the Group's view of the key impacts relating to its supply chain, both environmental (quality, traceability, use of sustainably produced raw materials, etc.) and social (respect for human rights, working conditions, etc.). The structuring and formalisation of this policy were reviewed by the Group Ethics Committee, and will be finalised in 2016.

Platforms of dialogue and exchange

In order to remain constantly attentive to the key issues affecting its stakeholders, Kering participates in a number of international initiatives:

- **SAC:** in 2012, Kering became a member of the Sustainable Apparel Coalition, which brings together major players (brands, retailers, suppliers, NGOs, etc.) from the textile, footwear and accessories sector, who work together to reduce the negative environmental and social impacts caused by the industry worldwide. The Group and its brands made a substantial contribution to the creation and implementation of the HIGG Index, a tool that tracks the environmental and social impacts of the textile, footwear and accessories sector, notably at the supply chain level. PUMA, Volcom and Stella McCartney are also stakeholders in the SAC's work. Of particular note in 2015 was the Convergence project, partnered by Kering, which aims to lay down a framework of harmonised and global social audit procedures;
- **WBCSD:** in 2011, Kering joined the World Business Council for Sustainable Development, a multi-sector platform of 200 global companies that aims to promote the role of the business community in achieving sustainability based on economic growth, ecological equilibrium and social progress. In 2015, Kering shared the results of its EP&L and provided feedback on the implementation of the approach to the WBCSD's Executive Committee;
- **Natural Capital Coalition:** the NCC is a group of players committed to developing a Natural Capital Protocol, whose publication is scheduled for May 2016. This document, which will be broken down by sector, will provide a common framework for accounting for natural capital, in the same way as the GHG Protocol provides a framework for carbon accounting. Kering is an active member of this working group, both by sharing its EP&L methodology with other members and by playing a direct role in drafting the protocol through its membership in the coalition's Technical Group. Kering also featured among companies that tested the practical implementation of the Natural Capital Protocol in 2015, notably through the steps involved in integrating it into the business. Lastly, Kering is actively involved in the development of the textile and apparel sector guide;
- **Leather Working Group:** the LWG unites players in the leather industry in the aim of improving the environmental performance and traceability of its member tanneries. Following PUMA's commitment to the LWG, Kering chose to join the organisation in 2014 in order to speed up the work related to leather traceability and improve the environmental footprint of its tanneries. Kering also shared, at the LWG's 2015 annual conference, the results of its EP&L and the various actions undertaken within this project to ensure the traceability of leather;
- **Textile Exchange:** Kering is a member of Textile Exchange Europe, and sits on the Board of Directors of this body, which is committed to promoting the production and use of more sustainable textiles throughout the clothing industry;
- **European Commission:** Kering is taking part in two initiatives launched by the European Commission. The first is the Product Environmental Footprint pilot aimed at setting joint standards for the display of the environmental impact of certain product categories. Stella McCartney is leading Kering's participation in this initiative, focusing on shoes. The brand is preparing to test the project's communication phase in 2016, providing customers with information about the environmental footprint of some models of shoes through the use of specific displays in stores. The second initiative is a European working group aimed at promoting the measurement and recognition of natural capital by companies and administrations;
- **IUCN:** the International Union for Conservation of Nature develops and maintains cutting-edge conservation science, particularly with respect to species, ecosystems and biodiversity, and their impact on human livelihoods. Kering initiated a strong partnership with the IUCN in 2013, together with the International Trade Centre (ITC) on python breeding and trading in Asia. An initial report on this work was issued in 2014. Entitled *Assessment of python breeding farms supplying the international high-end leather industry*, it evaluates the economic feasibility and viability of captive breeding of pythons as a possible factor in the sustainable use and conservation of the species. In 2015, Kering organised the annual meeting of the IUCN/CCI Python Conservation Partnership Steering Committee;
- **Wildlife Friendly Enterprise Network:** Kering is a member of the Board of Directors, and supports certification initiatives for key raw materials such as wool and cashmere through the Stella McCartney brand;
- **ITC:** in 2014, Kering and the International Trade Centre (ITC) announced their collaboration to develop a multi-year programme to support the monitoring and sustainable management of trade in Nile crocodiles from Madagascar. The formation of the Madagascar Crocodile Conservation and Sustainable Use Programme follows the recommendation by the Standing Committee of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) to re-open trade in Nile crocodiles from Madagascar. The programme's goal is to support sustainable trade that contributes to economic opportunities, local livelihoods and the long-term conservation of crocodiles and their habitats.

In 2015, this work led to the creation of a national Crocodile Management Unit in Madagascar, whose purpose is to focus on market monitoring and research in terms of conservation of the species;

- **BSR (Business for Social Responsibility):** Kering is a member of BSR's Sustainable Luxury working group which unites more than 300 companies to promote transparency and cooperation between Luxury Goods companies, particularly with regard to supply chains. In 2015, BSR and Kering published a landmark report on climate change and the luxury industry. Entitled *Climate Change: Implications and Strategies for the Luxury Fashion Sector*, it provides the first analysis of the impact of climate change on the luxury sector. The report aims to help industry players see where their specific vulnerabilities lie, and makes recommendations promoting the development of more resilient business models;

At the national level in France, Kering is also involved in cross-sector dialogue and sharing best practices through:

- **EpE:** in 2012, Kering joined *Entreprises pour l'Environnement*, an association of approximately 40 French and international companies committed to working together to give environmental considerations more weight in their strategies;
- **Comité Colbert:** the *Comité Colbert* brings together French Luxury Goods houses and cultural institutions, and aims to promote the international influence of the French *art de vivre*. Some Group brands, such as Boucheron, regularly attend meetings of the Committee dealing with sustainability issues.

Brands' sector approach

In the same way as Kering, the brands are active members of bodies representing their specific sectors. The Luxury Division brands specialised in leather goods, such as Gucci and Bottega Veneta, are very active in the work of Italy's *Unione Nazionale Industria Conciaria* (UNIC) to improve the environmental footprint of tanning processes, as well as health and safety conditions in tanneries. The association of Italian tanners is in turn a member of Cotance, the body representing the leather industry in Europe, which contributes to the European Commission initiative aimed at defining a standard for measuring the environmental footprint of leather goods.

Also at the European level, the Group's brands take part in talks held by the European Cultural and Creative Industries Alliance (ECCIA), which brings together Europe's five Luxury Goods and creative industry federations, including *Comité Colbert* for France, *Fondazione Altgamma* for Italy and Walpole for the UK.

Some brands go further by creating their own dialogue and exchange mechanisms with their stakeholders. This is the case for PUMA, which organised its twelfth annual Talks at Banz, an event attended by nearly 40 participants (suppliers, industry and government representatives, NGOs, sustainability experts, etc.) to address the theme of "Mainstreaming Sustainability". In addition to this annual event, PUMA has developed a local dialogue mechanism to bring it closer to the issues on the ground. One example is the new partnership PUMA forged in 2015 with the Maquila Solidarity Network to engage in constructive dialogue on working conditions in the textile sector in Mexico.

Another emblematic example of stakeholder dialogue is the formation of the Zero Discharge of Hazardous Chemicals (ZDHC) Group in response to the Greenpeace Detox campaign in 2011. PUMA is a leading force in ZDHC, and publicly pledged in 2011 to remove toxic residues from its entire production chain by 2020.

This initiative is one of many examples of partnerships formed by the Group's brands with NGOs. Gucci regularly engages with *Solidaridad*, the AntiVivisection Society, the Humane Society, the Clean Clothes Campaign, Greenpeace, the National Wildlife Federation and the Rainforest Alliance.

Stella McCartney committed in 2015 to the SCAP 2020 initiative that unites the main public and private stakeholders in the apparel sector in the United Kingdom around the goal of reducing environmental impacts associated with the sector.

For the third consecutive year, Volcom organised, in partnership with the NGO SOY (Save Our Youth), a three-day surf camp for underprivileged children in Costa Mesa. Volcom also opened the doors to its skate park in partnership with the organisation TACA (Talk About Curing Autism) for an event that brought together more than 250 people and enabled young people with autism and their families to express themselves through skateboarding.

Dialogue with customers, particularly on aspects of sustainability, is another strong focus. Brioni has launched a pilot study in its stores in Europe, giving the brand greater insight into how much its customers know about its actions and those of the Group, and allowing it to identify their expectations on the implementation of environmental and social initiatives. In view of the value of the results drawn from the pilot study, the brand has decided to reiterate the trial in 2016, on a broader geographical scope. Although customers know fairly little about the actions undertaken by Kering and Brioni in terms of sustainability, the study shows that the sourcing of textile fibres and the conditions under which they are produced are particularly important to customers.

4.3. *relationships with suppliers*

Responsible purchasing policy

For non-retail (indirect) purchases, the Group's Indirect Purchasing Department remains committed to responsible sourcing based on a reciprocal undertaking with suppliers to respect the Kering Code of ethics. It also has specific commitments tailored to each category of purchases, with buyers identifying the most relevant sustainability criteria. To formalise this process, a responsible purchasing policy has been implemented at Group-level. It sets out the priorities to be shared and applied by all Group employees to manage purchasing ethically and responsibly. It has been distributed to all Kering employees. Kering further formalised these commitments in 2014 by signing the 2010 "Responsible Supplier Relations" Charter framed by the French Ministry of the Economy and Finance, and the *Compagnie des dirigeants et acheteurs de France* (French purchasing managers body – CDAF). The Charter's purpose is to promote the implementation of and compliance with best practices in relation to suppliers in France, and to encourage the major signatory contractors to implement a progress approach with their suppliers, especially small and medium-sized enterprises, in order to develop a true partnership through mutual knowledge and the respect for each party's rights and duties.

Training and support of suppliers in favour of best practices

Training and raising the awareness of suppliers is the preferred avenue taken by Group brands to achieve tangible improvement in practices across their value chains.

In October 2015, Kering and its Luxury brands invited their main European suppliers to a full day of talks and debate around the Group's sustainability approach. The meeting was held in Novara, near Milan, and brought together 235 suppliers. The agenda covered product quality, Group and brand sustainability strategies, animal welfare, management of chemicals, social audits, traceability, responsible sourcing through the Materials Innovation Lab and energy efficiency with Clean by Design.

In Sport & Lifestyle, the five-year SAVE programme (Sustainable Action and Vision for a Better Environment), initiated by PUMA in 2011, was wound up in 2015. This public-private partnership between PUMA and innovative financial institution DEG (*Deutsche Investitions- und Entwicklungsgesellschaft*) in collaboration with H&M and ASSIST (Asia Society for Social Improvement and Sustainable Transformation) allowed 35 of the brand's main suppliers in Cambodia, China, Bangladesh and Indonesia to be trained in the environmental management techniques laid down by the United Nations Industrial Development Organization. A total of 261 measures offering a return on investment within one year and a total reduction of approximately 100,000 tonnes in the CO₂ emissions of these suppliers in the relevant activities were identified. PUMA plans to establish a follow-up to this programme in 2016.

In the same spirit, Stella McCartney made a commitment in 2013 to the National Resource Defence Council (NRDC) as part of the Clean by Design programme aimed at reducing textile manufacturers' environmental footprint. In 2014, under the Group's impetus, Gucci, Alexander McQueen, Saint Laurent, Balenciaga, Bottega Veneta and Brioni also joined the programme. A total of 25 suppliers, mostly weaving, printing and dyeing companies based in Italy, are involved in the programme. Supplier audits have identified simple changes that could reduce their energy costs and greenhouse gas emissions by 15% to 25% without affecting production, and with a return on investment in less than five years. In 2015, Kering shared the findings of these audits with suppliers, and confirmed with them the action plans set up to reduce water and energy consumption. As these action plans are often expensive, Kering has resolved to provide suppliers wishing to undertake an audit with a review of existing domestic and European funding arrangements, thereby enabling them to make the investment necessary to improve their industrial processes and reap the ensuing savings.

More broadly, the Group's brands hold regular training sessions to discuss with their suppliers the key sustainability projects likely to involve them.

Bottega Veneta gathered more than a hundred suppliers on its Montebello Vicentino site in 2015 around the themes of traceability, chrome-free tanning and the management of chemicals. Gucci conducted nine awareness-raising meetings in 2015, bringing together nearly 375 suppliers on issues ranging from the protection of human rights to the fight against corruption, but also covering the sustainability principles that are an integral part of contracts signed by suppliers. PUMA organised round tables with 270 suppliers in Turkey, India, Indonesia, Vietnam, Cambodia, China, Argentina and Bangladesh. This allowed nearly 500 people to be made aware of local environmental and social issues, and to be trained in the brand's policies and processes.

Protecting human rights and combatting corruption

Kering's Code of ethics is the foundation on which the Group's commitment to ensuring respect for fundamental rights is built. It is based on international reference texts such as the Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, the United Nations Convention on the Rights of the Child, the main ILO Conventions and the ten principles of the UN *Global Compact*, which Kering signed in 2008. In 2013, during the overhaul of its Code of ethics, Kering decided to insert its Suppliers' Charter in order to bolster the Group's emphasis on compliance by its suppliers with the key social and environmental standards laid down in the Code.

On the issue of preventing corruption, Kering prohibits any political, trade union, cultural or charitable financing being carried out in exchange for direct or indirect material, commercial or personal advantages. The Group complies with national and international regulations in the fight against direct and indirect corruption. The Group's Ethics Committees seek to ensure compliance with the Code of ethics, and may have matters referred to them by any employee, notably issues relating to corruption, either directly or via the ethics hotline set up for all Group employees worldwide in 2013.

A new milestone was reached in 2015 with the creation of a Compliance structure, led by a Group Chief Compliance Officer (CCO) backed up by an international network of Brand Compliance Officers (BCO) appointed by the CEOs of each brand, to ensure compliance with prevailing legal requirements, including those relating to the fight against corruption and those relating to competition law.

In its second year, the e-learning training programme will cover topics related to diversity, corruption, human rights and environmental protection. In 2016, the themes of corruption, conduct in the workplace, responsible sourcing

and traceability of raw materials, and lastly compliance with business confidentiality will be on the agenda.

The principles contained in the Kering Code of ethics naturally apply to all Group brands, and can be supplemented by additional commitments more in tune with the various brands' operational issues. This is the case for instance with PUMA, which has had its own Code of Conduct for suppliers since 1993. Since 2005, the brand has also issued PUMASafe pocket guides for its employees and suppliers. These guides present PUMA's social, environmental and health and safety standards. A Social Handbook is also available, with contact details to enable factory employees to reach the PUMASafe team directly in case of breaches of the PUMA Code of Conduct. PUMA's membership of the Fair Labor Association (FLA) means that third parties are also entitled to file official complaints with the FLA if they feel that there has been a breach of the Code. The cooperation between PUMA and FLA dates back to 2004, and aims to manage and implement the required standards in terms of working conditions at suppliers. PUMASafe has been certified by the Fair Labor Association since 2007. In 2005, PUMA also undertook to publish an annual update of its supplier list. An example is PUMA's 2015 commitment alongside the FLA and other contractor brands to implement a national minimum wage policy in Georgia with local stakeholders. 2015 also saw PUMA continue its work on the integration of the Ruggie Framework (also known as the United Nations Guiding Principles on Business and Human Rights) into its approach to human rights. The Ruggie Framework defines the set of Guiding Principles on Business and Human Rights, and is the reference framework issued by the United Nations on human rights.

Volcom is also developing its code of conduct that its suppliers undertake to follow when they work for the brand.

In the Luxury Division, in 2007 and 2009 respectively, Gucci and Bottega Veneta embarked on the process of obtaining SA 8000 (Social Accountability 8000) certification. This global standard takes into account not only the company itself, but also the companies in its production chain. It requires the certified company and its suppliers to respect nine corporate responsibility requirements relating to child labour, forced labour, health and safety, freedom of association and collective bargaining, discrimination, disciplinary practices, working hours, remuneration and management systems, and to set up a specific management system for this purpose.

In 2013, Gucci and Bottega Veneta received SA 8000 certification for all their activities. Kering's international logistics platform for its Luxury brands (Luxury Goods International, LGI) also enjoys SA 8000 certification.

Supplier assessment systems

No control system, regardless of how mature and tested it is, can guarantee the absence of risk, and it is up to the Group and its brands to develop with suppliers the most efficient collaborative and control systems in order to keep risk to a minimum and implement any corrective action in cases where non-compliance is identified.

The management of suppliers' social compliance also takes into account the Group's growth, and is moving towards a more integrated model. Kering accordingly launched an ambitious project in 2015 to harmonise and combine resources for each stage in the supplier relationship process (contract, invoicing, traceability, audit, etc.). The sustainability team is involved in this project, which will also help brands implement and monitor social and environmental criteria for brand suppliers and subcontractors. More specifically, the project enabled the establishment in 2015 of a team of internal auditors at Group level, which will ultimately allow the integration of social and safety audits for all Luxury brands, the harmonisation of the standards used in these audits and the appropriate response to non-compliance.

The implementation of this new organisation resulted in a decline in the number of audits carried out by Gucci in 2015, due to the time needed for Gucci to update its risk mapping and its roadmap of suppliers to be audited on the following criteria: location, revenue, number of employees, industrial processes used, social and environmental risks. In 2015, the brand accordingly conducted 1,120 audits of 659 suppliers, 602 of which also covered environmental aspects.

Meanwhile, and based on the same broad risk assessment principles, Bottega Veneta performed 819 social and safety audits across its various business units in 2015. These audits brought to light two cases of non-compliance related to payroll management and implementation of the work contracts, as well as opportunities that will ultimately improve the health and safety conditions and the ergonomics of workstations.

In 2015, Saint Laurent completed 350 audits (mainly social, but also incorporating health and safety aspects) of direct suppliers covering all product categories, but with a particular focus on leather goods suppliers. The selection of suppliers to be audited is based on a risk matrix developed by the brand; all cases of non-compliance identified by the audits are addressed using corrective actions monitored closely by Saint Laurent teams.

A similar approach is taken by Balenciaga's Leather Goods division, which in 2014 undertook an external audit programme covering social and safety aspects (in accordance with the Workplace Conditions Assessment standard) of all its direct and indirect leather goods suppliers located in Italy. A total of 69 audits were performed in 2015, with corrective action plans drawn up to address any cases of non-compliance.

Stella McCartney performed 73 audits in 2015, using the reference framework designed by SMETA (SEDEX Members Ethical Trade Audit), which, in addition to compliance with the principles of the ETI (Ethical Trading Initiative), analyses working conditions, health and safety at work, and environmental and ethical practices, including by subcontractors.

In the Sport & Lifestyle Division, PUMAs audits are performed by PUMASafe (Social Accountability and Fundamental Environmental Standards, a team of nine internal auditors dedicated to these issues). A total of 384 audits were conducted in 332 factories in 2015, covering more than 95% of the factories that PUMA works with. Supplier performance in relation to the social and environmental standards of the PUMA audit criteria is expressed by a grade ranging from A to D, A being the best. 34 factories failed the audit, with a grade of C or D, and were consequently suspended. The three main causes of non-compliance were health and safety, wages and freedom of association.

Volcom follows a mixed approach by conducting some audits with its own teams, others being conducted by an external firm commissioned by Volcom directly or by another of the supplier's clients. Of the 34 factories covered in 2015, 9 were audited by teams from Volcom or by an audit firm representing the brand, and 25 by another of the supplier's clients.

	2015	2014	Year-on-year change
Gucci	1,120	1,743	-36%
Bottega Veneta	819	755	+8%
Saint Laurent	350	225	+56%
Balenciaga	69	89	-22%
Stella McCartney	73	NA ⁽¹⁾	
PUMA	384	429	-10%
Volcom	34	42	-19%
Total number of social audits	2,849	3,283	-13%

(1) NA: Not available.

4.4. *risk management and development of responsible products*

Kering's responsibility towards society extends across the value chain, and the Group is keen to help raise awareness of sustainability issues among consumers, while ensuring that its products respect their health and the environment.

Consumer health and safety

To ensure the safety of the products they sell to their customers, the Group's brands have put in place quality control procedures that comply with the strictest international consumer health, safety and environmental standards and regulations, such as REACH, US CPSIA, China SAC GB Standards, Japan Industrial Standards (JISL), etc. In 2014, a dedicated structure, the Product Compliance Advisory Department, was created at Group level. Aimed at pooling services, its purpose is to advise brands on product testing protocols to ensure that products comply with the local characteristics of each market. It naturally makes considerable reference to the Restricted Substance List (RSL), which specifically lists the substances to be removed or the threshold not to be exceeded, but also applies the highest existing standards for the disposal of hazardous chemicals. To take into account the pace of technological development and advances in research in the field of chemicals, the RSL is updated twice every year. Kering held an internal webinar in 2015 on nanotechnology applications in textile and leather, and their potential risks to health and the environment. It led to the development of an internal procedure to conduct tests before any use of these new technologies.

Evidence of the effectiveness of the organisation rolled out by Kering for the management of chemical substances was Gucci's qualification in 2014 for an accreditation issued by China – the Certificate for Company with quality

pre-evaluation on imported garments – which allows the brand to benefit from reduced customs checks. This accreditation was made possible by the performance of Gucci products during past checks, and the robustness of internal systems for managing product compliance. In 2015, this accreditation was extended to Bottega Veneta, Stella McCartney and Alexander McQueen, with Balenciaga and Saint Laurent set to follow shortly thanks to the support of the Product Compliance Advisory Department team.

Some brands also take specific initiatives, such as Girard-Perregaux and JEANRICHARD, whose Quality Department helped create an inter-brand technical committee on watches, also involving Gucci Watches and Boucheron, in 2014. In 2015, the Committee continued to discuss the framework for action related to regulatory compliance in respect of hazardous chemicals and the implementation of Kering's Manufacturing Restricted Substance List (MRS�).

The organisation deployed in the Luxury Division has also benefited from the expertise of the Sport & Lifestyle Division brands in this field.

In accordance with its Handbook for Environmental Standards, PUMA has also discontinued the use of dozens of chemical substances deemed detrimental to human health and the environment, going further than prevailing regulatory requirements. These substances are listed in the RSL. They include a number of heavy metals, phthalates, organic compounds, azodyes and chlorobenzenes. The document also lays down test procedures to ensure compliance with the RSL and the absence of breaches of thresholds. The PUMA Handbook for Environmental Standards is distributed to the brand's suppliers, who must in turn agree to comply with it. Additionally, PUMA continued in 2015 to participate in the ZDHC (Zero Discharge of Hazardous Chemicals) campaign launched in 2011, an initiative that aims to eliminate all hazardous

chemical waste in the textile industry by 2020. ZDHC posts regular updates on the progress made with this programme on its website.

Developing responsible products: a long-term strategy

Broadly speaking, Kering's strategy is to seek to influence the way in which products are designed as far up the supply chain as possible. This is due to two key factors:

- the results of the EP&L carried out at the Group level clearly show that the biggest environmental concerns are located far upstream, at the raw material production stage of the value chain (farming, cultivation and mining), rather than on the Group's own operations and sites;
- designing more environmentally friendly products depends on sustainable materials and processes. In terms of sustainability, the most important advances are likely to be achieved in sourcing and by focusing on the processing technologies used in the supply chain.

In 2015, the brands therefore continued to focus their efforts mainly on sustainable sourcing and process innovation. Given the time it takes to effect such a major transformation, the portion of the Group's responsible production in its various collections remains modest. The Group's brands nevertheless strive each year to create new lines of sustainable products in order to generate new sources of revenue. These initiatives are developed as pilot ranges to test a desired result, or as part of consumer awareness-raising campaigns to cultivate the market's appetite for sustainable products, or with a view to sharing the results of their labours with the charities and associations with which they wish to collaborate.

To this end, the Group's brands can leverage the Materials Innovation Lab (MIL), which offers the brands, two years after its launch, a library of more than 2,000 ecological fabrics and fibres to use in their collections.

Working with Kering's Sustainability Department, the MIL team shares its expertise with the brands and works with strategic suppliers to identify materials that are better for the environment. In 2015, the MIL developed the following noteworthy projects:

- informing fabric suppliers about the various existing or pending environmental and social certifications, supporting them if necessary in obtaining certification;
- improving the MIL's online database of 2,000 alternative fabrics and fibres (easier to read, faster searches);
- analysing regulations and practices regarding environmental and social disclosures on product labels in various countries, and analysing the certifications required before environmental and social claims be put on a label.

The MIL is also continuing its work aimed at integrating recycled material into synthetic fibres such as polyester and nylon. In particular, 2015 saw the MIL begin a collaboration with Aquafil, the producer of Econyl®, a sustainable and innovative nylon fibre made from fishing nets or other waste nylon.

Following its entry into the Sport & Lifestyle collections thanks to PUMA, organic cotton is being used more widely by the Luxury brands. Alexander McQueen, for instance, used more than 20,000 kg of organic cotton in its spring-summer 2015 men's ready-to-wear collection (polo shirts and sweatshirts), while Bottega Veneta used more than 700 kg of organic cotton in its 2015/2016 ready-to-wear collections. Stella McCartney continues to use organic cotton, which accounted for 65% of its total cotton use in 2015, focusing on GOTS (Global Organic Textile Standard) and OCS (Organic Cotton Standard) certifications to ensure the highest standards in terms of traceability and environmental impact along the entire textile production chain. For the first time in 2015, children's collections with GOTS and OCS certification were given specific labelling, and in-store sales consultants were specifically trained to explain the principle of the two labels to customers. Kering conducted a thorough study of conventional and organic cotton sourcing practice across the Group in 2015 to identify constraints and recommend effective arrangements to allow the proportion of organic cotton products to increase significantly in 2016.

Another fabric synonymous with luxury, cellulosic fibres such as viscose are the subject of great attention, because they are made from wood pulp and as such carry significant risks in terms of deforestation. This is why Stella McCartney has made a commitment alongside the NGO Canopy to ensure that all cellulose fibres used by the brand are traceable and sustainably sourced by 2017, ensuring that their production is not the cause of deforestation in areas with high ecosystem value such as Indonesia.

In 2015, Brioni developed a special collection made from the highest quality merino wool (Super 150s and Super 200s), whose production meets very stringent environmental and animal welfare criteria.

At the end of 2015, over 30% of fabrics purchased by Saint Laurent to produce its ready-to-wear collections were covered by responsible sourcing projects, mainly for wool, cotton and silk.

The reuse of fabric offcuts can also help reconcile creativity and waste reduction. In 2015, for the second consecutive year, Balenciaga's ready-to-wear division continued its Second Life Fabrics programme to find new uses for its unused fabrics. Since the project started, nearly 3,000 shopping bags and scarves were produced by workshops employing people in work reintegration programmes and sold within the Group, resulting in the reuse of almost 1,500 metres of fabric.

Meanwhile, Gucci developed an innovative system for recovering cashmere fabric production offcuts, which are sorted by colour and quality, and then processed into “recycled” cashmere fibre. Depending on the collection and the level of quality required, a certain percentage of virgin fibre can be added before the spinning stage. The whole process takes place in Italy; it is environmentally friendly, fully traceable and enabled the reuse of 11 tonnes of cashmere offcuts in 2015. Gucci introduced this innovative cashmere fibre in its autumn/winter 2015 ready-to-wear collections for men, women and children. In the same vein, Stella McCartney has undertaken to use exclusively “recycled” cashmere fibre for all of its autumn 2016 knitwear collection.

In leather goods, brands continued the move to chrome- and metal-free tanning. The switch has now been made for three iconic Gucci handbags and customisable small leather items, while Bottega Veneta doubled its production of leather tanned without the use of chrome and metal in 2015, with almost 100,000 square metres used in its leather goods and shoes. In 2015, to further the work conducted by the brands on various environmentally friendly tanning techniques, Kering initiated a comprehensive life-cycle assessment for each technique (chrome-based, metal-free, plant-based, etc.). The study is based on five production cycles carried out internally or with external partners, such as tanneries in Italy, and aims to provide a better insight into the environmental impacts and health risks of the various options. The results will be available in 2016.

All brands also worked to improve the traceability of hides back to the slaughterhouse, and where possible all the way back to the farm, to ensure that skins meet the Group’s responsible sourcing objectives. Bottega Veneta, for instance, guarantees the traceability of leather used for nine versions of its iconic *Cabat* bag back through the various production and distribution stages to the farm. Traceability is achieved in large part through the application of the ICEC standard in tanneries, which are subject to external audits. PUMA achieves the traceability of leather through its use of the Leather Working Group rating system, which covers 90% of leather used.

In 2015, Gucci launched a special edition of a ring made from Fairmined certified gold. The Gucci Good Gold Ring is made from gold sourced from artisanal mines in southern Peru. This certification means that the gold

used is ethical, or in other words that its extraction complies with stringent safety conditions, that it has a limited environmental footprint, particularly as regards the use of chemicals, and that a portion of the profit is donated to local communities in order to improve their living conditions (building schools, transport and drinking water networks, etc.). Moreover, this certification requires traceability along the entire production chain, guaranteeing the provenance of the gold used.

In addition to the product itself, packaging is an important part of the approach taken by the brands. On the heels of the switch to FSC-certified paper for packaging, the brands have made progress in integrating recycled fibres. As such, Bottega Veneta’s customer packaging and shopping bags include 50% recycled fibres. Similarly, the new packaging adopted by Gucci in October 2015 is FSC-certified.

The development of responsible products is also hinged on customer demand. For Kering, this implies a need to contribute to raising customers’ awareness by educating them on the environmental and social issues related to the manufacture of its products. To this end, Stella McCartney has committed to the Clevercare initiative, which involves giving maintenance tips using pictograms on product labels and via a dedicated website. This allows customers to reduce the product’s environmental footprint during the use phase, and at the same time to extend its lifespan. Generally, responsible product lines are identified through specific labelling allowing customers to see how the items in question are responsible. Brand websites offer a valuable communication medium for customers who want more details.

To get a better grasp of customer expectations concerning responsible products, Brioni has launched a pilot study in its stores in Europe, giving the brand greater insight into how much its customers know about its actions and those of the Group, and allowing it to identify their expectations on the implementation of environmental and social initiatives. In view of the value of the results drawn from the pilot study, the brand has decided to continue the study in 2016, so as to cover a broader geographical scope.

No stage of the customer relationship should be forgotten, and Gucci’s after-sales service extended the use of ecological products to its stores in Europe in 2015, for the maintenance or repair of products returned by customers.

4.5. *initiatives carried out by the kering foundation and sponsorship programmes*

The Kering Foundation: a renewed commitment to combating violence against women

Established in 2008, the Kering Foundation – formerly PPR Corporate Foundation for Women's Dignity and Rights – combats violence against women. The Foundation commits Kering to a key issue that ties in with its activities and its brands' customers, and an area where the Group can play a vital role alongside governments and communities.

Since 2014, the Kering Foundation has focused its actions on three geographic areas: the Americas, Western Europe and Asia. In each of these regions, the Foundation will focus on a main cause (sexual violence, harmful traditional practices and domestic violence, respectively) and on targeted partnerships with NGOs and social entrepreneurs. The Foundation also enlists the support of the Group's 38,800 employees for its actions designed to raise awareness and combat violence against women.

As part of the development of the Foundation's activities in Asia, the first meeting of the Asia Steering Committee was held on April 14, 2015 in Beijing. This committee has the following members: Yuan Feng, board member of the Kering Foundation since June 17, 2014 in her capacity as an expert on women's rights in the Asia-Pacific region; Alessandro Paparelli, Senior Vice-President, Human Resources, Kering Asia Pacific; Wu Qing, an expert in the Chinese voluntary sector; Zhang Wenqi, Senior Programme Manager at Give2Asia, partner of the Foundation for the pre-selection of community projects; and Céline Bonnaire, Executive Director of the Foundation.

The purpose of the Steering Committee is to create a framework for exchange and cooperation with partner associations to assess and advance projects receiving support.

• **Working alongside NGOs**

Active in Europe in the fight against harmful traditional practices such as female genital mutilation (FGM) and forced marriage, the Foundation supports the creation of the *Maison des Femmes* in France. Faced with the fact that 16% of patients at its maternity clinic have suffered genital mutilation, the team of the *Centre Hospitalier de Saint-Denis* has decided to House specific services relating to FGM – and more broadly social and legal services to support women who are victims of violence – in a single location. The first stone was symbolically laid on

March 8, 2014, and construction is slated for completion on March 8, 2016. In addition to providing financial support, the Kering Foundation has also secured long-term commitments to the *Maison des Femmes* project from several corporate foundations (Elle, Raja, Sanofi, etc.).

In the United Kingdom, the Foundation has joined forces with Trust For London, the Esmée Fairbairn Foundation, Comic Relief and the Rosa Fund in supporting the Tackling FGM Initiative launched in 2010 to coordinate the work of grassroots organisations involved in the prevention of FGM through interaction with communities. The Foundation provides particular support to a capacity-building programme between grassroots organisations and to the creation of psychosocial services for women victims.

Initial contacts have been made with NGOs in Italy; projects are in the process of being drawn up.

In Asia, the Foundation has opted to focus its action on domestic violence in China, which affects 25% to 30% of women according to a study conducted by the All-China Women's Federation in 2004. The Board of Directors has voted to support two projects over three years:

- the Maple Women's Psychological Counselling Center in Beijing, to provide telephone support and multi-service coordination (accommodation, medical, psychological and legal assistance);
- the Zhongze Women's Legal Counselling and Service Centre, for its pilot project of legal aid and advocacy for victims in the province of Hubei, to promote national legislation.

Both projects receive financial support from the Foundation, as well as assistance for capacity building, particularly in the context of the Steering Committees held on April 14 and December 15, 2015.

Projects are also in the process of being identified in Hong Kong.

In the Americas, the Foundation announced in June 2015 its support for the fight against rape on campuses, and in particular its partnership with the *It's On Us* campaign led by Generation Progress. One in five women are sexually assaulted on American campuses. The *It's On Us* campaign is a movement aiming to achieve a cultural sea change by fundamentally shifting the perspective on sexual assault on campuses. The project involves a range of partners, with collaborative work alongside student leaders to promote awareness campaigns and implement policy changes on campuses.

The Kering Foundation supported Generation Progress's production of a public service announcement video entitled *One Thing*, as well as the action week it held on American campuses from November 9 to 13, 2015. The video, which came with a discussion and awareness guide, focuses on the importance of consent to sexual intercourse. The video was shown throughout the United States between August (the back-to-school period on American campuses) and December 2015, and was viewed over 4 million times on YouTube and Facebook. 90 committed partners including Facebook and Microsoft added their support, giving it the potential to reach nearly 210 million people.

Lastly, the Kering Foundation continued its support for the project backed by RESTART, an organisation that works to promote the socioeconomic integration of some 200 Syrian refugee women in Lebanon.

- **Partnering with social entrepreneurs acting for the benefit of women**

Since 2008, in line with Kering's entrepreneurial values, the Foundation has provided support to social entrepreneurs combining sustainable business models and solutions to social issues. In 2015, after the pre-selection of projects with three partners specialising in social entrepreneurship, namely FYSE in China, Geneva Global in the Americas and UnLtd in Europe, the Kering Foundation awarded two social entrepreneur awards, one in China and the other in the United States:

- *Starfish Project*, a social enterprise created by Jenny McGee, specialising in the design and production of jewellery in Beijing. *Starfish Project* is managed exclusively by and for women victims of violence; profits are used to provide a full range of services including counselling, vocational training, literacy, educational scholarships, access to care and accommodation. Since 2006, it has helped more than 100 women through regional and global programmes. The support of the Kering Foundation will help consolidate *Starfish Project's* social impact in China. The project won both a grant of €30,000 and two years' mentoring by a Kering group executive. This support will enable *Starfish Project* to entrench its position in the Chinese market, and will offer leadership training allowing the female beneficiaries to develop *Starfish's* activities and foster job opportunities for women;
- *We End Violence*, a social enterprise dedicated to the prevention of sexual violence in the United States. It offers an innovative model to raise awareness and change the types of behaviour that lead to gender violence: create a culture where victims of sexual violence feel safe to share their experiences and rebuild; change cultural norms; encourage men to become aware of their role in the prevention of violence; and build alliances that empower more people to make their voices heard. Since 2006, *We End Violence* has provided direct

assistance to 10,000 beneficiaries. The project won two years' support from the Foundation, including a grant of €30,000, and mentoring by a Kering group executive to strengthen its marketing and communications strategy.

- **Raising awareness among staff and the general public**

Combating violence against women means building awareness with a view to changing social representations and behaviour. The Kering Foundation has made raising awareness, both among its employees and the general public, a key part of its programme.

When François-Henri Pinault joined forces with *Fédération Nationale Solidarité Femmes* (FNSF) in 2010 to sign a Charter to prevent and combat domestic violence, the Group pledged to inform and train employees within its brands to provide better help for potential victims. This was done first in France and then in Italy, in 2013, in partnership with *Donne in Rete contro la violenza* (Di.Re). In 2015, 56 employees in France and Italy attended four awareness-raising sessions. In addition, in January 2015, the Kering Foundation joined forces with British NGO Women's Aid to prevent and combat violence against women. The Charter, signed by François-Henri Pinault, commits Kering's 1,400 employees based in the United Kingdom to a two-year programme combating domestic violence. This will better equip them to ensure the prevention of this phenomenon, which affects all social classes. By the end of 2015, four training sessions had been held in the United Kingdom, involving a total of 63 employees.

Since 2011, 353 employees have been trained on domestic violence issues.

In January 2015, the Board of Directors decided to end the partnership linking the Foundation to the Tribeca Film Institute since 2011. The decision was made to devote the funds to projects more in tune with the causes supported by the Foundation, and whose impact can be assessed more readily. Kering also announced a partnership with the Cannes Film Festival and the launch of its Kering for Women programme in 2015.

The Foundation organised a round table timed to coincide with the festival, in May 2015. Three speakers addressed the following theme: "How can cinema help improve women's rights? Cinema as a platform to raise awareness about women's causes":

- Linor Abargil for *Brave Miss World*, a documentary supported by the Kering Foundation;
- Leslee Udwin, Director of *India's Daughter*, winner of the 2014 Spotighting Women Documentary Award awarded by the Foundation in partnership with the Gucci Tribeca Documentary Fund;
- Deniz Gamze, Director of *Mustang*, in competition at Cannes.

On November 25, International Day for the Elimination of Violence against Women, the Foundation launched the fourth edition of its White Ribbon for Women campaign.

In 2015, 125,000 copies of the badge designed by Stella McCartney, in reference to the men's White Ribbon movement against violence towards women, were distributed in 41 countries between November 21 and 28. Customers of over 800 Alexander McQueen, Balenciaga, Boucheron, Brioni, Dodo, Gucci, Pomellato, Qeelin and Stella McCartney boutiques and their related e-commerce websites, as well as the majority of the Group's employees and countless partners, journalists and opinion leaders, had their awareness raised in this way.

At the same time, from November 7 to 28, the Kering Foundation ran a digital campaign with the hashtag #BeHerVoice to encourage everyone to play a part in ending violence against women.

The social media campaign potentially reached more than 319 million Internet users, thanks to the support of the Group's brands and celebrities like Kelly Slater, Richard Branson, Johnny Depp, Chen Man and Negin Mirsalehi.

In conjunction with this programme, the Kering Foundation unites the Group's employees around its commitment to women: their skills, both professional and personal, are a valuable source of support for NGOs and social entrepreneurs.

Since 2014, employees who take two weeks' solidarity leave for an assignment in a foreign country have been given two to four days' paid leave pursuant to the International Volunteering Programme. Employees who offer more regular support to local organisations are given six days. In 2015, the Group gave 70 days' paid leave for volunteer work in support of women, including eight days' pre-departure training. An example is offered by two Gucci and Saint Laurent employees who worked to bolster the human resources management skills of the team of Enda El Alto, an NGO that provides a shelter for young girls who have been victims of violence in the suburbs of La Paz, offering them vocational training and activities.

The Kering group brands support women's empowerment projects, including health, education and cultural heritage

The support of the Group's brands is a real lever for community projects, mobilising a wide range of resources. Each brand develops its own community initiatives to tie in with its activities and locations, to encourage the sharing of best practices and to offer support to the brands in developing initiatives for women.

Multiple initiatives benefiting women

The Kering group brands demonstrated their commitment to women's rights through some 50 initiatives in 2015. Gucci, founder of the Chime For Change movement in 2013, this year raised more than €386,000, allowing its total contribution to roughly 400 projects favouring women's access to education, healthcare and justice to top €7 million, with a special focus on the plight of Syrian refugees. In 2015, Chime for Change established a partnership with Global Citizen, supporting its Global Citizen Festival held in Central Park and working to make the voices of girls and women across the globe heard. The Italian brand has also been a committed partner of UNICEF for several years via its children's collections. Alexander McQueen also provides active support for this project. Stella McCartney raised €27,800 through special sales dedicated to Heart, an association that helps victims of sexual abuse in the United States. Bottega Veneta opted to raise the profile of Afghanistan's emblematic female cycling team by organising a charity race with its employees from Milan to its Vicentino workshop in Montebello. Brands are also committed to women in their home markets: Qeelin, Alexander McQueen and Stella McCartney donated goods for auction to benefit the Women's Foundation in Hong Kong and Women's Aid in the United Kingdom. In its home city of Penne, Brioni has funded a nursery to promote the employment of women. Oxfam was given some €20,000 for its women's programme in Italy, raised by Gucci through the sale of special edition bracelets.

A strong commitment to health and medical research

Broadly speaking, health and medical research benefit from more than 35% of brands' philanthropy. Sowind contributed €35,000 for research on Duchenne muscular dystrophy by auctioning a watch, while Saint Laurent continued to support *Sidaction*, raising more than €12,000. In women's health, a total of over €100,000 was raised to fight breast cancer through initiatives taken by the majority of brands around the world, including Pomellato in Italy and Boucheron in France, as well as Gucci in South Korea and China. Children's health is another special focus, with more than €190,000 devoted to various causes: Gucci, for instance, renewed its support of more than €100,000 to the China Children and Teenagers' Foundation (CCTF) to help disadvantaged children suffering from amblyopia, a condition that leads to impaired vision. In 2015, Gucci completed a three-year international cooperation project to renovate the pharmacy of the Thiès Hospital as part of its fight against maternal and infant mortality in Senegal.

Diversified resources for education and training

In Sport & Lifestyle, PUMA opted to support initiatives by professional footballers in favour of disadvantaged children by donating over €140,000 to the *Stiftung Profifussballer helfen Kindern* foundation. Volcom, which for eight years has been committed to the education of young people alongside the Boys and Girls Club of Hawaii, raised over €45,000, notably through the *Give Back Series* collections, in which a percentage of profits is donated.

While Balenciaga provided €90,000 in sponsorship to the gala of the *Boys Club of New York*, which provides educational programmes to over 4,000 disadvantaged young people, the Luxury brands tend to focus their work with young people on numerous partnerships developed to train young generations in the fields of artistic creation and the preservation of know-how. Brioni contributed over €209,000 through fabric donations to the London College of Fashion and Central Saint Martins, assisting students of the Royal College of Arts and supporting education through art with *Artists for Peace and Justice*. Since 2012, Bottega Veneta has undertaken to train young people from the Veneto region to preserve leathercraft know-how, dedicating €247,000 to the programme. The money funds training for 70 students at

the Centre for Professional Training of Vicenza and provides access to 12 students from the University of Venice IUAV for three months' training at both the university and the *Scuola dei Maestri Pellettieri* in the brand's Montebello Vicentino workshops. Gucci continued to support young musicians from the Recording Academy by donating part of the profits of several dedicated products in the amount of nearly €700,000.

Resources made available in support of cultural heritage

The brands are also committed to the preservation of heritage alongside cultural institutions. Boucheron, patron of the arts at the *Comédie Française* since 2011, renewed its support in the amount of €30,000. The *Palais Galliera* fashion museum received donations of items from Balenciaga and Saint Laurent. The Metropolitan Museum of Art also received the support of Balenciaga and Saint Laurent for its annual gala. Bottega Veneta in turn this year devoted more than €330,000 to museums, including the Metropolitan Museum of Art and the Hammer Museum in the United States, and collaborated with *Casa Brutus* magazine to raise awareness about Japanese modernist architecture.

5. *cross-reference table*

purnuant to articles r. 225-104 and r. 225-105 of the french commercial code (code de commerce)/global compact/gri g1

Justification of exclusions

This report contains information on all social, environmental and societal issues required by the decree governing the application of Article 225 of the Grenelle 2 law, with the exception of:

- noise, which is not applicable to Kering's sectors of activity;
- the amount of provisions and guarantees for environmental risk, which is not consolidated at Group

level and concerns only a very small number of sites (tanneries and production sites).

This information relates to the activities and brands of the Group's Luxury and Sport & Lifestyle Divisions. Subsidiaries whose activities are considered to be discontinued under IFRS rules have been deliberately excluded from the scope of the published information.

Grenelle 2 Articles R. 225-104 and R. 225-105 of the French Commercial Code (<i>Code de commerce</i>)	GRI	Global compact	Section of the Reference Document
1° Social information			
Employment			
Total number of employees and breakdown of employees by gender, age and region	G4-10	3 to 6	Section 2.1.
Hires and redundancies	G4-LA1		Section 2.1.
Remuneration and changes in remuneration	G4-LA13		Section 2.2.
Work organisation			
Organisation of working time	G4-LA2	3 to 6	Section 2.6.
Absenteeism	G4-LA6		Section 2.6.
Labour relations			
Organisation of social dialogue, procedures for informing, consulting and negotiating with employees	G4-LA4	3 to 6	Section 2.7.
Collective bargaining agreements	G4-LA4		Section 2.7.
Health and safety			
Health and safety in the workplace	G4-LA6 to 8	3 to 6	Section 2.6.
Bargaining agreements signed with trade unions and employee representatives concerning health and safety in the workplace	G4-LA6		Section 2.6.
Work-related accidents, in particular frequency and severity, and work-related illnesses	G4-LA7		Section 2.6.
Training			
Training policies	G4-LA11	3 to 6	Section 2.4.
Total number of training hours	G4-LA10		Section 2.4.
Diversity			
Measures taken to promote gender equality	G4-LA10	3 to 6	Section 2.5.
Measures taken to promote the employment and integration of people with disabilities	G4-LA12		Section 2.5.
Policy concerning the fight against discrimination	G4-LA12, G4-HR3		Section 2.5.

Grenelle 2 Articles R. 225-104 and R. 225-105 of the French Commercial Code (<i>Code de commerce</i>)		GRI	Global compact	Section of the Reference Document
Promotion & compliance with the provisions of the ILO conventions				
Compliance with freedom of association and the right to collective bargaining	G4-HR4, G4-LA4		3 to 6	Sections 2.3., 2.5. and 4.3.
Elimination of discrimination in respect of employment and occupation	G4-HR3, G4-LA13			Sections 2.3. and 2.5.
Elimination of forced and compulsory labour	G4-HR6			Sections 2.3., 2.5. and 4.3.
Effective abolition of child labour	G4-HR5			Sections 2.3., 2.5. and 4.3.
2° Environmental information				
General environmental policy				
Organisation of steps taken to address environmental issues and environmental assessment and certification procedures			7 to 9	Sections 1.2. and 3.1.
Initiatives taken to train and raise awareness among employees on environmental protection				Sections 3.1. and 4.3.
Resources assigned to the prevention of environmental risks and pollution	G4-EN31			N/A
Amount of provisions and guarantees covering environmental risks	G4-EN31 and G4-EC2			N/A
Pollution and waste management				
Measures taken to prevent, reduce and rectify emissions into air, water and soil that have a significant impact on the environment	G4-EN22 to 26		7 to 9	Sections 3.3. to 3.6.
Measures taken to prevent, recycle and eliminate waste	G4-EN23			Section 3.5.
Steps taken to address noise and any other form of pollution relating to a specific activity				N/A
Sustainable use of resources				
Water consumption and supply of water in accordance with local regulations	G4-EN8		7 to 9	Sections 3.2. and 3.4.
Raw materials consumption and measures taken to promote more efficient use	G4-EN1, G4-EN27			Sections 3.2. and 3.4.
Energy consumption and measures taken to improve energy efficiency and use of renewable energy	G4-EN3 to EN7			Sections 3.2. and 3.3.
Land use				Sections 3.2. and 3.4.
Climate change				
Greenhouse gas emissions	EN16, EN17, EN18, EN19, EN20		7 to 9	Sections 3.2. and 3.3.
Adapting to the consequences of climate change	EN18, EC2			Section 3.3.
Biodiversity				
Measures taken to protect and develop biodiversity	G4-EN11 to EN 14		7 to 9	Section 3.6.

Grenelle 2 Articles R. 225-104 and R. 225-105 of the French Commercial Code (<i>Code de commerce</i>)	GRI	Global compact	Section of the Reference Document
3° Societal information			
<i>Territorial, economic and social impact of the Company's activities</i>			
On employment and regional development	G4-EC7 and G4-EC8	1 to 10	Section 4.1.
On neighbouring or local populations	G4-EC1, G4-EC5 and 6		Section 4.1.
<i>Stakeholder engagement</i>			
Dialogue with stakeholders	G4-24 to 27	1 to 10	Sections 1.1., 4.2. and 4.3.
Partnership and sponsorship initiatives			Section 4.5.
<i>Subcontracting and suppliers</i>			
Incorporating social and environmental issues in the purchasing policy	G4-EC9, G4-HR4, 5, 6, 8, 10	1 to 10	Sections 4.3. and 4.4.
Scale of outsourcing and steps taken to raise awareness among suppliers and subcontractors with respect to corporate social responsibility			Section 4.3.
<i>Fair practices</i>			
Steps taken to fight against corruption	G4-SO3 to 5	1 to 10	Sections 2.3. and 4.3.
Measures taken to promote consumer health and safety	G4-PR1, G4-PR2		Section 4.4.
Steps taken for the protection of human rights	G4-HR		Sections 2.2. and 4.3.

6. report by one of the statutory auditors, appointed as independent third party, on the consolidated human resources, environmental and social information included in the management report for the year ended 2015

This is a free English translation of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditor of Kering, (the "Company"), appointed as independent third party and certified by COFRAC under number(s) 3-1048⁽¹⁾, we hereby report to you on the consolidated human resources, environmental and social information for the year ended December 31st, 2015 included in the Management Report within the Reference Document (hereinafter named "CSR Information"), pursuant to article L. 225-102-1 of the French Commercial Code (*Code de commerce*).

Company's responsibility

The Board of Directors is responsible for preparing a company's Management Report including the CSR Information required by article R. 225-105-1 of the French Commercial Code in accordance with the protocol used by the Company (hereinafter the "Guidelines"), summarised on Kering Internet website (www.kering.com).

Independence and quality control

Our independence is defined by regulatory texts, the French Code of ethics (*Code de déontologie*) of our profession and the requirements of article L. 822-11 of the French Commercial Code. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

Statutory Auditor(s)'s responsibility

On the basis of our work, our responsibility is to:

- attest that the required CSR Information is included in the Management Report or, in the event of non-disclosure of a part or all of the CSR Information, that an explanation is provided in accordance with the third paragraph of article R. 225-105 of the French Commercial Code (Attestation regarding the completeness of CSR Information);
- express a limited assurance conclusion that the CSR Information taken as a whole is, in all material respects, fairly presented in accordance with the Guidelines (Conclusion on the fairness of CSR Information).

Our work involved six persons and was conducted between October 2015 and March 2016 during a four week period. We were assisted in our work by our sustainability experts.

We performed our work in accordance with the French professional standards and with the order dated 13 May 2013 defining the conditions under which the independent third party performs its engagement and with ISAE 3000⁽²⁾ concerning our conclusion on the fairness of CSR Information.

(1) Whose scope is available at www.cofrac.fr

(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

1. Attestation regarding the completeness of CSR Information

Nature and scope of our work

On the basis of interviews with the individuals in charge of the relevant departments, we obtained an understanding of the Company's sustainability strategy regarding human resources and environmental impacts of its activities and its social commitments and, where applicable, any actions or programmes arising from them.

We compared the CSR Information presented in the Management Report with the list provided in article R. 225-105-1 of the French Commercial Code.

For any consolidated information that is not disclosed, we verified that explanations were provided in accordance with article R. 225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, i.e., the Company, its subsidiaries as defined by article L. 233-1 and the controlled entities as defined by article L. 233-3 of the French Commercial Code within the limitations set out in the methodological note, presented on the Company's website.

Conclusion

Based on the work performed and given the limitations mentioned above, we attest that the required CSR Information has been disclosed in the Management Report.

2. Conclusion on the fairness of CSR Information

Nature and scope of our work

We conducted around ten interviews with the persons responsible for preparing the CSR Information in the departments in charge of collecting the information and, where appropriate, responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in terms of their relevance, completeness, reliability, neutrality and understandability, and taking into account industry best practices where appropriate;
- verify the implementation of data-collection, compilation, processing and control process to reach completeness and consistency of the CSR Information and obtain an understanding of the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and procedures based on the nature and importance of the CSR Information with respect to the characteristics of the Company, the human resources and environmental challenges of its activities, its sustainability strategy and industry best practices.

Regarding the CSR Information that we considered to be the most important⁽¹⁾:

- at parent entity level, we referred to documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in agreement with the other information in the Management Report;
- at the level of a representative sample of entities selected by us⁽²⁾ on the basis of their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify that procedures are properly, and we performed tests of details, using sampling techniques, in order to verify the calculations and reconcile the data with the supporting documents. The selected sample represents on average of 28% of headcount and between 25% and 82% of quantitative environmental data disclosed.

(1) The concerned quantitative and qualitative information are listed in the annex of this report.

(2) PUMA Germany, PUMA US, PUMA Japan, Gucci Italy, Gucci US, Gucci Japan, L'Oréal (for environmental indicators only), Kering Foundation, Sowind Group, Stella McCartney, Alexander McQueen.

For the remaining consolidated CSR Information, we assessed its consistency based on our understanding of the Company. We also assessed the relevance of explanations provided for any information that was not disclosed, either in whole or in part.

We believe that the sampling methods and sample sizes we have used, based on our professional judgement, are sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures. Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the CSR information cannot be totally eliminated.

Conclusion

Based on the work performed, no material misstatement has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Neuilly-sur-Seine, March 30, 2016

One of the Statutory Auditors

Deloitte & Associés

Frédéric Moulin
Partner

Julien Rivals
Partner, Sustainability Services

appendix

csr information selected by the independent third party

Quantitative social information

Workforce registered as of December 31 (breakdown by sex, status, type of contract, geographical region)
 Worked hours
 Hiring permanent/non-permanent
 Allocation of permanent leavings by reason
 Number of training hours (excluding safety training)
 Number of trained people
 Number of disabled workers
 Frequency rate and severity rate of work accidents
 Overall rate of absenteeism and illness
 Number of collective agreements signed

Qualitative Social information

Promotion and respect of ethics
 Development of skills and talents
 Initiatives on diversity
 Social dialogue initiatives

Quantitative Environmental information

Energy consumption and associated CO₂ emissions
 Renewable electricity proportion at Group level
 Emissions associated with "B2B", "B2C" and business travels
 Tonnes of CO₂ offset
 Paper consumption and percentage of paper from a sustainable source
 Packaging consumption
 Industrial water consumption

Qualitative Environmental information

Implementation of the EP&L
 Governance & Organisation on sustainability issues
 ISR index and certifications

Societal information

Number of social audits conducted with the Group's suppliers
 Partnerships with the Foundation and number of women involved and informed
 Number of trained employees as part of Kering's Charter to prevent and combat domestic violence
 PVC elimination initiatives
 Initiatives for the elimination of hazardous chemicals
 Gold and official diamonds responsible purchasing
 Initiatives for responsible purchasing of leather
 Initiatives for the purchase of precious skins and furs

chapter 4

corporate governance

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1. *kering governance*

At the Combined General Meeting on May 19, 2005, the shareholders adopted the new Articles of Association of PPR (since renamed Kering) establishing a system of management with a Board of Directors instead of a Supervisory Board and an Executive Board. François-Henri Pinault is Chairman of the Board of Directors and Chief Executive Officer of the Company.

The Board opted to combine the roles of Chairman of the Board and Chief Executive Officer and retained this option following the renewal by the Combined General Meeting on June 18, 2013 of the directorship of François-Henri Pinault, who is both related to the controlling shareholder and very involved in conducting the business of the Group of which he has very strong in-depth knowledge and experience.

The Combined General Meeting on June 18, 2013 renewed the term of office of Jean-François Palus, Group Managing Director of the Kering group, as a Director for four years.

The Company refers to the Corporate Governance Code of Listed Corporations resulting from the consolidation of the October 2003 AFEP and MEDEF report, the January 2007 and October 2008 AFEP and MEDEF recommendations on the remuneration of Directors and executive corporate officers and the April 2010 AFEP-MEDEF recommendation concerning the strengthening of women representation within the boards, as amended in November 2015 (the revised AFEP-MEDEF Code). The Board of Directors has a diverse, international composition, with a total of eleven members of French, German and Italian nationalities. Four Directors are women, including a Director representing the employees. In 2015, four of the ten Directors, excluding the Director representing the employees, were independent according to the independence criteria defined by the Board.

Mr. François Pinault is Honorary Chairman but is not a Director.

The operating rules and procedures of the Board of Directors are defined by law, the Company's Articles of Association, the internal rules of the Board and the specialised Committees provided for in those rules (see Chairman's report, page 156).

The provisions of the Company's Articles of Association regarding Directors do not in general deviate from the basic legal standards. There are special provisions for the term of office of Directors (four years, renewable), the age limit (no more than one-third of the Directors may be over 70), the Director representing the employees (appointed by the Kering Works Council) and the minimum number of shares that each Director must own (500). Concerning this last point, it should be added that, in accordance with Article L. 225-25 of the French Commercial Code (*Code de commerce*), the Director representing employees is exempt from the obligation to hold shares.

In order to avoid having to reappoint all Board members at the same time and to streamline the reappointment process, the Combined General Meeting on May 7, 2009 amended the Company's Articles of Association in order to implement the staggered renewal of the Board of Directors.

The Directors' duties and individual remuneration are described below.

2. information on directors and executive corporate officers

As of December 31, 2015, the Board of Directors was composed of ten members, four of whom were independent Directors according to the Board of Directors' criteria.

In addition, there is one Director representing the employees appointed by the Kering Works Council.

List of members of the Board of Directors with information on their positions in other companies

The following information is presented separately for each Director:

- professional experience and expertise in the area of business management;
- directorships and positions held in 2015;
- other directorships and positions held in the last five years.

Among Kering's Directors and executive corporate officers, only François-Henri Pinault, Jean-François Palus, Patricia Barbizet and Jochen Zeitz hold or have held legal representative or corporate executive functions in the Group's main subsidiaries.

François-Henri Pinault

Born on May 28, 1962

Kering: 10 avenue Hoche, 75008 Paris

Chairman and Chief Executive Officer

A graduate of HEC, François-Henri Pinault joined the Pinault group in 1987 where he had various responsibilities in the main subsidiaries of the Group. After starting off as a salesman in the Évreux branch of Pinault Distribution, a subsidiary specialised in wood importation and distribution, in 1988 he set up said company's purchasing group for which he was responsible until September 1989.

Appointed Chief Executive Officer of France Bois Industries, the Company comprising the industrial activities of the Pinault group, he managed the 14 plants of this subsidiary until December 1990, when he returned to Pinault Distribution to become Chairman. In 1993, his responsibilities were broadened upon his appointment as Chairman of Cfao and as member of the Executive Board of Pinault Printemps Redoute. Four years later, he was appointed Chairman and Chief Executive Officer of Fnac, a position he held until February 2000. He was then

appointed Deputy Chief Executive Officer of Pinault Printemps Redoute with responsibility for developing the Group's Internet activities. François-Henri Pinault has been a member of the Board of Directors of Bouygues SA since December 1998. He became the co-manager of Financière Pinault in 2000 and was appointed Chairman of the Artémis group in 2003. In 2005, he was appointed Chairman of the Executive Board and then Chairman and Chief Executive Officer of PPR, since renamed Kering.

After serving as Chairman of the Executive Board of PPR (from March 21, 2005 to May 19, 2005), Vice-Chairman of the Supervisory Board (from May 22, 2003 to March 21, 2005), and member of the Supervisory Board (from January 17, 2001) and the Executive Board (from June 1993 to January 2001), François-Henri Pinault has been the Chairman and Chief Executive Officer of Kering since May 19, 2005. Following the Combined General Meeting on June 18, 2013, the Board of Directors renewed his term of office as Chairman and Chief Executive Officer for the duration of his directorship which will expire at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2016.

Other directorships and positions held as of December 31, 2015:

Position	Company	Country	Start 1 st term of office
<i>at the level of the majority shareholder group:</i>			
Manager	Financière Pinault SCA	France	October 2000
Chairman of the Board of Directors	Artémis SA	France	May 2003
Member of the Management Board	SC Château Latour	France	June 1998
Member of the Board of Directors	Christie's International Plc	United Kingdom	May 2003
<i>within the Kering group:</i>			
Deputy Chairman of the Administrative Board	PUMA SE ⁽¹⁾	Germany	July 2011
Non-executive Director	Kering Holland NV	Netherlands	April 2013
Non-executive Director	Kering Netherlands BV	Netherlands	April 2013
Chairman of the Supervisory Board	Boucheron Holding SAS	France	May 2005
Director	Stella McCartney Ltd	United Kingdom	June 2011
Director	Ulysse Nardin le Locle SA, manufacturer of prestige Swiss watches	Switzerland	November 2014
Director	Sapardis SE	France	May 2008
Member of the Board of Directors and Chairman	Volcom Inc.	United States	July 2011
Director	Kering International Ltd	United Kingdom	May 2013
Director	Kering UK Services Ltd	United Kingdom	May 2014
Director	Kering Eyewear SpA	Italy	November 2014
Chairman of the Board of Directors	Yves Saint Laurent SAS	France	June 2013
<i>outside the Kering group:</i>			
Director	Bouygues ⁽¹⁾	France	December 1998
Director	Soft Computing ⁽¹⁾	France	June 2001

(1) Listed companies (as of the date the position was held).

Other directorships and positions held in the last five years:

Position	Company	Country	Dates
Director	Fnac SA	France	from October 1994 to June 2013
Chairman of the Supervisory Board	Yves Saint Laurent SAS	France	from April 2005 to June 2013
Chairman of the Supervisory Board	Kering Holland NV (formerly Gucci Group NV)	Netherlands	from October 2005 to April 2013
Vice-Chairman of the Supervisory Board	Cfao ⁽¹⁾	France	from October 2009 to July 2012
Chairman of the Supervisory Board	PUMA AG ⁽¹⁾	Germany	from June 2007 to July 2011
Vice-Chairman of the Board of Directors	Sowind Group SA	Switzerland	from June 2008 to July 2011
Chairman of the Board of Directors	Sowind Group SA	Switzerland	from July 2011 to October 2015
Director	Brioni SpA	Italy	from January 2012 to May 2015

(1) Listed companies (as of the date the position was held).

Number of shares held: 36,201

François-Henri Pinault is manager and managing partner of Financière Pinault, which directly and indirectly held 51,638,516 Kering shares as of December 31, 2015.

Patricia Barbizet

Born on April 17, 1955

Artémis: 12 rue François 1^{er}, 75008 Paris

Vice-Chair of the Board of Directors

A graduate of the *École Supérieure de Commerce de Paris*, Patricia Barbizet began her career with the Renault group as treasurer of Renault Véhicules Industriels then as Chief Financial Officer of Renault Crédit International. She joined the Pinault group in 1989 as Chief Financial Officer.

In 1992, she became Chief Executive Officer of Artémis and in 2004 Chief Executive Officer of Financière Pinault. She is also a Director of Total, Groupe Fnac, and member of the Supervisory Board of Peugeot SA, as well as being the Chair of the Supervisory Board of Ponant Holding since October 2015.

After serving as Chair of the Supervisory Board of PPR (from December 2001 to May 2005) and member of the Supervisory Board of PPR (from December 1992), Patricia Barbizet has been Vice-Chair of the Board of Directors of Kering since May 19, 2005. Her term of office was renewed by the Combined General Meeting on June 18, 2013 and will expire at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2016.

Other directorships and positions held as of December 31, 2015:

Position	Company	Country	Start 1 st term of office
<i>at the level of the majority shareholder group, mainly:</i>			
Chief Executive Officer and Director	Artémis SA	France	1992
Chair of the Board of Directors	Christie's International Plc	United Kingdom	March 2003
Chief Executive Officer	Christie's International Plc	United Kingdom	December 2014
Chief Executive Officer, non-corporate officer	Financière Pinault SCA	France	June 2004
Member of the Supervisory Board	Financière Pinault SCA	France	January 2001
Managing Director	Palazzo Grassi	Italy	September 2005
Member of the Management Board	SC Château Latour	France	July 1993
Permanent representative of Artémis on the Board of Directors	Agefi	France	July 2000
Permanent representative of Artémis on the Board of Directors	Sebdo Le Point	France	July 1997
Chair of the Supervisory Board	Compagnie du Ponant Holding	France	October 2015
Member of the Supervisory Board	Compagnie du Ponant	France	December 2015
<i>within the Kering group:</i>			
Non-executive Director	Kering Holland NV	Netherlands	April 2013
Director	Yves Saint Laurent SAS	France	June 2013
<i>outside the Kering group:</i>			
Director	Total ⁽¹⁾	France	May 2008
Director	Groupe Fnac ⁽¹⁾	France	June 2013
Member of the Supervisory Board	Peugeot SA ⁽¹⁾	France	April 2013

Other directorships and positions held in the last five years:

Position	Company	Country	Dates
Director	Air France-KLM ⁽¹⁾	France	from January 2003 to December 2013
Director	TF1 ⁽¹⁾	France	from July 2000 to April 2013
Director	Bouygues ⁽¹⁾	France	from December 1998 to April 2013
Director	Fonds Stratégique d'Investissement	France	from December 2008 to July 2013
Non-executive Director	Kering Holland NV (formerly Gucci Group NV)	Netherlands	from July 1999 to April 2013
Member of the Supervisory Board	Yves Saint Laurent SAS	France	from June 2003 to June 2013
Director	Tawa Plc ⁽¹⁾	United Kingdom	from April 2011 to June 2012
Group Managing Director	Société Nouvelle du Théâtre Marigny	France	from April 2010 to January 2012
Director	Fnac SA	France	from October 1994 to May 2011
Director	Société Nouvelle du Théâtre Marigny	France	from February 2000 to November 2015

(1) Listed companies (as of the date the position was held).

Number of shares held: 1,040

Jean-François Palus

Born on October 28, 1961

Kering International: 6 Carlos Place, W1K 3AP London, United Kingdom

Director and Group Managing Director

A graduate of HEC (class of 1984), Jean-François Palus began his career in 1985 with Arthur Andersen where he carried out audit and financial advisory duties.

Before joining Artémis in 2001 as corporate officer and Director, he spent ten years within the PPR group, holding successively the positions of Deputy Chief Financial Officer of the wood industry branch of Pinault SA (from 1991 to 1993), Group Financial Control Director (from 1993 to 1997), then store manager at Fnac (from 1997 to 1998) and lastly Corporate Secretary and member of the Executive Board of Conforama (from 1998 to 2001).

Since March 2005, Jean-François Palus has been in charge of mergers and acquisitions at PPR (since renamed Kering), reporting to François-Henri Pinault, Chairman and Chief Executive Officer of the Group.

He was Chief Financial Officer of the PPR group from December 2005 to January 2012 and he has been Group Managing Director (*Directeur Général délégué*) of PPR (since renamed Kering) since February 26, 2008. Following the Combined General Meeting on June 18, 2013, the Board of Directors renewed his term of office as Group Managing Director for a term of four years.

Since October 2012, Jean-François Palus has headed Kering's Sport & Lifestyle Division. He has also held the position of Chairman of the Administrative Board of PUMA SE since December 1, 2012.

Jean-François Palus has been a Director of Kering since May 7, 2009. His term of office will expire at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2016.

Other directorships and positions held as of December 31, 2015:

Position	Company	Country	Start 1 st term of office
<i>within the Kering group:</i>			
Chairman of the Administrative Board	PUMA SE ⁽¹⁾	Germany	December 2012
Director	Pomellato SpA	Italy	July 2013
Director	Sowind Group SA	Switzerland	December 2013
Director	Kering Luxembourg SA	Luxembourg	May 2011
Member of the Board of Directors	Volcom LLC	United States	July 2011
Member of the Board of Directors	Kering Americas Inc.	United States	June 2011
Chairman of the Board of Directors	LGI SA	Switzerland	April 2011
Director	Volcom Luxembourg Holding SA	Luxembourg	October 2012
Director	Kering Tokyo Investment	Japan	November 2013
Director	Guccio Gucci SpA	Italy	June 2014
Member of the Board of Directors	Gucci America Inc.	United States	May 2014
Director	Kering Asia Pacific Ltd	Hong Kong	May 2014
Director	Yugen Kaisha Gucci	Japan	May 2014
Member of the Board of Directors	Kering South East Asia	Singapore	October 2014
Member of the Board of Directors	Birdswan Solutions Ltd	United Kingdom	May 2014
Member of the Board of Directors	Paintgate Ltd	United Kingdom	May 2014
Member of the Board of Directors	Christopher Kane Ltd	United Kingdom	June 2014
Director	Ulysse Nardin le Locle SA, manufacturer of prestige Swiss watches	Switzerland	November 2014
Director	Kering Eyewear SpA	Italy	November 2014

(1) Listed companies (as of the date the position was held).

Other directorships and positions held in the last five years:

Position	Company	Country	Dates
Director	Fnac SA	France	from November 2007 to June 2013
Director	Groupe Fnac	France	from September 2012 to June 2013
Chairman and Chief Executive Officer	Sapardis SE	France	from March 2007 to June 2013
Member of the Supervisory Board	Kering Holland NV (formerly Gucci Group NV)	Netherlands	from May 2006 to April 2013
Member of the Supervisory Board	Yves Saint Laurent SAS	France	from March 2011 to March 2013
Permanent representative of Kering on the Board of Directors	Redcats SA	France	from April 2006 to February 2013
Member of the Supervisory Board	Cfao ⁽¹⁾	France	from October 2009 to July 2012
Director	Caumartin Participations SAS	France	from June 2008 to September 2012
Director	Conforama Holding SA	France	from April 2006 to March 2011
Member of the Supervisory Board	PUMA AG ⁽¹⁾	Germany	from June 2007 to July 2011
Representative of Sapardis on the Management Board	SC Zinnia	France	from December 2009 to June 2013
Director	Brioni SpA	Italy	from January 2012 to October 2015
Chairman of the Board of Directors	Brioni SpA	Italy	from May 2014 to October 2015

(1) Listed companies (as of the date the position was held).

Number of shares held: 69,426, of which 6,492 are locked in, from the 2012-I performance share plan.

Luca Cordero di Montezemolo

Born on August 31, 1947

Via Giuseppe Mangili, 38/a, 00197 Rome, Italy

Director

A graduate of the law faculty of the University of Rome and of Columbia University in New York, Luca Cordero di Montezemolo began his career in 1973 as an assistant to the Chairman of Ferrari and manager of the Formula 1 team that won the world championships in 1975 and 1977. He was then appointed Director of Public Relations of Fiat in 1977, then in 1981 Chairman and Chief Executive Officer of ITEDI, which manages the press activities of the Fiat group, including the daily newspaper, *La Stampa*. In 1984, he was appointed Chairman and Chief Executive Officer of Cinzano SpA in charge of the Azzurra Organisation, Italy's first involvement in the America's Cup. From 1985 to 1990, he was the manager of the Italia 90 Football World

Cup organisation committee. From 1991 to 2014, he was Chairman of Ferrari SpA, of which he was also the Chief Executive Officer until 2006.

Luca Cordero di Montezemolo is President of Alitalia, Chairman of the Promoting Committee for Rome's candidacy for the 2024 Olympic Games, Vice-Chairman of Unicredit and Chairman of Telethon, one of Italy's most prominent charities that aims to fund research into muscular dystrophies and genetic diseases. He is a Commander of the Legion of Honour.

Luca Cordero di Montezemolo has been a Director of Kering since May 19, 2005, after having served as a member of the Supervisory Board (from December 19, 2001 to May 19, 2005). His term of office was renewed by the Combined General Meeting on April 27, 2012 and will expire at the Annual General Meeting called to approve the financial statements for the year ended December 31, 2015.

Other directorships and positions held as of December 31, 2015:

Position	Company	Country	Start 1 st term of office
Chairman	Montezemolo & Partners SGR	Italy	2007
Vice-Chairman	Unicredit SpA ⁽¹⁾	Italy	October 2012
Director	Nuovo Trasporto Viaggiatori SpA	Italy	October 2008
Chairman	Telethon	Italy	January 2009
Director	Poltrona Frau SpA	Italy	December 2003
Director	Tod's SpA ⁽¹⁾	Italy	April 2001
Director	Delta Topco Ltd	United Kingdom	March 2012
Director	Coesia SpA	Italy	2014
Chairman	Alitalia SAI ⁽¹⁾	Italy	November 2014
Chairman	Alitalia CAI	Italy	January 2015

Other directorships and positions held in the last five years:

Position	Company	Country	Dates
Chairman	Ferrari SpA	Italy	from 1991 to 2014
Director	Fiat SpA ⁽¹⁾	Italy	from 2004 to 2014
Director	Editrice La Stampa	Italy	from 2002 to 2014
Director	Octo Telematics SpA	Italy	from 2010 to 2014
Director	Citigroup ⁽¹⁾	United States	from 2004 to 2012
Chairman	Charme Management Srl	Italy	from 2007 to 2015

(1) Listed companies (as of the date the position was held).

Number of shares held: 500

Yseulys Costes

Born on December 5, 1972

1000mercis: 28 rue de Châteaudun, 75009 Paris

Independent Director

Yseulys Costes holds a Master's degree in Management Sciences from Paris I-Panthéon University, a postgraduate degree in marketing and strategy from Paris IX-Dauphine University and an MBA from Robert O. Anderson School (USA).

Author of a number of works and articles on the topics of online marketing and databases, she was also the coordinator of IAB France (Interactive Advertising Bureau) for two years before founding 1000mercis.com in February 2000, of which she is now the Chair and Chief Executive Officer. The 1000mercis group, present in Paris and in London, and listed on the Alternext market of

NYSE Euronext Paris since January 2006, offers innovative solutions to companies seeking to optimise their advertising and marketing campaigns on interactive media (Internet, mobile phones, etc.). The 1000mercis group currently has 300 employees and posted consolidated revenues of €45.2 million in 2014.

A researcher in interactive marketing, Yseulys Costes was received as a guest researcher at Harvard Business School and is a lecturer in interactive marketing at several prestigious French higher education establishments (HEC, ESSEC, Paris IX-Dauphine University).

Yseulys Costes has been a Director of Kering since May 19, 2010. Her term of office was renewed by the Combined General Meeting on May 6, 2014 and will expire at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2017.

Other directorships and positions held as of December 31, 2015:

Position	Company	Country	Start 1 st term of office
Chair and Chief Executive Officer	1000mercis SA ⁽¹⁾	France	October 2000
Chair of the Supervisory Board	Ocito SAS (1000mercis group)	France	2010
Member of the Supervisory Board	Numergy	France	2012
Member of the Supervisory Board	Vivendi ⁽¹⁾	France	April 2013
Director	SEB group ⁽¹⁾	France	May 2013

Other directorships and positions held in the last five years:

Position	Company	Country	Dates
Member of the Supervisory Board	Made in Presse SAS	France	from 2010 to 2012

(1) Listed companies (as of the date the position was held).

Number of shares held: 500

Jean-Pierre Denis

Born on July 12, 1960

Arkéa group: 29808 Brest Cedex 09

Independent Director

Jean-Pierre Denis is a Finance Inspector (*inspecteur des finances*) and a graduate of HEC and ENA. He served as Chairman and Chief Executive Officer of the Oséo group from 2005 to 2007, and member of the Executive Board of Vivendi Environnement, which became Veolia Environnement (from 2000 to 2003), Chairman of Dalkia

(Vivendi group then Veolia Environnement) (from 1999 to 2003), Advisor to the Chair of CGE, which became Vivendi (from 1997 to 1999) and Deputy General Secretary of the French President's cabinet (from 1995 to 1997). He is currently Chairman of Crédit Mutuel Arkéa and Crédit Mutuel de Bretagne.

Jean-Pierre Denis has been a Director of Kering since June 9, 2008. His term of office was renewed by the Combined General Meeting on April 27, 2012 and will expire at the Annual General Meeting called to approve the financial statements for the year ended December 31, 2015.

Other directorships and positions held as of December 31, 2015:

Position	Company	Country
Chairman	Fédération du Crédit Mutuel de Bretagne	France
Chairman	Crédit Mutuel Arkéa	France
Director	Avril Gestion	France
Director	Caisse de Crédit Mutuel de Cap Sizun	France
Director	Altrad	France
Chairman of the Board of Directors	Château Calon-Ségur SAS	France
Director	Nexity ⁽¹⁾	France
Director	Paprec	France
Director and General Treasurer	French professional football league (association)	France

Other directorships and positions held in the last five years:

Position	Company	Country	Dates
Chairman	Arkéa Capital Partenaire	France	-
Member of the Supervisory Board	Oséo Bretagne	France	-
Representative of Crédit Mutuel Arkéa on the Board of Directors	Crédit Foncier et Communal d'Alsace et de Lorraine	France	until 2011
Representative of Crédit Mutuel Arkéa on the Board of Directors	CFCAL SCF	France	until 2011
Director	Glon Sanders	France	until 2013
Director	Soprol	France	until 2015
Director	Newport	France	until 2015

(1) Listed companies (as of the date the position was held).

Number of shares held: 500

Philippe Lagayette

Born on June 16, 1943

Fondation de France: 40 avenue Hoche, 75008 Paris

Independent Director

A graduate of the *École Polytechnique* and ENA, Philippe Lagayette managed the activities of JP Morgan in France from July 1998 to August 2008. He was then Vice-Chairman of JP Morgan in EMEA from September 2008 to January 2010. He began his career within the French Ministry of Finance in 1970. In 1974, he joined the Treasury Department of the French Ministry of Economy and Finance and was appointed Deputy Director of that Department in 1980. He became Cabinet Director of the Minister of Economy and Finance in 1981, then joined Banque de France in 1984 as Deputy Governor. Appointed Chief Executive Officer of *Caisse des dépôts et consignations* in 1992, he held this position until December 1997. Philippe Lagayette is also Chairman of the *Fondation de*

France and Chairman of the *Fondation de coopération scientifique pour la recherche sur la maladie d'Alzheimer*, specialised in research into Alzheimer's disease. He was Chairman of the French American Foundation from 2003 to 2010 and Chairman of the *Institut des Hautes Études Scientifiques*, where he researched in the fields of mathematics and theoretical physics from 1994 to May 2014. He is a Commander of the Legion of Honour and a Commander of the National Order of Merit. He was appointed Senior Advisor for France at Barclays in March 2011 and is Chairman of PL Conseils.

Philippe Lagayette has been a Director of Kering since May 19, 2005, after having served as a member of the Supervisory Board (from January 20, 1999 to May 19, 2005). His term of office was renewed by the Combined General Meeting on April 27, 2012 and will expire at the Annual General Meeting called to approve the financial statements for the year ended December 31, 2015.

Other directorships and positions held as of December 31, 2015:

Position	Company	Country	Start 1 st term of office
Senior Advisor	Barclays	France	March 2011
Chairman	Fondation de France	France	October 2010
Director	Fondation de France	France	2009
Chairman	Fondation de coopération scientifique pour la recherche sur la maladie d'Alzheimer	France	November 2008
Director	Fimalac ⁽¹⁾	France	May 2003
Director	Renault SA ⁽¹⁾	France	May 2007

Other directorships and positions held in the last five years:

Position	Company	Country	Dates
Chairman	Institut des Hautes Études Scientifiques	France	from November 1994 to May 2014

⁽¹⁾ Listed companies (as of the date the position was held).

Number of shares held: 500

Baudouin Prot

Born on May 24, 1951

BNP Paribas: 3 rue d'Antin, 75002 Paris

Director

After graduating from HEC in 1972 and from ENA in 1976, Baudouin Prot joined the French Ministry of Finance where he spent four years before serving as Deputy Director of Energy and Raw Materials at the French Ministry of Industry for three years. He joined BNP in 1983 as Deputy Director of Banque Nationale de Paris Intercontinentale, before becoming the Director for Europe in 1985. He joined the Central Networks Department in 1987 and was promoted to Central Director in 1990 then Deputy Chief Executive Officer of BNP in charge of networks in 1992.

He became Chief Executive Officer of BNP in 1996 and Deputy Chief Executive Officer of BNP Paribas in 1999. In March 2000, he was appointed Director and Deputy Chief Executive Officer of BNP Paribas then Director and Chief Executive Officer of BNP Paribas in May 2003. From December 2011 to December 2014, he served as non-executive Chairman of BNP Paribas. He is an Officer of the National Order of Merit and a Knight of the Legion of Honour.

Baudouin Prot has been a Director of Kering since May 19, 2005, after having served as a member of the Supervisory Board (from March 11, 1998 to May 19, 2005). His term of office was renewed by the Combined General Meeting on June 18, 2013 and will expire at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2016.

Other directorships and positions held as of December 31, 2015:

Position	Company	Country	Start 1 st term of office
Director	Lafarge SA ⁽¹⁾	France	May 2011
Director	Veolia Environnement SA ⁽¹⁾	France	April 2003
Director	BGL BNP Paribas ⁽¹⁾	Luxembourg	April 2015

Other directorships and positions held in the last five years:

Position	Company	Country	Dates
Chairman of the Board of Directors	BNP Paribas SA ⁽¹⁾	France	from December 2011 to December 2014
Director	Erbe SA	Belgium	from June 2004 to December 2013
Director	Pargesa Holding SA ⁽¹⁾	Switzerland	from May 2004 to December 2013
Director and Chief Executive Officer	BNP Paribas SA ⁽¹⁾	France	from May 2003 to December 2011

(1) Listed companies (as of the date the position was held).

Number of shares held: 600

Daniela Riccardi

Born on April 4, 1960

Baccarat: 11 place des États-Unis, 75116 Paris

Independent Director

Daniela Riccardi, an Italian national, is the Chief Executive Officer of Baccarat. She has recognised experience in business development and branding in consumer retail and distribution. She joined Baccarat in May 2013 after having served as Chief Executive Officer of the international lifestyle brand Diesel since 2010. Daniela Riccardi was responsible for the creation and implementation of a strategic plan at Diesel which resulted in greater revenue growth and product exposure through an ambitious

distribution policy. Prior to Diesel, Daniela served 25 years at Procter & Gamble in various senior management roles, including Vice-President of P&G Colombia, Mexico and Venezuela, Vice-President and Chief Executive Officer Manager of P&G Eastern Europe and Russia, based in Moscow from 2001 to 2004, and from 2005 to 2010, President of P&G Greater China.

Daniela Riccardi studied political science and international relations at Sapienza University of Rome, in Italy.

She has been a Director of Kering since May 6, 2014. Her term of office will expire at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2017.

Other directorships and positions held as of December 31, 2015:

Position	Company	Country	Start 1 st term of office
Chief Executive Officer	Baccarat ⁽¹⁾	France	May 2013
Director	WPP Plc ⁽¹⁾	United Kingdom	September 2013

(1) Listed companies (as of the date the position was held).

Number of shares held: 500

Jochen Zeitz

Born on April 6, 1963

6 ruelle du Four, 1147 Montriches, Switzerland

Director

Jochen Zeitz graduated in International Marketing and Finance from the European Business School in 1986 after having studied in Germany, France and the United States. He began his professional career with Colgate-Palmolive in New York and Hamburg. After joining PUMA in 1990, he was appointed Chairman and CEO of PUMA in 1993 at the age of 30, becoming the youngest Chairman in German history to head a listed European company. Jochen Zeitz spearheaded the restructuring of PUMA, which was in financial difficulty. He transformed PUMA into a leading Sport & Lifestyle company and one of the top three brands in footwear, apparel and accessories by sticking to a long-term development plan that he introduced in 1993.

He previously held the positions of Chief Executive Officer of the Sport & Lifestyle Division of PPR (since renamed Kering) and Chief Sustainability Officer of PPR and was Chairman of the Administrative Board of PUMA SE until November 2012.

He has received numerous awards during his professional career, including “2001 Entrepreneur of the Year”, “Strategist of the Year” for three years in a row by the Financial Times, “Trendsetter of the Year” and “Best of European Business Award 2006”. In 2004, the German Federal President awarded him with the Federal Cross of Merit of the Federal Republic of Germany.

Jochen Zeitz has been a Director of Kering since April 27, 2012. His term of office will expire at the Annual General Meeting called to approve the financial statements for the year ended December 31, 2015.

Other directorships and positions held as of December 31, 2015:

Position	Company	Country	Start 1 st term of office
Director	Harley Davidson Inc. ⁽¹⁾	United States	August 2007
Director	Wilderness Holdings Ltd. ⁽¹⁾	Botswana	2010

Other directorships and positions held in the last five years:

Position	Company	Country	Dates
Chairman and Chief Executive Officer	PUMA AG ⁽¹⁾	Germany	from 1993 to July 2011
Chairman of the Administrative Board	PUMA SE ⁽¹⁾	Germany	from July 2011 to November 2012

(1) Listed companies (as of the date the position was held).

Number of shares held: 500

Sophie Bouchillou

Born on March 1, 1962

Kering: 10 avenue Hoche, 75008 Paris

Director representing the employees

Sophie Bouchillou is Human Resources Project Coordinator at Kering SA. She joined the Group in 1981 working for Conforama as a sales and administrative agent and subsequently executive sales assistant. From 2001 to 2009, she held the position of executive purchasing

assistant at PPR Purchasing. She has been working in the Human Resources Department of Kering SA since 2009.

Following the amendment of the Company's Articles of Association adopted by the Combined General Meeting on May 6, 2014, which provides for the appointment of a Director representing the employees in accordance with the law of June 14, 2013, Sophie Bouchillou was elected as a Director for a term of four years by the Kering Works Council on July 10, 2014.

Her term of office will expire in July 2018.

3. remuneration of corporate officers

3.1. remuneration of executive corporate officers (chief executive officer and group managing director)

The remuneration of executive corporate officers includes a fixed portion and a variable portion. The Board of Directors establishes the rules for setting such remuneration each year based on the recommendations issued by the Remuneration Committee.

The amounts payable, which are shown in the two tables below, correspond to all remuneration granted to the executive corporate officer during each of the fiscal years shown, regardless of the actual payment date.

The amounts shown as paid correspond to all remuneration received by the executive corporate officer during each of the fiscal years shown.

Gross amounts (in euros)	2015		2014	
	Amounts payable for the year	Amounts paid during the year	Amounts payable for the year	Amounts paid during the year
François-Henri Pinault Chairman and Chief Executive Officer				
Fixed remuneration	1,099,996	1,099,996	1,099,996	1,099,996
Annual variable remuneration	1,158,960	1,560,900	1,560,900	1,239,480 ⁽¹⁾
Multi-annual variable remuneration	0	0	0	0
Exceptional remuneration	0	0	0	0
Directors' fees (Kering)	74,431	68,867	68,867	64,951 ⁽¹⁾
Directors' fees (subsidiaries)	52,500	52,500	52,500	92,500
Benefits in kind	18,612	18,612	20,421	20,421
TOTAL	2,404,499	2,800,875	2,802,684	2,517,348
Total employer contributions borne by the Group	1,067,405 ⁽²⁾	1,303,475	1,286,614 ⁽²⁾	1,136,672
Total cost for the Group	3,494,123	4,104,350	4,089,298	3,654,020

Gross amounts (in euros and at comparable exchange rates)	2015		2014 (restated ⁽³⁾)	
	Amounts payable for the year	Amounts paid during the year	Amounts payable for the year	Amounts paid during the year
Jean-François Palus Group Managing Director				
Fixed remuneration ⁽⁴⁾	1,085,529	1,085,529	1,085,529	1,085,529
Annual variable remuneration ⁽⁵⁾	947,413	1,275,987	1,275,987	970,509 ⁽¹⁾
Multi-annual variable remuneration	0	0	0	0
Exceptional remuneration	0	0	0	0
Directors' fees (Kering)	65,087	62,463	62,463	55,663 ⁽¹⁾
Directors' fees (subsidiaries)	122,500	127,500	70,000	70,000
Benefits in kind ^{(4) (6)}	1,239,943	1,239,943	1,239,943	1,239,943
TOTAL	3,460,472	3,791,422	3,733,922	3,421,644
Total employer contributions borne by the Group ⁽⁴⁾	321,324 ⁽²⁾	283,329	354,017 ⁽²⁾	240,243
Total cost for the Group	3,781,796	4,074,751	4,087,939	3,661,887

(1) For 2013.

(2) Current estimates.

(3) Data restated with the 2015 exchange rate to provide information at comparable exchange rates.

(4) Translated into euros at the average 2015 exchange rate.

(5) Translated into euros at the December 31, 2015 exchange rate.

(6) Benefits in kind correspond to an annual allowance for residence in London to which the Group Managing Director has been entitled since July 1, 2013 (amounting to GBP 900,000 for the relevant fiscal year).

In the 2014 Reference Document, this data was presented as follows⁽¹⁾:

Gross amounts (in euros)	2014	
	Amounts payable for the year	Amounts paid during the year
Jean-François Palus Group Managing Director		
Fixed remuneration	1,039,135	1,039,135
Annual variable remuneration	1,236,471	948,820 ⁽²⁾
Multi-annual variable remuneration	0	0
Exceptional remuneration	0	0
Directors' fees (Kering)	62,463	55,663 ⁽²⁾
Directors' fees (subsidiaries)	70,000	70,000
Benefits in kind	1,141,967	1,141,697
TOTAL	3,550,036	3,255,315
<i>Total employer contributions borne by the Group</i>	<i>318,762</i>	<i>221,208</i>
Total cost for the Group	3,868,798	3,476,523

(1) Table provided by reference to restated data in the table on page 147.

(2) For 2013.

Annual variable remuneration payable for 2014 was paid during the first quarter of 2015 and the annual variable remuneration payable for 2015 was paid during the first quarter of 2016. Fees payable to Directors in respect of their duties as members of the Board of Directors of Kering for 2014 were paid in February 2015 and those payable for 2015 were paid in March 2016.

For 2015, the Board of Directors set the remuneration of the Chairman and Chief Executive Officer and of the Group Managing Director on the basis of the recommendations of the Remuneration Committee. The structure of remuneration – the amount of the fixed portion and the rate of the variable portion – is decided based on an analysis of market practices observed for senior executives of CAC 40 companies.

Fixed remuneration

The Board of Directors, acting on the recommendation of the Remuneration Committee, resolved to maintain unchanged the fixed remuneration for the Chairman and Chief Executive Officer and the Group Managing Director for 2015.

The Board of Directors set the Chairman and Chief Executive Officer's fixed remuneration at €1,099,996 at its meeting of February 16, 2011.

At its meeting on June 18, 2013, the Board of Directors noted, on the recommendation of the Remuneration Committee and, in the context of the deployment of the Group's international activities, the location of part of the Group Managing Director's activities in London. Consequently, the Board decided to implement for the Group Managing Director with effect from July 1, 2013, an Employment Agreement with Kering Netherlands BV, a Group subsidiary governed by Dutch law, as well as a Service Agreement (similar to an employment agreement) with Kering International Ltd, a Group subsidiary governed by English law. Under the terms of these two agreements,

which correspond to the management of the Group's Divisions and the coordination of the Group's international support functions respectively, these two companies will each pay half of his fixed annual remuneration (€500,000 for Kering Netherlands BV and GBP 425,000 for Kering International Ltd), of his variable remuneration and, where appropriate, of the amounts due in respect of his multi-annual remuneration, the final allotment of which is decided by the Board of Directors.

These two employment agreements are related to and will remain in force during the Group Managing Director's term of office and will lapse on the termination thereof.

Annual variable remuneration

The variable remuneration of the Chairman and Chief Executive Officer is based on the achievement of precisely defined targets, assessed on the basis of the Group's results after the closing of the relevant fiscal year. For 2014 and 2015, the variable portion is equal to 120% of the fixed portion when targets are exactly met, and up to 180% of the fixed portion (excluding any remuneration from KMUs) when they are exceeded. In 2014 and 2015, there were two targets, each accounting for 50% of the variable portion of remuneration, i.e., the Group's recurring operating income and the Group's free cash flow from operations. The rate of achievement of each of these targets must be at least 90% for variable remuneration to be paid.

In view of the fact that these two targets for 2014 were exceeded, the rate of variable remuneration was 118.25% of the amount of variable remuneration when targets are exactly met, i.e., the Chairman and Chief Executive Officer's variable remuneration amounted to €1,560,900. In respect of 2015, the rate of achievement of the targets for recurring operating income and free operating cash flow was 98.3% and 91.9%, respectively, leading to a combined rate of variable remuneration of 87.8% of the target amount when targets are exactly met, i.e., the variable remuneration amounted to €1,158,960. The minimum

rate of achievement of each of these targets is 90%, leading to a rate of variable remuneration of 75% of the target amount when targets are exactly met. If the rate of achievement reaches 115%, the rate of variable remuneration is increased to 150% of the target amount.

As in 2014, the Group Managing Director's variable remuneration for 2015 can be as much as 100% of the fixed portion of remuneration when targets are exactly met, and up to 150% of the fixed portion when they are exceeded, on the basis of the same quantitative criteria, in the same proportions and with the same minimum achievement rate as those applied to the variable remuneration of the Chairman and Chief Executive Officer. In view of the abovementioned rate of achievement of the targets for 2014 and 2015, the Group Managing Director's variable remuneration amounted to €1,275,987 for 2014 and €947,413 for 2015, based on the year-end closing exchange rate.

On the recommendation of the Remuneration Committee, the Board of Directors also decided to apply new qualitative performance criteria, as of 2016, that would make 30% of annual variable remuneration proportionally based on three indicators: organisation and talent management, social corporate responsibility and sustainability.

Multi-annual variable remuneration

A new long-term incentive system was launched with effect from 2013. The scheme is based on Kering monetary units (and no longer on performance shares) known as "KMUs", whose value is indexed equally to both absolute changes in the Kering share and changes in the Kering share price relative to a basket of nine Luxury and Sport & Lifestyle securities. These KMUs have a vesting period of three years as from January 1 of the year in which they are granted, after which they may be cashed by the beneficiaries over a two-year period (during two "windows" each year), when the beneficiaries may receive the cash equivalent of their KMUs based on the last assessed value.

On March 18, 2014, the Board of Directors also granted 11,372 and 9,426 KMUs to the Chairman and Chief Executive Officer and the Group Managing Director respectively, equal to a grant value of €1,637,568 and €1,357,344 (at a unit value of €144 as of December 31, 2013).

It should also be noted that on December 8, 2014, the Board of Directors, acting on the recommendation of the Remuneration Committee, decided to exceptionally award a long-term performance bonus to the Chairman and Chief Executive Officer in recognition of the completion of the Group's transformation into a Luxury and Sport & Lifestyle company. The grant value of this bonus made up of KMUs was equal to 70% of his total annual cash-based remuneration paid in 2014, which amounted to €2,339,480. On this basis, 9,900 KMUs, with a unit value of €166 as of June 30, 2014, were granted, corresponding to a value of €1,643,400.

At its meeting on March 18, 2015, the Board of Directors, acting on the recommendation of the Remuneration Committee, decided to maintain this incentive providing for a long-term performance bonus for the Chairman and Chief Executive Officer and the Group Managing Director. Accordingly, the grant value of this remuneration is equal to 70% of their total annual cash-based remuneration paid in 2015 (total annual cash-based remuneration is determined by adding together the annual fixed remuneration and variable remuneration for the prior year).

On this basis, and in accordance with the decision of the Board of Directors' meeting on March 18, 2015, 11,153 and 9,758 KMUs, with a unit value of €167 as of December 31, 2014, were granted to the Chairman and Chief Executive Officer and to the Group Managing Director, respectively, equal to a value of €1,862,630 and €1,629,600.

For the Chairman and Chief Executive Officer and Group Managing Director, final vesting of the KMUs is subject to the condition of a minimum average increase in earnings per share from continuing operations attributable to owners over the vesting period. If the average increase is above or equal to 5%, all vested KMUs may be cashed in. If the increase is between 2.5% and 5%, fewer KMUs may be cashed in. If it is below 2.5%, no KMUs may be cashed in.

In accordance with the purpose of long-term remuneration schemes such as performance shares, and by analogy with the AFEP-MEDEF recommendations on deferred remuneration, the Board of Directors has set an obligation for each beneficiary to purchase Kering shares at the end of the three-year vesting period. Under this obligation, the beneficiaries must invest 30% of the fully vested net value of their KMUs in Kering shares and hold, for the duration of their term of office, a number of Kering shares corresponding to at least 30% of the sum of the amounts vested.

As with many other issuers, the Remuneration Committee assessed the potential impacts of this obligation, as it paradoxically results in the excessive exposure of the beneficiaries' assets to a single market value, especially in companies with stable management, such as Kering.

Following a benchmarking study, at its meeting of December 8, 2014, the Board of Directors, acting on the recommendation of the Remuneration Committee, decided to set a ceiling equal to the total of the last two years of cash-based remuneration (fixed remuneration plus variable remuneration) at the date of assessment.

The KMUs awarded to the Chairman and Chief Executive Officer and the Group Managing Director in 2013, having vested, may be cashed in, though this is subject to the performance condition of a minimum average increase in earnings per share from continuing operations attributable to owners over the vesting period, as mentioned above.

In this case, the abovementioned condition was not met since the minimum average increase in earnings per share from continuing operations attributable to owners was 1.7% over the last three years. Accordingly, the Chairman and Chief Executive Officer and the Group Managing Director will not be able to cash in their KMUs and will not receive any payment as part of the long-term incentive plan set up in 2013.

Benefits in kind

The benefits in kind of the Chairman and Chief Executive Officer correspond to the provision of a company car. Since July 1, 2013, the Group Managing Director has been entitled to an annual allowance for residence in London

(amounting to GBP 900,000 for the relevant fiscal year). The allowance provides the Group Managing Director and his family with a residence in London in the context of the location of his coordination activities of the Group's international support functions and the management activities of the Group's Divisions. The residence meets the standards of the London real estate market to accommodate members of the top management of an international corporation.

No indemnity is payable to the Chairman and Chief Executive Officer or the Group Managing Director in the event of termination of their duties as corporate officers.

There are no supplementary defined benefit pension plans for the executive corporate officers.

	Employment contract		Supplementary pension plan		Indemnities or benefits owed or that may be payable on the termination or change of duties		Indemnities relating to a non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Executive corporate officers								
François-Henri Pinault								
Chairman and Chief Executive Officer								
Term of office began on:								
May 19, 2005								
Term of office expires on:								
Annual General Meeting of 2017								
		X		X		X		X
Jean-François Palus								
Group Managing Director								
Term of office began on:								
February 26, 2008								
Term of office expires on:								
Annual General Meeting of 2017								
	X		X ⁽¹⁾			X		X

(1) At the beginning of 2010 the Board of Directors authorised the grant of a pension benefit to Jean-François Palus. This benefit takes the form of a capital transfer of an amount of €3,568 million to a fund entitling him to payment of a full pension (with a right of reversion) from the legal retirement age, and is not subject to his presence within the Group. However, to benefit from the plan, Jean-François Palus must not have left the Group for personal reasons before December 31, 2014 and the performance criteria for entitlement to the variable portion of his remuneration for 2009 and 2010 must be fulfilled.

This amount would finance a target pension annuity, of a non-guaranteed amount, set at approximately 25% of his annual remuneration paid in 2009 according to the actuarial rates applied within the Group.

On March 18, 2015, the Board of Directors acknowledged that Jean-François Palus had not left the Group for personal reasons and that his performance conditions for 2009 and 2010 had been fulfilled. Consequently the condition no longer applied. In addition, on March 11, 2016, the Board of Directors reassessed the agreement and agreed on its implementation, based on a total payment of €4,724,540 (following application of a 5% interest rate to the initial capital of €3,568,000 for the relevant period), and acknowledged the extinguishment of the Group's debt in respect to the aforementioned agreement.

It should be added that this benefit is not a pension plan within the meaning of Decree No. 2016-182 of February 23, 2016 in application of the provision of the "Macron" law contained in Article L. 225-102-1 of the French Commercial Code (Code de commerce), but the final payment of a fixed amount to an institution which will pay the deferred pension generated by this amount when Jean-François Palus reaches the legal retirement age.

Other information and commitments

No stock options were granted to executive corporate officers in 2015.

60,000 stock purchase options were exercised by François-Henri Pinault on March 25, 2015.

9,800 stock purchase options were exercised by Jean-François Palus on March 25, 2015.

Stock purchase options exercised by each executive corporate officer in 2015

	Number and date of the plan	Number of options exercised during the year	Strike price
François-Henri Pinault	2007/1 Plan May 14, 2007	60,000	€127.58
Jean-François Palus	2005/2 Plan May 19, 2005	2,100	€78.01
Jean-François Palus	2007/1 Plan May 14, 2007	7,700	€127.58
TOTAL		69,800	

Further to the various stock subscription options exercised in 2015, there are no stock purchase options outstanding for François-Henri Pinault or Jean-François Palus. Details of the stock options previously granted to François-Henri Pinault and Jean-François Palus are shown on pages 331-332.

The executive corporate officers have formally undertaken not to use hedges on their stock options or performance shares, and no such hedges are currently in place.

Performance shares granted to each executive corporate officer in 2015

Further to the decision by the Board of Directors to maintain the long-term incentive system based on monetary instruments, no performance shares were granted to executive corporate officers since 2012.

Performance shares granted to each executive corporate officer in prior years

Details of the performance shares previously granted to François-Henri Pinault and Jean-François Palus are shown on page 332.

Performance shares that became available during 2015 for each executive corporate officer

	Number and date of the plan	Number of shares that became available during the year	Purchase conditions
François-Henri Pinault	2011/I Plan May 19, 2011	9,211	10% of the number of shares originally granted are to be purchased upon availability
Jean-François Palus	2011/I Plan May 19, 2011	13,581	10% of the number of shares originally granted are to be purchased upon availability
TOTAL		22,792	

In 2015, no performance shares vested for François-Henri Pinault or Jean-François Palus.

Summary of remuneration, options and performance shares granted to each executive corporate officer**Gross amounts (in euros)**

	Amounts for 2015	Amounts for 2014
François-Henri Pinault Chairman and Chief Executive Officer		
Remuneration payable	2,404,499	2,802,684
Value of multi-annual variable remuneration granted during the year ⁽¹⁾	1,154,337	2,654,746
Value of options granted during the year	-	-
Value of performance shares granted during the year	-	-
TOTAL	3,558,836	5,457,430

(1) This value is determined at the grant date in accordance with IFRS 2 after taking into account, in particular, any discount related to performance criteria and probability of presence in the Company at the end of the vesting period. It is recognised in the consolidated financial statements over the vesting period.

Gross amounts (in euros)

Jean-François Palus Group Managing Director	Amounts for 2015	Amounts for 2014
Remuneration payable	3,460,472	3,550,036
Value of multi-annual variable remuneration granted during the year ⁽¹⁾	1,009,953	1,176,365
Value of options granted during the year ⁽¹⁾		
Value of performance shares granted during the year ⁽¹⁾		
TOTAL	4,470,425	4,726,401

(1) This value corresponds to the value of the options and financial instruments at the grant date as determined in accordance with IFRS 2 after taking into account, in particular, any discount related to performance criteria and probability of presence in the Company at the end of the vesting period, but prior to the spreading of the expense over the vesting period in accordance with IFRS 2.

3.2. *remuneration of non-executive corporate officers – directors’ fees*

The Annual General Meeting on May 6, 2014 increased the total amount of Directors’ fees to be allocated to the members of the Board of Directors for 2014 from €809,000 to €877,000, due to the appointment of an additional Director. This amount remained unchanged in 2015.

At its meeting on February 18, 2016, the Board of Directors decided, upon the recommendation of the Remuneration Committee, to allocate Directors’ fees based on the actual presence of members at meetings of the Board and of specialised Committees held in 2015.

Out of the total amount set by the Annual General Meeting, the rule followed by the Board in order to comply with AFEP-MEDEF recommendation 21-1 for a significant variable portion is to divide the total amount between a 40% fixed portion and a 60% variable portion. The Directors’ fees are allocated in the following manner:

- a) a fixed portion, minus a special portion corresponding to the remuneration of the Chairmen of the Audit, Remuneration and Appointments Committees, respectively (€23,000 each), the balance being allocated with a coefficient of 1 by Board membership, increased by 0.5 per Committee;
- b) a variable portion, allocated with a coefficient of 1 (2 for the Vice-Chair) per presence at each meeting of the Board and 0.5 for each attendance of a Committee meeting.

For 2015, a total amount of €737,481 will be paid to the non-executive Directors, allocated as follows:

- €302,687 for the fixed portion, of which €69,000 for the special portion;
- €434,794 for the variable portion.

The table below shows Directors' fees paid in 2014 and 2015 for fiscal years 2013 and 2014:

Members of the Board of Directors other than the Chief Executive Officer and Group Managing Director	Director's fees paid during the year (in euros)	
	2015	2014
Patricia Barbizet	173,552	121,374
Laurence Boone ⁽¹⁾	40,842	57,053
Luca Cordero di Montezemolo	54,451	53,831
Yseulys Costes	87,286	77,019
Jean-Pierre Denis	108,687	93,511
Philippe Lagayette	99,076	89,341
Aditya Mittal ⁽²⁾	-	7,898
Baudoin Prot	45,644	36,203
Caroline Puel ⁽³⁾	23,449	46,375
Sophie Bouchillou ⁽⁴⁾	16,016	-
Daniela Riccardi ⁽⁵⁾	2,804	25,000
Jochen Zeitz	52,852	52,883
TOTAL	704,659	660,488

(1) The term of office of Laurence Boone expired on July 15, 2014.

(2) The term of office of Aditya Mittal expired on June 18, 2013.

(3) The term of office of Caroline Puel expired on May 6, 2014.

(4) Sophie Bouchillou, Director representing the employees, was appointed on July 10, 2014.

(5) The term of office of Daniela Riccardi started on May 6, 2014. In December 2014, Mrs. Riccardi received an advance of €25,000 on her Directors' fees for 2014.

Neither the Company, nor any company that it controls, has made any commitment vis-à-vis its Directors or executive corporate officers on account of the commencement, termination of or change in their duties or subsequent thereto.

No Director or non-executive corporate officer benefits from any particular benefit or specific pension plan. There is no conditional or deferred remuneration.

Other than the remuneration set out above, neither the Company, nor Artémis or Financière Pinault which control it, has paid any remuneration or granted any benefits, directly or indirectly, to its Directors or executive corporate officers in connection with their term of office, duties or assignments performed in or on behalf of the Company, and any company that it controls.

3.3. *regulatory information on directors and executive corporate officers*

To the Company's knowledge:

- none of the Directors or executive corporate officers have been convicted for fraud in the last five years;
- none of the Directors or executive corporate officers have been associated in the last five years with bankruptcy, receivership or liquidation proceedings as a member of an administrative, management or supervisory body or as Chief Executive Officer;
- no court order has been entered over the last five years against any of the Directors or executive corporate officers that prohibits them from acting as a member of an administrative, management or supervisory body of an issuer or from intervening in the management or running of the business of an issuer;
- no incrimination and/or official public penalty has been entered against any of the Directors or executive corporate officers by statutory or regulatory authorities (including designated professional bodies);
- none of the Directors or executive corporate officers have been given a commitment by the Company or any of its subsidiaries corresponding to items of remuneration, indemnities or benefits payable or potentially payable on account of the commencement, termination of or change in his or her duties or subsequent thereto;
- none of the Directors or executive corporate officers have indicated the existence of an agreement with a main shareholder, customer or supplier of the Company pursuant to which he or she was designated as Director or executive corporate officer.

Moreover, no service contract providing for the granting of benefits binds the Directors with the Kering group.

No assets belonging directly or indirectly to the Company's senior executives are used in Group operations.

In general, to the Company's knowledge, none of the Directors or executive corporate officers are in a position of potential conflict of interest between their duties with regards to the Company and their private interests or other duties or have existing family ties with another Director or executive corporate officer of the Company.

3.4. *other information on the company's board of directors*

Honorary Chairman of the Board of Directors

In accordance with the possibility provided for under the Company's Articles of Association, in its meeting on June 18, 2013, which followed the Combined General Meeting, the Board of Directors decided to confirm Mr. François Pinault, founder of the PPR group, since renamed Kering, as Honorary Chairman of the Board of Directors. In this capacity, Mr. François Pinault is invited to participate in the meetings of the Board of Directors and of the Strategy and Development Committee on a consultative basis.

Vice-Chairman of the Board of Directors

In accordance with the possibility provided for under the Company's Articles of Association, in its meeting on June 18, 2013, which followed the Combined General Meeting, the Board of Directors renewed Patricia Barbizet's term of office as Vice-Chair of the Board of Directors for the same duration as her term of office as Director. In this capacity, Patricia Barbizet prepares and coordinates the work of the Board of Directors and may chair Board meetings when the Chairman is absent.

Non-voting Directors

- Marco Bizzarri, Chairman and Chief Executive Officer of Gucci (appointed by the Board of Directors at its meeting on February 14, 2013);
- Björn Gulden, Chief Executive Officer of PUMA (appointed by the Board of Directors at its meeting on October 24, 2013);
- Albert Bensoussan, CEO of Kering's "Luxury – Watches & Jewellery" division (appointed by the Board of Directors at its meeting on July 30, 2014);
- Grita Loeb sack, CEO of Kering's Luxury – Couture & Leather Goods' emerging brands (appointed by the Board of Directors at its meeting on October 23, 2015).

The main role of non-voting Directors is to attend Strategy and Development Committee meetings and, as required, Board of Directors' meetings, to provide the necessary information, expertise and knowledge of the Group's various businesses. They serve on a consultative basis. In May 2007, the Annual General Meeting deemed appropriate that the Board be allowed to decide on the number of non-voting Directors and amended Article 18 of Kering's Articles of Association accordingly.

4. group management

Group management is composed of the Group Executive Committee headed by François-Henri Pinault, Chairman and Chief Executive Officer, and Jean-François Palus, Group Managing Director.

The Executive Committee

The Executive Committee meets regularly, with the Chief Executive Officers of the Group's major brands and Kering's main operating officers. The twelve-member Executive Committee is the Group's key operational body and reflects Kering's transformation into a more streamlined group. It affords the Chief Executive Officers of its Divisions and major brands the opportunity to be more closely involved in the Group's key strategic decision-making processes, alongside Kering's main operating officers.

Members of the Executive Committee

- François-Henri Pinault (since March 2005), Chairman and Chief Executive Officer, Kering;
- Jean-François Palus (since December 2005), Group Managing Director, Kering;
- Francesca Bellettini (since October 2015), Chief Executive Officer, Saint Laurent;
- Carlo Alberto Beretta (since October 2015), Chief Executive Officer, Bottega Veneta;
- Marco Bizzarri (since February 2012), Chairman and Chief Executive Officer, Gucci;
- Jean-Marc Duplaix (since February 2012), Group Chief Financial Officer, Kering;
- Béatrice Lazat (since March 2016), Senior Vice-President, Group Human Resources, Kering;
- Grita Loeb sack (since September 2015), Chief Executive Officer of Kering's Luxury – Couture & Leather Goods' emerging brands;
- Marie-Claire Daveu (since September 2012), Group Chief Sustainability Officer and Head of International Affairs, Kering;
- Björn Gulden (since July 2013), Chief Executive Officer, PUMA;
- Albert Bensoussan (since June 2014), Chief Executive Officer of Kering's "Luxury – Watches & Jewellery" division;
- Roberto Vedovotto (since March 2015), CEO of Kering Eyewear.

Monthly activity and budget review meetings

The Executive Management of Kering, and the Chief Executive Officers of the major brands of the Divisions, hold monthly meetings to assess developments in the

activities. This assessment is based on operational and financial factors.

Insider Good Practices Committee

Composed of the Group Managing Director and the Head of the Legal Department, the Insider Good Practices Committee draws up the timetable of black-out periods for trading in Kering securities, lists of insiders, letters of information and monitoring in relation to rules on insider dealing, which are sent to the relevant managers and senior executives of the Group as well as to occasional and permanent insiders, in accordance with the General Regulations of the French financial markets authority (*Autorité des marchés financiers* – AMF). The members of the Group's Executive Committee are required to consult the Insider Good Practices Committee before trading in Company shares or similar financial instruments.

Pursuant to the provisions of Article 223-26 of the AMF's General Regulations, to the Company's knowledge, no transactions were carried out by the individuals referred to in Article L. 621-18-2 of the French Monetary and Financial Code (*Code monétaire et financier*) on Kering's financial instruments during 2015, with the exception of the following transactions.

On March 25, 2015, François-Henri Pinault exercised 60,000 purchase options at a strike price of €127.58 and sold all of the shares resulting from the exercise of these subscription options (i.e., 60,000 shares) at a price of €184.81 per share.

On March 25, 2015, Jean-François Palus exercised 7,700 purchase options at a strike price of €127.58 and sold 5,320 shares resulting from the exercise of these options at a price of €185.57 per share. On the same day, Jean-François Palus exercised 2,100 purchase options at a strike price of €78.01 and sold 920 shares resulting from the exercise of these options at a price of €180.55 per share.

Ethics Committee

Kering's Ethics Committee was set up in 2005, and is now supported by two regional Ethics Committees – the Asia-Pacific Ethics Committee and the Americas Ethics Committee – and an international hotline available for all Group staff. The Ethics Committees are composed of representatives of the Group's brands and Kering staff. Their regional organisation reflects the Group's policy of delegating responsibility, which results in better quality responses to queries. Operating on a "last resort" basis under the authority of the Group Ethics Committee to which they report, these Committees ensure that the Group's ethical principles are applied consistently.

5. *report by the chairman of the board of directors*

on its composition, the application of the principle of the balanced representation of women and men, on the conditions of preparation and organisation of the work performed by the board, and on the internal control and risk management procedures implemented by the company

Pursuant to Article L. 225-37, paragraph 6 of the French Commercial Code (*Code de commerce*) amended by Act No. 2008-649 of July 3, 2008, Ordinance No. 2009-80 of January 22, 2009 and Act No. 2011-103 of January 27, 2011, the composition of the Board of Directors, the application of the principle of the balanced representation of women and men on the Board, and the conditions of preparation and organisation of the work performed by the Board of Directors and the internal control and risk management procedures implemented by the Company are reported hereinafter. This report specifies, in particular, the procedures relating to the preparation and processing of financial and accounting information for the

consolidated financial statements and the parent company financial statements. In addition, this report indicates any potential limitations set by the Board on the powers of the Chairman and Chief Executive Officer. The first part of this report was presented to the Appointments Committee on February 11, 2016 and the second part was the subject of deliberations by the Company's Audit Committee on February 15, 2016.

The Board of Directors approved the entire report at its meeting on February 18, 2016 in accordance with the provisions of Article L. 225-37 of the French Commercial Code.

5.1. *membership of the board of directors*

5.1.1. **Current membership of the Board**

The Board is composed of Directors with wide and diversified experience, relating in particular to corporate strategy, finance, insurance, economics, the retail sector, industry, accounting, management and supervision of commercial and financial corporations. The Articles of Association provide for a renewable four-year term of office for Directors.

In order to avoid reappointing the entire Board simultaneously and to facilitate a smooth renewal process, the Combined General Meeting on May 7, 2009

adopted an amendment to Article 10 of the Company's Articles of Association implementing the staggered renewal of the Board of Directors.

After having considered the Board of Directors' report and the favourable opinion issued by the Company's Works Council, the Combined General Meeting on May 6, 2014 decided to amend Article 10 of the Articles of Association in order to establish the procedures for appointing Directors representing the employees in accordance with the French law dated June 14, 2013 in relation to job security.

The Board is currently made up of eleven Directors:

Name	Position	Age	Independent Director ⁽¹⁾	Participation in a committee					Start 1 st term of office	End of current term of office	Nationality
				Audit	Remuneration	Appointments	Strat. & Dev.	Sustainability			
François-Henri Pinault	Chairman and Chief Executive Officer	53					✓	✓	1993 ⁽²⁾	2017	French
Patricia Barbizet	Vice-Chair	60		✓	✓	✓	✓	✓	1992 ⁽³⁾	2017	French
Jean-François Palus	Group Managing Director	54						✓	2009	2017	French
Yseulys Costes	Director	43	✓	✓	✓		✓		2010	2018	French
Luca Cordero di Montezemolo	Director	68				✓		✓	2001 ⁽³⁾	2016	Italian
Jean-Pierre Denis	Director	55	✓	✓	✓				2008	2016	French
Philippe Lagayette	Director	72	✓		✓		✓		1999 ⁽³⁾	2016	French
Baudouin Prot	Director	64				✓			1998 ⁽³⁾	2017	French
Daniela Riccardi	Director	55	✓						2014	2018	Italian
Jochen Zeitz	Director	52						✓	2012	2016	German
Sophie Bouchillou	Director representing the employees	53							2014	2018	French

(1) According to the criteria of the revised AFEP-MEDEF Code and the Board of Directors set out below.

(2) Member of the Executive Board from 1993 to 2001 and the Supervisory Board from 2001 to 2005.

(3) Member of the Supervisory Board until 2005.

Four non-voting Directors appointed by the Board of Directors for a term of four years pursuant to Article 18 of the Company's Articles of Association attend meetings of the Board of Directors, as required, on a consultative basis.

The Board has set up five Committees responsible for assisting it in performing its task: the Audit Committee, the Remuneration Committee, the Appointments Committee, the Strategy and Development Committee and the Sustainability Committee.

A detailed list of the Directors and the non-voting Directors is set out in a previous section of the Reference Document, on pages 136 to 146 and 154.

5.1.2. Changes in the membership of the Board of Directors

The composition of the Board of Directors did not change in 2015.

5.2. *conditions of preparation and organisation of the work of the board of directors*

5.2.1. Internal rules of the Board

The Board of Directors performs the duties and exercises the powers granted to it by law and the Articles of Association.

It determines and assesses the strategy, objectives and performance of the Company and ensures their implementation. Subject to the powers expressly granted to Annual General Meetings and within the limit of the corporate purpose, the Board reviews all issues concerning the smooth running of the Company and acts on all matters over which it has authority.

The Board carries out the controls and verifications it deems appropriate.

The conditions of preparation and organisation of the work of the Board of Directors are defined by law, the Company's Articles of Association, the internal rules of the Board and the work of its specialised Committees. The Board has established internal rules for each committee.

Pursuant to its internal rules and the law, the Board of Directors meets at least four times a year. To enable Directors to prepare in the best possible way for the topics to be examined during the meeting, a comprehensive file is sent to them in due time ahead of the meeting; it includes, per topic addressed, the necessary information on all items on the agenda.

In line with the relevant regulatory requirements, the internal rules also set the rules applicable to Directors in relation to restrictions on trading in the securities of the Company, or more generally the Group, by establishing black-out periods:

- the Directors must refrain from trading directly or indirectly in the listed securities and financial instruments of the Company and the Group for a period of 30 calendar days preceding each of the periodic publications relating to the annual and half-year consolidated financial statements and 15 calendar days preceding each of the quarterly publications relating to consolidated revenue and ending at the close of the trading day following the publication of the relevant official press release. In no way does this black-out period replace the legal and regulatory provisions regarding insider trading with which each member of the Board must comply at the time he/she decides to trade, no matter when this might occur outside the defined black-out periods;
- the same obligations apply to each Director insofar as the Director has knowledge of inside information relating to any financial instrument listed on a regulated market, where the issuer of those financial instruments has an

insider relationship with the Group. Consequently, the internal rules require the reporting of all dealings in these securities.

The internal rules set the frequency and conditions of Board meetings and provide for meeting participation by videoconference and/or conference call.

They also establish the principle of regular assessment of the functioning of the Board and set the terms and conditions by which Directors' fees are allocated.

According to the internal rules, Directors are required to inform the Chairman of the Board of any conflicts of interest, or of any possible conflicts, between their duties towards the Company and their private interests and/or other duties, and they may not vote on any matters that concern them directly or indirectly.

The Chairman of the Board of Directors may ask the Directors at any time for a written statement confirming that they are not involved in any conflicts of interest.

In order to reinforce its methods of functioning and in the interest of good governance, the internal rules of the Board of Directors set forth and formally lay down the rules governing the organisation and operating methods of the Board as well as the missions of its five Committees: the Audit Committee, the Remuneration Committee, the Appointments Committee, the Strategy and Development Committee and the Sustainability Committee.

Executive Management may in all circumstances be heard within said Committees.

5.2.2. Executive Management

After the Combined General Meeting on May 19, 2005 adopted the new Articles of Association of Kering (then PPR), introducing governance by a Board of Directors, the Board of Directors opted to have the duties of Chairman and Chief Executive Officer held by one person, and maintained this option in May 2009. This choice has contributed to efficient governance in light of the organisation of the Kering group within which François-Henri Pinault is the Chairman and Chief Executive Officer of Kering, the Group's parent company. He is related to the controlling shareholder, is closely involved in conducting the Group's business and has in-depth knowledge and experience of this business. The management of the Luxury and Sport & Lifestyle Divisions is entrusted to the Chairman and Chief Executive Officer and to the Group Managing Director, respectively. The Chairmen and Chief Executive Officers of the main brands (Gucci and PUMA), as well as the Chief Executive Officer of

Kering's "Luxury – Watches & Jewellery" division, and the Chief Executive Officer of Kering's Luxury – Couture & Leather Goods' emerging brands are members of the Executive Committee and attend Board of Directors' meetings as non-voting Directors. They are all thus able to provide, at those Board meetings which they are invited to attend, their views and information concerning the Group's Divisions and brands so that the non-executive Directors and more generally the Board may be well-informed.

On the proposal of the Chairman and Chief Executive Officer, the Board of Directors' meeting on February 22, 2008 appointed a Group Managing Director (*Directeur Général délégué*) whose term of office was renewed on June 18, 2013 and who has the same powers with regard to third parties as the Chief Executive Officer. The Group Managing Director was appointed as Director by the Combined General Meeting on May 7, 2009 for a four-year term, renewed on June 18, 2013 for another four years.

The Chairman and Chief Executive Officer and the Group Managing Director both take part, on an equal level, in the work of the Board of Directors, 40% of whose members are independent Directors. The Board operates smoothly thanks to frequent meetings, the regular attendance of its members and the assistance of its specialised Committees, as described below.

5.2.3. Limitations by the Board of Directors on the powers of the Chief Executive Officer and Group Managing Director

In connection with the Board of Directors' statutory role of determining the business orientation of the Company and ensuring its implementation, and without prejudice to the legal provisions governing the authorisations required to be granted by the Board (related-party agreements, endorsements, suretyships and guarantees, divestments of shareholdings or sale of real property, etc.), the Company's Articles of Association provide that certain decisions of the Chief Executive Officer and Group Managing Director, by virtue of their nature or significance, require the prior approval of the Board of Directors:

a) matters and transactions that have a substantive effect on the strategy of the Group, its financial structure or its scope of business activity;

- b) except in the event of a decision by the Annual General Meeting, issues of securities, regardless of the nature thereof, that are liable to cause a change in the share capital;
- c) the following transactions by the Company or any entity controlled by the Group, insofar as they each exceed an amount set annually by the Board of Directors (which was €500 million in 2015):
 - all investments or divestments, including the acquisition, sale or exchange of holdings in all existing or future businesses,
 - all purchases or sales of Company real property.

These transactions are regularly submitted to the Board of Directors, which examines them carefully.

5.2.4. Compliance with a code of corporate governance

On October 22, 2008, the Board of Directors announced that it had examined and adopted, as a reference corporate governance framework, the AFEP-MEDEF recommendations of October 6, 2008 on the remuneration of executive corporate officers of listed companies and deemed that the corporate governance policies already implemented by the Company complied with all the aforementioned recommendations.

Accordingly, the Company now refers to the Corporate Governance Code of Listed Corporations resulting from the consolidation of the October 2003 AFEP and MEDEF report, the aforementioned January 2007 and October 2008 AFEP-MEDEF recommendations and the April 2010 AFEP-MEDEF recommendation concerning the strengthening of women representation within the boards, as amended in June 2013 and November 2015 ("the revised AFEP-MEDEF Code") and its November 2015 implementing guidelines, and has done so, in particular, for the preparation of this report. The revised AFEP-MEDEF Code is available in English on the AFEP website at <http://www.afep.com/en/content/focus/corporate-governance-code-listed-corporations>.

Two provisions of the revised AFEP-MEDEF Code were not adopted:

AFEP-MEDEF recommendations

Director independence criteria (section 9-4 of the Code) – One of the criteria to be reviewed in order for a Director to qualify as independent is not to have been a Director of the Company for more than 12 years.

Kering practice and explanations

In the case of Philippe Lagayette, the Board of Directors decided not to apply the independence criterion limiting a Director's term of office to 12 years.

On the recommendations of the Appointments Committee, the Board of Directors noted that Philippe Lagayette (a member of the Supervisory Board and then, as from January 1999, a member of the Board of Directors), has had no responsibilities in the banking sector since early 2010. Following the letter sent by the High Committee on Corporate Governance (*Haut Comité de Gouvernement d'Entreprise*) in July 2014, the Board of Directors reassessed Philippe Lagayette's situation and remains unanimous in agreeing that his first-class expertise, his other duties outside the Group (including directorships in prestigious companies that also require independent representation) and his acknowledged moral authority show that his many years of service on the Board have had a positive impact on his knowledge of the Group, its background and its activities, and reflect a continuous and outstanding contribution to the work of the Board of Directors and, prior to that, the Supervisory Board, which has had several Chairs since his initial appointment. This belief is further supported by Philippe Lagayette's role on the Boards of two other listed companies, as Senior Director and chairman of audit Committees. Lastly, the Board has begun to examine the matter of independence of Directors in the context of the expiry of terms of office of four serving independent Directors, including Philippe Lagayette.

Composition of the Appointments Committee (section 17.1 of the Code) – the Committee should have a majority of independent Directors.

The Committee currently comprises three Directors: Patricia Barbizet, Chair of the Committee, Luca Cordero di Montezemolo and Baudouin Prot.

The Company does not comply with the AFEP-MEDEF recommendations regarding the proportion of independent members within the Appointments Committee. The composition of the Committees of the Board of Directors, and particularly that of the Appointments Committee, remained under examination, as part of discussions on possible forthcoming changes in the composition of the Board itself.

5.2.5. Independence of Directors

In order to assess the independence of a Director and to avoid possible risks of conflicts of interest, the Board applied the criteria defined in the revised AFEP-MEDEF Code, whereby a Director cannot:

- be an employee or executive corporate officer of the Company, an employee or Director of its parent or a company that the latter consolidates and not have been in such position in the past five years;
- be a Director or executive corporate officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such

or a Director or executive corporate officer of the Company (currently in office or having held office within the past five years) is a Director;

- be a significant customer, supplier, investment banker, or commercial banker of the Company or the Group, or for which the Company or the Group represents a significant portion of the activity;
- have any close family ties with a Director or executive corporate officer;
- have been the auditor of the Company within the past five years;
- have been a Director of the Company for more than 12 years.

Upon analysing the situation of each Director with regard to these criteria and following a review by the Appointments Committee on February 11, 2016, the Board of Directors classified as independent Directors, without prejudging the independence of the other Directors, the following members: Yseulys Costes, Daniela Riccardi, Jean-Pierre Denis and Philippe Lagayette.

Regarding Baudouin Prot, the Board confirmed that Baudouin Prot gave up all responsibilities in the BNP Paribas group in December 2014. However, the Board of Directors decided that Baudouin Prot does not qualify as an independent Director.

Accordingly, four Directors out of the ten⁽¹⁾ Directors currently serving on the Board are classified as independent Directors, it being noted that the revised AFEP-MEDEF Code recommends that those companies with a controlling shareholder, which is the case of Kering, comply with the rule that at least one-third of the Board members should be independent Directors.

5.2.6. Activity of the Board of Directors and its specialised Committees

Activity of the Board of Directors in 2015 and up to February 18, 2016

Activity of the Board of Directors in 2015

During 2015, the Board met eight times with an average attendance rate of 92%; the Chairman of the Board chaired all Board meetings.

Dates	Directors present (attendance rate)
January 14	11/11 (100%)
February 16	8/11 (72.7%)
March 18	11/11 (100%)
April 23 (before the Combined General Meeting)	10/11 (90.9%)
April 23 (after the Combined General Meeting)	10/11 (90.9%)
July 27	10/11 (90.9%)
October 23	11/11 (100%)
December 16	10/11 (90.9%)

The work of the Board of Directors mainly involved reviewing the annual and interim financial statements, the Group's business activity and strategic issues.

During its meeting on January 14, 2015, the Board reviewed the work of the Audit Committee on key focus points for the closing of the 2014 financial statements and the Group's Internal Audit activity and heard a presentation on business activity in 2014. The Board granted and allocated the Directors' fees for 2014 in accordance with the terms and conditions of its internal rules. The Board also decided on the modification of Article 6 of Kering's Articles of Association ("Article 6: Share Capital") further to the capital increase following the exercise of stock subscription options during 2014.

On February 16, 2015, following a review by the Audit Committee on February 13, 2015, the Board of Directors adopted the 2014 financial statements and reports in view of the Annual General Meeting. It adopted the draft Management Report of the Board of Directors to the Annual General Meeting and approved the Chairman's report on corporate governance, internal control and risk management. It also heard a report on the Group's financial position.

On March 18, 2015, the Board met to deliberate on the Group's 2015 budget. The Board heard a presentation on the work of the Remuneration Committee concerning the proposed policy for 2015 with regard to the long-term remuneration of the Group's senior executives and, on the recommendation of the same Committee, determined the variable components of the remuneration for 2015. It also awarded a long-term performance bonus to the Chairman and Chief Executive Officer as well as to the Group Managing Director.

It also heard the report on the work of the Appointments Committee, following which it convened the Combined General Meeting of April 23, 2015.

In addition, the Board examined and approved the new Internal Control Charter.

On April 23, 2015, the Board met prior to the Combined General Meeting held on the same day. Further to a briefing on the preparation of the Annual General Meeting, the Board received a presentation on the Kering Eyewear business, which was previously operated under licence but has now been internalised.

The Board of Directors met again after the Combined General Meeting on April 23, 2015. The Board renewed the authorisation given to the Chief Executive Officer, with the possibility to sub-delegate such authorisation, to carry out certain transactions, in particular those referred to in Article 15-II of the Company's Articles of Association, with a ceiling set at €500 million. The Board approved the implementation of the share buy-back programme authorised by the Annual General Meeting on the same day. The Board also approved the sale by Kering Netherlands BV of an interest in Global Fashion Holding SA to Témarris SA (French company and subsidiary of Artémis), the transaction qualifying as a regulated related-party agreement.

On July 27, 2015, the Board reviewed the work of the Audit Committee, which had met on July 23, 2015, heard the findings of the Statutory Auditors and a report on business activity for the first half of 2015, and adopted the interim financial statements and reports. During the review of the interim financial statements, the Board was given a progress report on the sale of Sergio Rossi to Investindustrial. The sale completed on December 30, 2015, and concerned all the industrial assets of Sergio Rossi, the rights attached to the brand and the entire distribution network.

(1) The AFEP-MEDEF Code does not include Directors representing employees when calculating the percentage of independent Directors on Board Committees. This explains why the proportion of independent Directors on the Board is calculated based on 10 Directors instead of 11.

During the meeting on October 23, 2015, a report was presented to the Board on the Group's business activities and strategic issues. The Board's discussions focused mainly on how to strengthen the Group's positioning and it underscored the key importance of sustainability as part of this strategy. The Board also discussed the launch of Kering's new Eyewear business and the repositioning of the PUMA brand that was begun several months earlier. In addition, the Board addressed the subject of Gucci's new Creative Director and the aim of making the Gucci brand restore its fashion authority status. The Sustainability Committee's work was then also presented. Lastly, the Board noted the need to undertake a fresh assessment of its work prior to the publication of Kering's forthcoming Reference Document.

On December 16, 2015, the Board decided to pay an interim dividend for 2015 as from January 25, 2016. The Risk Committee's work was then presented.

Activity of the Board of Directors in 2016 up to February 18, 2016

Between January 1, 2016 and February 18, 2016, the Board of Directors met once.

On February 18, 2016, the Board of Directors met to adopt the 2015 annual financial statements and reports to be submitted to the Annual General Meeting as well as to approve this report. It also heard a report on the Group's financial position. The Board then granted and allocated the Directors' fees for 2015 in accordance with the criteria adopted in March 2014. Lastly, it has been proposed to the Board of Directors to reappoint Laurence Boone and to submit this new appointment to the approval of the shareholders at the next Annual General Meeting.

Assessment of the Board of Directors

In accordance with its internal rules, since 2004 the Board of Directors carries out an annual self-assessment. At least once every three years, an independent Director or third-party expert appointed by the Board assesses and reports on its members and activity. The previous assessment was carried out by a specialised firm which reported to the Board on July 25, 2013 and the same firm launched a new assessment in January 2016 that will be submitted to the Board at the end of the first quarter of 2016. This assessment will take account of the recommendations of the revised AFEP-MEDEF Code.

Audit Committee

Set up in December 2002, the main assignment of the Audit Committee, within the limit of the duties of the Board of Directors, is to review the annual and interim financial statements, to verify the relevance, continuity and reliability of accounting methods applied within the Company and the main subsidiaries and the implementation of internal control and risk management procedures in the Group, to be familiar with the policies implemented within the Group in relation to sustainability and respect for the environment,

and to listen to and question the Statutory Auditors. The Committee is notified of the main problems identified by the Kering group's Internal Audit Department.

The Audit Committee reports to the Board on a regular basis and provides it with its opinions or recommendations on all matters within its scope of duties. Meetings of the Audit Committee give rise to a written and approved report.

The Committee may call on external experts and hear any person.

Each year it reviews the fees charged by the Company's Statutory Auditors and assesses their independence. The Audit Committee also considers potential Statutory Auditors for appointment.

The Committee currently comprises three Directors: Jean-Pierre Denis, Chairman of the Committee, and Yseulys Costes, both of whom are independent Directors, and Patricia Barbizet.

The Audit Committee members all have recognised financial or accounting skills, combining their expertise in general and operational management of banks and businesses as confirmed by their professional careers (see pages 138, 142 and 143 of the Reference Document).

In accordance with the revised AFEP-MEDEF Code, two-thirds of the members of the Committee are independent Directors.

Activities of the Audit Committee in 2015 and up to February 15, 2016

In 2015, the Committee met four times, with an average attendance rate of 100%.

During 2015, the Chief Financial Officer and Group Internal Audit Director were regularly invited to present their work and answer questions at meetings of the Committee.

On January 12, 2015, the Head of the Internal Audit Department reported to the Committee on the Internal Audit activities (audit assignments and monitoring of action plans) and the Group's risk exposure; the Committee reviewed the accounting options for the annual financial statements, off-balance sheet commitments and the scope of the Statutory Auditors' assignment as well as their independence and general programme for audit work in order to make its recommendations to the Board of Directors.

On February 13, 2015, the Committee met prior to the meeting of the Board held to adopt the 2014 financial statements, a topic to which it devoted most of its work, and heard the Statutory Auditors in relation to their reports on the financial statements. It also reviewed the services provided by Artemis in 2014.

On June 4, 2015, the Internal Audit missions for the Group were presented to the Committee, along with a progress report on the dispute with Alibaba.

With a view to the meeting of the Board on July 27, 2015 to adopt the interim financial statements, the Committee

met on July 23, 2015 to review the interim financial statements and gave a favourable opinion to the proposed renewal of one of the Statutory Auditors, KPMG.

Since the beginning of 2016, the Audit Committee has met twice, with all of its members present.

On January 18, 2016, the Head of the Internal Audit Department reported to the Committee on the Internal Audit activities and the Group's risk exposure; the Committee reviewed the accounting options for the annual financial statements, off-balance sheet commitments and the scope of the Statutory Auditors' assignment as well as their independence and general programme for audit work in order to make its recommendations to the Board of Directors.

On February 15, 2016, the Committee met before the meeting of the Board to adopt the 2015 financial statements, a topic to which it devoted most of its work, and heard the Statutory Auditors in relation to their reports on the financial statements. It also reviewed the services provided by Artémis in 2015 and was given a report on the performance of the Kering share.

On February 18, 2016, the Committee informed the Board of its work and recommendations.

Remuneration Committee

The Remuneration Committee's role is to review and make proposals to the Board of Directors on all items and terms of remuneration of the Chairman and Chief Executive Officer and the Group Managing Director (as explained above in the section "Remuneration of executive corporate officers") and the method of allocating Directors' fees granted to the Board by the Annual General Meeting. It reviews and assesses the remuneration policy for senior executives as well as the remuneration and benefits received or deferred, stock options, free share grants and/or similar benefits including retirement benefits and any other benefits granted to members of the Kering group Executive Committee.

The Remuneration Committee currently comprises four Directors: Philippe Lagayette, Chairman of the Committee, independent Director, Patricia Barbizet, Yseulys Costes and Jean-Pierre Denis, both of whom are independent Directors. Accordingly, with regard to the criteria of the revised AFEP-MEDEF Code, independent Directors represented the majority of the Remuneration Committee's members.

Activities of the Remuneration Committee in 2015 and up to February 15, 2016

In 2015, the Committee met twice, with an average attendance rate of 100%.

On February 13, 2015, all the members of the Remuneration Committee met to discuss the remuneration of the members of the Executive Committee for 2014. It also deliberated on the provisions of the "Macron" law in France relating to performance share grants.

On March 12, 2015, all the members of the Committee met to review and determine the variable components of the remuneration for 2014 awarded to the Chairman and Chief Executive Officer and to the Group Managing Director, as well as the components of remuneration for 2015. The Committee also decided on the performance condition for the performance share plan of April 27, 2012.

On February 15, 2016, all the members of the Committee met to review the variable remuneration for 2015 and the fixed remuneration of the Executive Committee. This review was carried out based on estimates; the Committee will determine the rate of achievement for all remuneration at its next meeting, based on the Group's 2015 results. The Board discussed various proposed changes to the variable remuneration of corporate officers and debated changes to the components of long-term remuneration.

The Remuneration Committee reported on its work and recommendations to the Board of Directors.

Appointments Committee

Set up in March 2003, the Appointments Committee reviews the proposed appointment of Directors as well as their situation with regard to the independence criteria defined by the Board. This review must be carried out prior to each appointment and at any time deemed appropriate by the Committee. It provides its opinions and recommendations in these matters to the Board.

The Committee comprises three Directors: Patricia Barbizet, Chair of the Committee, Luca Cordero di Montezemolo and Baudouin Prot.

Activities of the Appointments Committee in 2015 and up to February 11, 2016

In 2015, the Appointments Committee met once and all of its members were present.

On February 16, 2015, the Committee met to discuss the succession plan for the Group's senior executives, the assessment of the independence of Directors, the composition of the Board and its Committees and the revised draft of the Board's internal rules, the aim of which is to align them with the AFEP-MEDEF Code.

On February 11, 2016, all of the members of the Committee met for a progress report on the assessment of the Board and to review proposals for the renewal of the Board and its Committees in view of the expiry of the terms of office of Jean-Pierre Denis, Philippe Lagayette, Luca Cordero di Montezemolo, and Jochen Zeitz, and of the seat vacated by Laurence Boone. In addition, it reviewed a draft of the section of this report dealing with corporate governance.

The Appointments Committee reported on its work and made its recommendations to the Board of Directors.

Strategy and Development Committee

Within the limits of the duties of the Board of Directors, the Strategy and Development Committee's role is to identify, analyse and support the Kering group's strategic development initiatives.

The Committee comprises four Directors: Patricia Barbizet, Chair of the Committee, François-Henri Pinault, and Yseulys Costes and Philippe Lagayette, the last two being independent Directors.

Activities of the Strategy and Development Committee in 2015 and 2016

The Strategy and Development Committee met once during the year on the occasion of the Board of Directors' meeting of October 23, 2015. All the members of the Committee attended the meeting. The unusual format of the meeting was intended to give all of the Directors the opportunity to take part in the discussion following the sale of the Group's retail assets and the finalisation of the creation of an integrated luxury group organised around a coherent brand portfolio.

The Committee did not meet in early 2016.

Sustainability Committee

The Sustainability Committee's role is to support the Company and the Group in establishing, implementing and monitoring good corporate governance, taking into account the aim of the Board and Executive Management to maintain a high level of sustainability in their economic, social and environmental context, the Group's clear ambitions in terms of ethics and the corporate citizenship policies and practices upheld by the Group, its senior executives and employees.

The Committee comprises five Directors: Jochen Zeitz, Chairman of the Committee, François-Henri Pinault, Patricia Barbizet, Jean-François Palus and Luca Cordero di Montezemolo.

Activities of the Sustainability Committee in 2015 and 2016

In 2015, the Committee met twice, with an average attendance rate of 100%.

The Committee met on March 18, 2015 and discussed the priorities of the Group with regard to sustainability (EP&L, innovative projects and sustainable sourcing). This session was also an opportunity to inform the Committee about the main current activities. Finally, a progress report has been prepared on the Group's Ethics Committee activities.

A second meeting was held in London on December 1, 2015. In addition to a review of ongoing projects, this session was mainly devoted to the analysis of the objectives and parameters of the new Group strategy for sustainability.

The Committee did not meet in early 2016.

5.2.7. Shareholder participation

All shareholders are entitled to attend Annual General Meetings in accordance with the conditions provided for by law. The terms and conditions of said attendance are specified in the provisions of Article 20 of the Articles of Association and are set out again on page 341 of the Reference Document.

5.2.8. Information likely to have an impact in the event of a public offer

No information other than that related to (i) the current shareholding structure (Artémis being the majority shareholder, with 40.89% of the capital and 57.41% of voting rights of Kering), (ii) the double voting right provided for under the Articles of Association, (iii) the share buy-back programme, and (iv) the authorisations given by the Annual General Meeting to increase the capital, as expressly described in the Reference Document, is liable to have an impact in the event of a public offer or can have the effect of delaying, deferring or preventing a change of control.

To the Company's knowledge, there are no agreements between shareholders that could restrict the transfer of shares or the exercise of voting rights.

5.2.9. Remuneration policy with regard to Directors and executive corporate officers

Directors' fees paid to the members of the Board of Directors

The Annual General Meeting determines the total amount of Directors' fees allocated to members of the Board of Directors.

Based on the recommendations of the Remuneration Committee, the Board of Directors allocates Directors' fees according to the actual presence of members at meetings of the Board and of specialised Committees held during the relevant fiscal year.

Out of the total amount set by the Annual General Meeting, the rule followed by the Board in order to comply with AFEP-MEDEF recommendation 21-1 for a significant variable portion is to divide the total amount between a 40% fixed portion and a 60% variable portion. The Directors' fees are allocated in the following manner:

- a) a fixed portion, minus a specific amount corresponding to the remuneration of the Chairmen of the Audit, Remuneration and Appointments Committees, respectively (€23,000 each), the balance being allocated with a coefficient of 1 by Board membership, increased by 0.5 per Committee;
- b) a variable portion, allocated with a coefficient of 1 (2 for the Vice-Chair) per presence at each meeting of the Board and 0.5 for each attendance of a Committee meeting.

In respect of 2015, Kering paid the members of its Board of Directors €877,000 in Directors' fees.

Other remuneration

The remuneration and benefits granted to executive corporate officers primarily depend on the level of responsibilities attached to their position, the Group's results and achievement of the targets pursued. They also take into account the remuneration paid by companies that are comparable in terms of size, business sector and international presence.

The variable portion of the remuneration paid to executive corporate officers is exclusively based on the achievement of financial targets. The Board of Directors

adopted two financial criteria for 2015, which are based on Group performance indicators in terms of free cash flow and recurring operating income generation, each of these items accounting for one half. When targets are exactly met, the variable portion is equal to 120% of the fixed remuneration of the Chairman and Chief Executive Officer and 100% of that of the Group Managing Director.

None of Kering's executive corporate officers benefit from provisions granting them a specific indemnity in the event that they leave the Group.

The individual remuneration of the Directors and executive corporate officers of Kering is detailed on pages 147 to 153 of the Reference Document.

5.3. *internal control and risk management procedures implemented by the company*

This part of the Report by the Chairman of the Board of Directors on the risk management and internal control system within the Group is based on the AMF's Reference Framework published in July 2010. The Reference Framework takes into account the legislative and regulatory changes since it was first published in 2007, including Act No. 2008-649 of July 3, 2008 and the Ordinance of December 8, 2008, which adapted French law to EU Directives 2006/46/EC and 2006/43/CE and also supplemented Financial Security Act No. 2003-706 of August 1, 2003.

The AMF's framework is based not only on the aforementioned French and EU legislation and regulations, but also on internal control and risk management good practices and international standards, in particular ISO 31000 and COSO II. The COSO II internal control framework was analysed in depth when the risk management policy was drafted. This policy is set out in the section "The components of risk management".

5.3.1. Scope and principles of organisation

Kering is the parent company of the Kering group, whose main entities are the Luxury Division and the Sport & Lifestyle Division. The following report aims to describe the internal control procedures in the Group, in particular, the procedures relating to the preparation and processing of financial and accounting information. The scope of the Group covered by the report includes all fully-consolidated subsidiaries, i.e., the companies in which the Group directly or indirectly exercises exclusive control.

As a holding company, Kering's own activity consists of defining and implementing its strategy, organising and managing its holdings, stimulating the development of its Divisions, coordinating the financing of their activities, providing support and communication functions, and

defining and implementing the insurance cover policy.

The internal control function follows the general organisation of the Group. It is both:

- decentralised at the level of the Divisions: Executive Management of the operational and legal entities is responsible for managing and coordinating the internal control process;
- unified around a common methodology and a single set of standards. The Kering holding company coordinates its deployment across the Group, supported by teams at Kering APAC and Kering Americas.

The section dedicated to internal control procedures covers the Luxury Division. PUMA AG, listed on the German stock market, is subject to regulatory obligations applicable to internal control and risk reporting, which are described in the Company's annual report and which may be consulted to supplement this report. It should be noted that the Kering group's best practices in this area have been adopted by the PUMA group. PUMA SE's Audit Committee keeps the Kering Audit Committee regularly informed.

5.3.2. General principles of risk management

According to the definition of the AMF, risks represent the possibility that an event may occur and could have an impact on people, assets, the environment, the Company's objectives and its reputation.

Risk management covers areas that are much wider than just financial risks: for example, strategic, operational, reputational and compliance risk. Risk management is a key management tool that helps:

- create and preserve the value, assets and reputation of the Company;
- render the Company's decision-making and processes secure in order to support the achievement of its objectives;
- ensure that initiatives are consistent with the Company's values;
- bring Company employees together to develop a shared view of the main risks.

5.3.3. The components of risk management

The Group constantly strives to make its operations more secure and to improve its methodology to identify and deal with risks. In 2015, the Group pressed ahead with changes to its risk management methodology initiated in 2011 and the means used for its risk management system. The Group's risk management system provides an organisational framework, a three-step risk management process and continuous monitoring of the system.

5.3.3.1. Organisational framework

This organisational framework includes:

- an organisation that sets out the roles and responsibilities of the various persons involved and sets out procedures, as well as consistent and clear standards, for the system;
- a risk management policy that sets out the objectives of the system in line with the Company's culture, the shared language used, and the process to identify, analyse and deal with risks;
- an IT system that makes it possible to share information about risks internally.

Risk Committee

Within the scope of the Group's risk management policy and in accordance with Kering's corporate governance, Kering's Executive Management created a "Kering group Risk Committee" in 2011. This Committee comprises the Group Managing Director, the Chief Financial Officer, the Head of the Legal Department, the Head of the Internal Audit Department and the Head of the Security Department. As the Group's operations and activities expand, and become more complex and more international, the Risk Committee helps identify and manage strategic, operational, reporting, reputational and compliance risks that could have an impact on the Group's business operations. Internal rules establish the rules for the Committee and how it operates.

The Risk Committee reviews (i) the validation and monitoring process for the Group's risk management policy, (ii) the monitoring of the topicality and relevance of the analysis of strategic, operational, reporting, reputational and

compliance risks, (iii) the analysis summaries of general and specific risks, and (iv) the validation and monitoring of the roll-out of action plans aimed at better controlling identified risks.

The Risk Committee's work is brought to the attention of the Audit Committee, which is informed of the Committee's internal rules and has access to the reports from its meetings.

Risk manager

The risk manager function was also created within the Company to coordinate this reinforced risk management system, ensure that the Executive Management teams of the Divisions analyse the main risks within their scope of business, and provide the members of the Risk Committee, prior to each meeting, with the information and documents necessary for their work and their discussions.

Risk management policy

After reviewing in particular the COSO II internal control framework, the Group implemented a risk management policy that was sent to the Kering and PUMA internal control departments as well as the Executive Management teams of the divisions and brands. This document describes the methods used by the Group for the risk analysis work that it conducts every two years.

5.3.3.2. A three-step risk management process

The risk management process involves:

- identifying risks: this step makes it possible to identify and centralise the main risks. A risk is characterised by an event, one or more internal or external sources, and one or more consequences. Risk identification within the Group is part of a continuous effort with assessments in principle on a twice-yearly basis;
- analysing risks: this step involves reviewing the potential consequences of the main risks (for example, financial, human, legal or reputational consequences) and assessing their impact, whether they may occur as well as the level of risk control. This is also a continuous effort, and assessments are conducted in principle twice a year during work group sessions with the main managers of the Divisions; the risk management policy describes in detail the criteria and procedures for these assessments;
- dealing with risk: during this last step, the most appropriate action plan(s) for the Company is (are) identified.

This risk mapping system was put in place several years ago and has been strengthened since 2011 with the presentation made to the Risk Committee of a consolidated risk map for each Division. The risk management process is monitored over the long-term.

In 2013, the Group deployed special software for the management of risk identification and analysis which guarantees a common methodology across both Divisions and extends the responsibilities of the managers included in these workshops.

In 2014, the Group extended its risk identification process through work sessions with the holding company's main managers.

In 2015, the Group extended its risk identification process through work sessions with the key managers of Kering's regional divisions in the Americas and Asia-Pacific.

5.3.3.3. Oversight of the risk management system

The risk management system is monitored and reviewed on a regular basis to help continuously improve the system. The objective is to identify and analyse the main risks and to learn from risks that have materialised.

The Risk Committee meets in principle at least twice a year to review the risk maps drawn up by the Internal Audit Department of the Group and of PUMA, and to monitor the progress of the specific action plans.

The Committee discusses its self-assessment once a year.

The Risk Committee met once in 2015 and the Audit Committee and Board of Directors were apprised of its work in December of that year.

5.3.4. Link between risk management and internal control

The risk management and internal control systems are complementary, and together help control the Group's activities:

- the risk management system is designed to identify and analyse the main risks. Risks are dealt with and addressed in action plans that can be adapted to the organisation, may include project management, and may also involve implementing controls. The controls to be implemented are part of the internal control system and may be reviewed based on the risk maps;
- the internal control system uses the risk management system to identify the main risks to be controlled;
- the audit plan uses the risk map to test the assessment of the level of control of the risks identified.

The link between and the combined balance of the two systems depend on the control environment, which is their common base, particularly the risk and control culture of each company and the ethical values of the Group.

5.3.5. General principles of internal control

5.3.5.1. Definition of internal control

The internal control procedures applicable within the Kering group rely on a set of means, policies, conduct, procedures and appropriate actions to ensure that the necessary measures are taken in order to control:

- activities, operational effectiveness and the efficient use of resources;
- strategic, operational, financial, reputational or compliance risks that could have a significant impact on the Company's assets or the achievement of its objectives.

Internal control is defined as a process conducted by Executive Management, under the supervision of the Board of Directors, and implemented by senior executives and all employees. Regardless of its quality and its degree of application, it cannot provide an absolute guarantee of the achievement of goals falling within the following categories:

- compliance with laws and regulations in force;
- application of guidelines and directions set by Executive Management;
- smooth operation of internal processes, particularly those contributing to the safeguarding of assets;
- reliability of financial and accounting information.

5.3.5.2. Limits of internal control

The probability of meeting such objectives is subject to the limits inherent in any internal control system, such as:

- human errors or malfunctions occurring when decisions are made or applied;
- deliberate collusion amongst several individuals, enabling them to elude the control system;
- situations in which implementing or maintaining a control would be more expensive than the risk that it is supposed to remedy.

Furthermore, it is understood that in pursuing the objectives indicated above, companies are faced with events and uncertainties beyond their control (unexpected changes in the markets, competitive environment or geopolitical situation, or error in forecasting or assessing the effects of such changes on the organisation, etc.).

5.3.6. Components of internal control

The quality of the internal control system is based on the following components:

- the control environment based on rules of conduct and integrity supported by Management and communicated to all employees;
- an organisation that clearly defines responsibilities and has adequate resources and skills;
- a system to identify, analyse and manage the main risks;
- ongoing oversight of the internal control system and regular review of the functioning of the system.

5.3.6.1. Internal control environment

The Group's internal control system is based on a decentralised organisation that clearly defines responsibilities through the Group Charter. It includes principles and values governing the conduct and ethics of all its employees, presented in the Code of ethics. It also includes an Internal Control Charter. Moreover, it relies on human resources management that ensures the competency, ethical conduct and involvement of its employees.

The Group Charter

The Kering group adopted a Group Charter several years ago which was updated in 2012 and provides the framework for the decentralisation of the organisation and the responsibility of senior executives. The Charter defines the guiding principles governing the relations between Kering and the Divisions. It also defines, within each functional area, (i) the matters that fall within the delegated responsibility of the Divisions, (ii) those that must be communicated to Kering within sufficient timeframes, and (iii) those requiring the prior authorisation of Kering.

Group principles and values

The ethical principles of the Kering group are set out in the Code of ethics, first circulated in 2005 and then recirculated in 2009 and 2013 to all Kering group employees.

The third edition of the Code of ethics included a Suppliers' Charter and the adoption of the precautionary principle, especially in environmental protection. It also presents new developments in the Group's ethics organisation and the steps to take in cases of suspected non-compliance with key Kering commitments.

The Code sets out the Group's commitments and rules of conduct towards its main stakeholders:

- employees;
- customers and consumers;
- business partners and competitors;
- the environment;
- civil society;
- shareholders and financial markets.

This intensification of promotion and respect for ethics within the Group has also seen the implementation of an online training programme in ethics and code compliance for all Kering employees worldwide. It is based on case studies that show ethics in the light of daily professional life, and will be updated annually.

In addition to the first circulation of its Code of ethics in 2005, Kering has also set up a Group Ethics Committee. This Committee is now supported by two regional Ethics Committees: the Asia-Pacific (APAC) Ethics Committee and the Americas Ethics Committee. A global hotline is also available to all staff in all 12 of the Code's languages.

The Ethics Committees are composed of representatives of the Group's brands and Kering staff (Corporate, Kering APAC and Kering Americas). This entire structure is managed by Kering's Chief Sustainability Officer and Head of International Affairs.

The Ethics Committees have three main functions:

- supervising the circulation and application of the Code of ethics and the principles that it defends;
- responding to any issues raised by a Group employee, be it a simple request for clarification or a question relating to the interpretation of the Code and its application, or a claim submitted to the Committee due to alleged non-compliance with one of the Group's ethical principles;
- generating initiatives for developing the Group's sustainable development policy and activities.

The changes made to the Code and the organisation of ethics within the Group are examined in detail in Chapter 3 "Sustainability" of this report.

The Divisions may in addition set up their own specific additional procedures and guidelines, such as supplier gift charters.

Moreover, the Insider Good Practices Committee, made up of the Group Managing Director and the Head of the Legal Department, implements preventive measures to protect against insider trading activities (e.g., a calendar of black-out periods, a list of permanent and occasional insiders, newsletters, etc.).

The Internal Control Charter

The Kering group adopted an Internal Control Charter in 2010 that was circulated throughout the Group. In order to adapt the Charter to changes in the Group since its initial publication, a new edition was published in 2015. The Charter defines internal control and sets out its objectives as presented in the AMF's Reference Framework. It also specifies the limits of internal control, which cannot under any circumstances provide an absolute guarantee that the Company's objectives will be achieved. The Charter specifies that the holding company serves to unite the various entities. It also sets out the responsibilities of each Division and brand in implementing an internal control system that is adapted to their activities.

The Charter defines the role of each person involved in the internal control system and the bodies responsible for oversight and assessment.

Furthermore, the Charter specifies the existing tools for assessing internal control and risks which are self-assessment of internal control and mapping of major risks, as well as setting out the basic principles for creating new procedures.

Human resources policy

Quality of human resources and cohesion of management are key success factors of the Group. Kering makes sure that the various Divisions apply human resources policies that are adapted to their context and the challenges they face, while meeting the highest local standards. The principle of autonomy and empowerment of the Divisions is also applied, but the Group guarantees the consistency of the policies implemented and their alignment with Kering's values and actions defined centrally.

With regard to social policy, the Divisions apply high standards of dialogue and participation of employees in the Company, while the Group engages in dialogue at the level of the Group's employee representative bodies, the Group Works Council and the European Works Council. In 2010, the European Works Council and Kering's Group management adopted a "Framework of Commitment on the quality of life at work and the prevention of work-related stress". Kering has also set up an employee opinion survey conducted every two years, which also concerns the Divisions. The survey was conducted again in 2015. The Group develops cross-functional training programmes and carries out talent reviews every year of the Divisions' managerial resources. Kering thus ensures that there is a good match both now and in future between the managerial resources and the challenges facing the Divisions. Furthermore, the Group maintains an active market monitoring policy for all key positions for which the internal succession plan does not appear sufficiently strong.

5.3.6.2. Organisation and resources

The organisation of internal control depends on actively-involved persons at every level of the chain of responsibility, from Executive Management to all employees, as well as the bodies responsible for oversight and assessment: the Board of Directors, the Audit Committees, the Internal Audit and Risk Management Departments and the Statutory Auditors.

Executive Committee

The Kering group Executive Committee, which is an Executive Management body, comprises the Chairman and Chief Executive Officer, the Group Managing Director, the Chief Executive Officer of Kering's "Luxury – Watches & Jewellery" division, the Chief Executive Officer of Kering's Luxury – Couture & Leather Goods' emerging brands, the Chief Executive Officer of Gucci, the Chief Executive Officers of Saint Laurent, Bottega Veneta, PUMA SE and Kering Eyewear, and the Kering functional Directors (Human Resources, Finance, Sustainability and International Institutional Affairs, Communications).

The Executive Committee meets regularly, frequently, and whenever required, in accordance with the policies of the Strategy and Development Committee, in order to:

- draw up and coordinate the Group's operating strategy;
- define the priorities through objectives assigned to the Divisions and the main functional projects;
- develop synergies between the Divisions;
- propose acquisitions and disposals to the Board of Directors;
- ensure proper implementation of the policies and projects defined within the framework of Kering Sustainability.

Kering group strategies and goals are discussed each year via the medium-term plans and the budgets of the business units of each of the Divisions.

Executive Management teams

The Executive Management teams define, coordinate and oversee the Group's internal control system. They are also in charge of initiating the necessary corrective measures. The Executive Management teams' involvement is of key importance to the internal control system, given the Kering group's organisation.

Oversight of the system results in an annual report on internal control prepared by the Chief Executive Officer of PUMA.

Management and employees

Management is the key operational player of internal control; it relies on internal control to perform its duties and reach its objectives. In this respect, management implements the internal control operations related to its area of responsibility and ensures that the internal control system is adapted to its activities.

Employees must have the knowledge and information necessary to set up, operate and oversee the internal control system, with regard to the assigned objectives. In their day-to-day activities, they must follow the principles and rules of control and may suggest ways to improve and detect malfunctions.

The bodies responsible for oversight and assessment are:

The Board of Directors

The Board of Directors contributes to the overall control environment through the skills of its members. The Board is regularly informed about the methodologies used for internal control and the management of major risks, which it presents in its Board report.

Audit Committees

Under the responsibility of the Board of Directors, to which it regularly reports on these matters, the Kering Audit Committee comprises three members, two of whom are independent. It is in charge of monitoring:

- the procedures for preparing financial information;
- the effectiveness of internal control and risk management systems;
- the statutory audits of annual financial statements and, if need be, consolidated financial statements performed by the Statutory Auditors;
- the independence of the Statutory Auditors.

The Kering Audit Committee also carries out the following actions:

- verifies that the Group has Internal Audit Departments that are structured and adapted to the tasks of identifying, detecting and preventing risks, anomalies or irregularities in the management of the Group's affairs;
- assesses the relevance and quality of the methods and procedures used;
- reviews the Internal Audit reports and the recommendations issued;
- approves the annual Internal Audit plan;
- reviews the work conducted by the Risk Committee and has access to the minutes of its meetings.

Kering's Audit Committee meets at least four times a year. Similarly, there is an Audit Committee within PUMA, whose methods of operating and actions are identical to those of Kering's Audit Committee; it meets prior to the meeting of Kering's Audit Committee.

Internal Audit and Risk Management Departments

PUMA, as a company listed in Germany, is required to have an Internal Audit Department. This Department works with the Kering group's Internal Audit Department to ensure that the audit teams are provided with full coverage of the Group.

Through their work the Internal Audit and Risk Management Departments help assess the internal control system and make recommendations for its improvement. The Internal Audit and Risk Management Departments are also in charge of coordinating risk management, in particular through risk mapping and monitoring the action plans. The Heads of the Internal Audit Departments report the main results of their assessments to Executive Management and the Audit Committee.

At the level of Kering, the Group Internal Audit Department reports to the Chairman. It coordinates, harmonises and optimises the working methods and tools, as well as providing services (regulatory intelligence, expertise, resources, etc.) and conducting audit assignments within the scope of the annual audit plan.

The Group Internal Audit Department centrally administers and analyses internal control pursuant to the Financial Security Act, supplemented by the Act of July 3, 2008 and the Ordinance of December 8, 2008, as well as the new AMF Reference Framework described in more detail in the section below entitled "Oversight of the system".

The Group Internal Audit Department also performs active intelligence monitoring with regard to best internal control practices.

The Internal Audit Departments check the control procedures implemented by other Departments and conduct operational and financial audits within their remit. During 2015, the Internal Audit teams taken together conducted around sixty audit assignments, including special assignments.

The Internal Audit Departments draw up the audit plans, relying, in particular, on the Group's process guidelines and based on the major risks identified for the brands. They take account of special requests from senior management and other operational departments. These projects are discussed with the main persons in charge. The Audit Committees review and approve the audit plans thus drawn up.

The main issues identified by the Internal Audit Departments are reported to the Audit Committees. In this way, the Audit Committees are informed of the issues identified and the action plans set up by the entities concerned.

Apart from these assignments, all of the Internal Audit resources in the Kering group are dedicated to promoting internal control on all business processes and activities, be they operational or financial, related to stores, warehouses or headquarters, distribution or manufacturing activities.

At the end of 2015, the Internal Audit Department of the Kering group consisted of 19 employees, versus 20 in 2014 and 17 in 2013. Their rules of conduct are described in their Audit Charter which stipulates that:

- at the end of each audit, the findings and recommendations are presented to the managers of the area or areas concerned;
- any agreements or disagreements made known by the audited parties concerning the proposed recommendations are included in the final report that specifies any action plan, as well as responsibilities and the deadlines for implementation;
- the operational staff members concerned are responsible for implementing recommendations;
- the Internal Audit Department is in charge of verifying their implementation.

The Internal Audit activities performed are consistent with the work of the Audit Committees and the results of the work performed by the Statutory Auditors.

The Internal Audit Departments update their Audit Committee on progress made on the audit plan and the follow-up of their action plans at least twice a year.

In 2013, Kering's Internal Audit Department published its charters that establish the methodology shared by both Divisions: the audit manual and the two audit approach documents. The development of the two audit approaches reflects the differences between the Divisions.

The Statutory Auditors

The Statutory Auditors review the internal control systems in order to certify the financial statements, by identifying the strengths and weaknesses, by assessing the risk of material misstatement, and where applicable, by making recommendations. Under no circumstances do the Statutory Auditors take the place of the Company in implementing the internal control system.

The role of the Statutory Auditors is to annually certify the completeness, accuracy and fair presentation of the parent company and consolidated financial statements and issue a review report on the Group's interim consolidated financial statements.

The audit assignments are allocated between the joint Statutory Auditors: Deloitte and KPMG.

The main issues covered by the Auditors are as follows:

- identification of the risk areas and performance of tests by sampling in order to validate the completeness, accuracy and fair presentation of the financial statements with regard to their company or consolidated materiality level;
- validation of the main accounting treatments and options throughout the year, in coordination with the management of the Divisions and Kering;

- application of the accounting standards defined by Kering for the Divisions;
- preparation of an audit report for each brand, in order to certify Kering's consolidated financial statements, including any comments on internal control;
- presentation of a general overview of the Kering group presented to Kering's Management and to the Audit Committee;
- preparation of the Statutory Auditors' reports for Kering's shareholders. These reports appear in the Reference Document on pages 129, 174, 303, 321 and 323.

5.3.6.3. Risk management

The risk management system is described in the section "Risk management" (see pages 207 to 214).

5.3.6.4. Oversight of the system

The ongoing oversight of the internal control system and regular review of its functioning are carried out by three means: the work performed by Internal Audit, the remarks made by the Statutory Auditors and the annual self-assessments.

With regard to the annual self-assessments carried out within each Division for each process identified, the managers in charge are asked to assess the level of internal control through key controls for their operations, in order to identify any weaknesses and implement corrective measures.

Self-assessment is not simply a reporting tool intended for the Internal Audit departments or the audit Committees; it is also a system that allows the Executive Management teams of each Division to obtain reasonable assurance regarding the strength of the internal control system. Self-assessment makes it possible to strengthen the level of internal control through operational action plans.

The internal control analysis methodology is based on the following principles:

- a self-assessment, using questionnaires, conducted with the key operational staff members in each of the Divisions following the breakdown of activities into key processes. An overhaul of the self-assessment questionnaires was begun in 2011 and continued in 2012 in order to make them more effective and better adapted to business operations. In 2015, all of the questionnaires were reviewed in light of participants' responses during the previous annual assessment and the comments of those making the assessments. Key controls as well as fraud risk controls were also identified and added to these questionnaires in order to strengthen the effectiveness of the action plans. The self-assessment campaign was extended in 2015 to cover 100% of Kering's and the Divisions' identified activities;
- these questionnaires provide operational staff with an additional indicator for assessing the quality of the

internal control procedures of which they are in charge. They make it possible to harmonise the level of internal control applied throughout the Group and for all activities to benefit from best practices, in particular newly-acquired entities. They allow action plans to be launched based on the results of these self-assessments;

- the questionnaire regarding the finance, accounting and management process is circulated each year. It takes into account the AMF's Reference Framework and, in particular, its application guide. This questionnaire includes 60 or so questions on the Group's mandatory key controls. It is circulated among the largest subsidiaries in the Luxury and Sport & Lifestyle Divisions. The cash management section of the questionnaire was supplemented in 2014. Thanks to a dedicated application, in 2014 there was an increase in the number of processes covered and the number of subsidiaries included in the self-assessment campaigns concerning each of these processes. This expanded coverage reflected the changes in the organisation of the Group's businesses and the acquisition of new companies.

In 2013, the Group's Internal Audit Department began to extend its self-assessment procedures to directly-owned stores throughout the Luxury Division. These quarterly self-assessments give the sales network managers an idea of the effectiveness of their internal control and a teaching tool that helps store managers to meet their internal control obligations.

In 2015, the Group Internal Audit Department continued to roll out this dedicated tool throughout the Luxury Division's stores.

This approach was presented and approved by the Kering Audit Committee.

5.3.7. Description of internal control procedures relating to the preparation of financial and accounting information

Organisation of the accounting and management function

Financial and accounting information is prepared by the Finance Department. At the level of Kering, this department supervises the Financial Control Department, the Financing and Treasury Department, the Insurance Department, the Tax Department and the Financial Communications Department.

The production and analysis of financial information is based on a set of financial management procedures including:

- medium-term plans, which measure the impact of strategic decisions on the Group's key financial and management balances. They are also used for the annual assessment by the Group of the value in use of assets for the various cash-generating units;
- budgets, which are drawn up in two phases on the basis of discussions between the operating Departments and the members of the Group's Executive Management. The first phase takes place in the fourth quarter of the fiscal year when a preliminary budget sets out the main financial balances and operating action plans. The second stage which finalises the budget takes place in the first quarter of the following year and takes into account any significant events that may have occurred in the meantime;
- monthly reporting that monitors the performance of the Luxury and Sport & Lifestyle Divisions throughout the fiscal year via specific indicators whose consistency and reliability are reviewed by the Financial Control Department. This Department also oversees the consistency of the accounting treatment applied by the Divisions with Group rules and carries out, in collaboration with the Divisions' financial controllers, an analytical review by comparison with the budget and the previous year;
- monthly meetings of the Executive Management of Kering and the senior executives of the Group's Divisions to assess changes in activities on the basis of financial and operational data provided by the meetings' participants;
- the Group's regular monitoring of the Divisions' off-balance sheet commitments. This check is carried out, in particular, as part of the statutory consolidation process insofar as the Divisions are required to provide an exhaustive list of their commercial or financial commitments and to monitor them from year to year.

Consolidation procedures

The statutory consolidation of the financial statements is carried out at the end of June and December using the Group consolidation tool. It enables financial information to be transferred from the Divisions in real time after full validation of the consolidation reporting packages by the Divisions' Statutory Auditors and by the Chief Executive Officers and Chief Financial Officers of the brands who commit themselves via a signed representation letter, thus strengthening the quality of the financial information transferred.

Consolidation levels within the Divisions guarantee a first level of control and consistency.

Kering's Financial Control Department coordinates the process and is in charge of producing the Group's consolidated financial statements. For this purpose, the department sends instructions to the Divisions specifying the reports to be sent, the assumptions to be applied as well as the specific points to be taken into account.

Financial Communications

The purpose of the Financial Communications Department is to provide information on an ongoing or periodic basis which conveys a consistent and clear message as well as to respect the principle of equality between shareholders in relation to information.

Financial communication is meant for a diversified public composed mainly of institutional investors, individuals and employees. Executive Management, the Finance Department and the Financial Communications Department are the contacts for analysts and institutional investors. The Human Resources Department manages the information provided to employees alongside the Financial Communications Department.

Financial information is provided through Annual General Meetings, periodic publications, press releases, etc., and all means of communication, including press, Internet, direct telephone contact and individual meetings.

Financing and Treasury Department

The Financing and Treasury Department manages liquidity, counterparty, foreign exchange and interest rate financial risks. It also coordinates the Group's cash management. It manages the Group's banking policy, establishes guidelines regarding the allocation of activity by bank and coordinates Group calls for tender. It ensures consistency between published financial information

and policies governing interest rate, foreign exchange and liquidity risk management. Almost all of the financing is set up by Kering or Kering Finance. Exceptions are analysed on a case-by-case basis according to specific opportunities or constraints and require Kering's agreement.

Internal control is strengthened by the centralisation of certain functions within Kering:

The Legal Department

Apart from its specific function at Company level, the Legal Department assists the entire Group with important legal matters and coordinates analyses or studies common to the Divisions or of significant interest for the Group. It also formulates Group policy and oversees its application. It provides the Divisions with a methodology for identifying standard risks enabling them to anticipate such risks and inform the Legal Department.

The Tax Department

The Tax Department coordinates the Group's tax policy, and advises and assists the Divisions on all issues related to tax law as well as on the implementation of tax consolidation in France.

The Insurance Department

The Insurance Department sets up and manages the Group's insurance policy. It is responsible for identifying, quantifying and handling risks (prevention, self-insurance or transfer to insurers or reinsurers).

The Communications Department

The Communications Department is involved in the Group's development by enhancing its image and reputation both internally and externally.

The Information Systems Department

The Information Systems Department is responsible for providing optimal operational performance, controlling IT risk and improving the Group's information systems.

This report on internal control, resulting from the contribution of the various internal control players mentioned in the first section of this document, was presented in draft form to Kering's Audit Committee for its opinion and was approved by Kering's Board of Directors on February 18, 2016.

The Chairman of the Board of Directors

6. *statutory auditors' report*

prepared in accordance with article L. 225-235 of the french commercial code (code de commerce) on the report of the chairman of the board of directors year ended december 31, 2015

This is a free translation into English of the Statutory Auditors' report issued in French prepared in accordance with Article L. 225-235 of the French Commercial Code on the report prepared by the Chairman of the Board of Directors of Kering S.A. on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information issued in French and is provided solely for the convenience of English speaking users. This report should be read in conjunction and construed in accordance with French law and the relevant professional standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of Kering S.A. and in accordance with Article L. 225-235 of the French Commercial Code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French Commercial Code for the year ended December 31, 2015.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report on the internal control and risk management procedures implemented by the Company and containing the other disclosures required by Article L. 225-37 of the French Commercial Code, particularly in terms of corporate governance.

It is our responsibility:

- to report to you on the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information, and
- to attest that this report contains the other disclosures required by Article L. 225-37 of the French Commercial Code, it being specified that we are not responsible for verifying the fairness of these disclosures.

We conducted our work in accordance with professional standards applicable in France.

Information on the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information. These procedures mainly consisted in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information on which the information presented in the Chairman's report is based and the existing documentation;
- obtaining an understanding of the work involved in the preparation of this information and the existing documentation;
- determining whether any significant weaknesses in the internal control procedures relating to the preparation and processing of accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our procedures, we have nothing to report on the information on the Company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L. 225-37 of the French Commercial code.

Other disclosures

We hereby attest that the Report of the Chairman of the Board of Directors includes the other disclosures required by Article L. 225-37 of the French Commercial code.

Paris La Défense and Neuilly-sur-Seine, March 30, 2016
The Statutory Auditors

KPMG Audit
Division of KPMG SA
Hervé Chopin Isabelle Allen

Deloitte & Associés
Frédéric Moulin

chapter 5

financial information

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1. activity report

1.1. foreword – 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 and discontinued operations are presented on separate lines in the Group’s statement of financial position, without restatement for previous periods.

As stated in Note 12 to the consolidated financial statements, Redcats and Sergio Rossi 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 2014 revenue restated for the impact of changes in Group structure in 2014 or 2015, and for translation differences relating to foreign subsidiaries’ revenue in 2014.

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 items, which by their nature, amount or frequency, could distort the assessment of Group entities’ operating performance. Other non-recurring operating income and expenses include impairment of goodwill and other intangible assets, gains or losses on disposals of non-current assets, restructuring costs and costs relating to employee adaptation measures.

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 Notes 8 and 9 to the consolidated financial statements).

Recurring operating income is an intermediate line item intended to facilitate the understanding of the entity’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 2014 takes into account the currency impact on revenue and Group acquisitions, 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 non-current 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 French accounting standards authority (*Autorité des Normes Comptables* – ANC) recommendation No. 2013-03, 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 32 to the consolidated financial statements).

1.2. 2015 highlights

Change in management and creative responsibility at Gucci

On January 21, 2015, Marco Bizzarri – Gucci's President and CEO who succeeded Patrizio di Marco on January 1, 2015 – announced that Alessandro Michele had been appointed as the brand's new Creative Director following the departure of his predecessor Frida Giannini.

Alessandro Michele has been given total creative responsibility for all of Gucci's collections and its brand image. The first collection fully designed by Alessandro Michele is the 2016 Cruise collection, which was unveiled in New York on June 4, 2015 and has been available in stores since the end of the third quarter of 2015.

Finalisation of the partnership with Safilo and launch of Kering Eyewear

In 2014, Kering announced its plan to invest in a dedicated entity specialised in luxury, high-end and sport Eyewear, managed by a skilled team of experienced professionals under the direction of Roberto Vedovotto. This innovative management model for the Group's Eyewear business will allow it to fully leverage the growth potential of its brands in this category.

As part of this strategic move, Kering and Safilo agreed to further their partnership and jointly intend to terminate the current Gucci licence agreement two years in advance, i.e., by December 31, 2016, which will result in total compensation of €90 million to be paid to Safilo. On January 12, 2015, Kering announced that it had signed a partnership agreement with Safilo covering the development, manufacture and supply of Gucci Eyewear products. The agreement took effect as from fourth-quarter 2015 in order to ensure a seamless transition for Gucci's Eyewear business.

On March 18, 2015, Kering announced the appointment of Roberto Vedovotto, CEO of Kering Eyewear, as a new member of its Executive Committee. Kering Eyewear was officially launched on June 30, 2015 when its first collection, *Collezione Uno* was presented at the Palazzo Grassi in Venice.

The overall €90 million in compensation due to Safilo has been recognised as an intangible asset in the 2015 financial statements and will be amortised as from January 1, 2017. The compensation will be paid in three equal instalments, with the first payment made on January 12, 2015 and the following two due in December 2016 and September 2018.

Reorganisation of the Couture & Leather Goods and Watches & Jewellery divisions and brands

On July 27, 2015, Kering announced that Grita Loeb sack had been appointed Chief Executive Officer of Kering's Luxury – Couture & Leather Goods' emerging brands, effective September 14, 2015. The CEOs of Alexander McQueen, Balenciaga, Brioni, Christopher Kane, Stella McCartney and Tomas Maier will report to her. Kering's Luxury – Couture & Leather Goods division also includes Gucci, Bottega Veneta and Saint Laurent, which will remain under François-Henri Pinault's direct supervision.

The autonomy of each of Kering's brands will continue to be fully respected in the expansion of the Group's Luxury business and the brands will remain under the operational responsibility of their respective CEOs.

The second half of the year also saw the arrival of new CEOs within the Luxury – Watches & Jewellery division headed by Albert Bensoussan: Hélène Poulit-Duquesne was appointed CEO of Boucheron, effective September 28, 2015, and Sabina Belli was named CEO of the Pomellato group, effective December 10, 2015.

On July 31, 2015, Balenciaga and Alexander Wang announced their joint decision not to renew their contract beyond its initial term. Alexander Wang showed his final collection for Balenciaga in Paris on October 2, 2015. On October 7, 2015, Demna Gvasalia was appointed as the new Artistic Director of Balenciaga's collections. Demna Gvasalia has creative responsibility for the brand's collections and image and will present his first collection for the brand at the women's ready-to-wear autumn/winter 2016-17 show in Paris.

Sale of Italian luxury shoemaker Sergio Rossi

On December 30, 2015 Kering announced that it had closed the sale of the Italian luxury shoemaker, Sergio Rossi, to Investindustrial, in accordance with the terms announced on December 9, 2015.

The transaction included all the industrial assets of Sergio Rossi, the rights attached to the brand and the entire distribution network. The sale will allow the Sergio Rossi brand to continue its development with a strategic partner that can support the brand solidly and with prospects for long-term growth. Investindustrial is one of Europe's best-known industrial groups, which provides solutions and capital to mid-sized companies in order to accelerate their international expansion and improve their operational efficiency. Among the companies managed by Investindustrial today are brands such as Aston Martin, B&B Italia and Flos, which are internationally recognised for their excellence in Italian design. By choosing

Investindustrial, Kering selected a credible and reliable partner to ensure the continued long-term development of Sergio Rossi, in the best interests of the brand, the company, its staff and its customers.

This sale did not have a material impact on the Group's 2015 financial statements.

Other highlights

On January 15, 2015, Kering sold the assets of Movitex to the group's management team, after recapitalising it in accordance with the preliminary agreement signed on December 3, 2014.

On March 25, 2015 Kering bought out the non-controlling interests in Sowind Group in accordance with the shareholder agreements signed in June 2011. This acquisition did not have a material impact on the Group's 2015 financial statements.

On June 30, 2015, PUMA announced that it had sold the intellectual property rights (including trademark rights) of its subsidiary, Tretorn Group, to US-based Authentic Brands Group, LLC (ABG). Tretorn – which is based in Helsinborg in Sweden and makes sport and leisure products – was acquired by PUMA in 2002. This sale is in line with PUMA's strategy of refocusing on its core businesses.

On March 20, 2015, Kering issued a €500 million, 0.875% fixed-rate bond maturing in seven years. Also during the first half of 2015, Kering carried out two issues of notes in foreign currency – a USD 150 million issue in March 2015 of five-year floating-rate notes, and a USD 150 million issue in June 2015 of six-year fixed-rate notes with an annual coupon of 2.887%.

On September 22, 2015 and November 5, 2015, the Group topped up the 2.75% bond issue carried out in 2014 by €150 million and €50 million respectively.

1.3. 2015 business review

The main financial indicators taken from Kering's consolidated financial statements for 2015 are presented below:

(in € millions)	2015	2014	Change
Revenue	11,584.2	10,037.5	+15.4%
Recurring operating income	1,646.7	1,664.0	-1.0%
as a % of revenue	14.2%	16.6%	-2.4 pts
EBITDA	2,056.3	1,990.7	+3.3%
as a % of revenue	17.8%	19.8%	-2.0 pts
Net income attributable to owners of the parent	696.0	528.9	+31.6%
o/w continuing operations excluding non-recurring items	1,017.3	1,177.4	-13.6%
Gross operating investments	(672.1)	(551.4)	+21.9%
Free cash flow from operations	660.2	1,077.8	-38.7%
Total equity	11,623.1	11,262.3	+3.2%
o/w attributable to owners of the parent	10,948.3	10,634.1	+3.0%
Net debt	4,679.4	4,390.7	+6.6%

Revenue

Consolidated revenue from continuing operations amounted to €11,584 million in 2015, up 15.4% on 2014 as reported and 4.6% based on a comparable Group structure and exchange rate basis.

(in € millions)	2015	2014	Reported change	Comparable change ⁽¹⁾
Luxury Division	7,865.3	6,758.6	+16.4%	+4.1%
Sport & Lifestyle Division	3,682.5	3,245.1	+13.5%	+5.9%
Corporate and other	36.4	33.8	-	-
Total revenue	11,584.2	10,037.5	+15.4%	+4.6%

(1) On a comparable Group structure and exchange rate basis.

Revenue generated by the Luxury Division rose by a solid 16.4% year on year as reported and 4.1% on a comparable basis. In a volatile macroeconomic and monetary environment characterised by sharp contrasts across regions, the Luxury Division's well-balanced brand portfolio enabled it to deliver healthy performances, led notably by momentum in the directly operated store network as well as high tourist numbers in Western Europe and Japan.

Revenue for the Sport & Lifestyle Division was up 13.5% as reported. Comparable-basis growth came to 5.9%, driven by strong sales levels achieved due to the action plans implemented at PUMA which are delivering the expected results.

Revenue by geographic area

(in € millions)	2015	2014	Reported change	Comparable change ⁽¹⁾
Western Europe	3,562.4	3,152.3	+13.0%	+9.9%
North America	2,652.0	2,146.7	+23.5%	+3.2%
Japan	1,101.1	962.5	+14.4%	+9.4%
Sub-total – mature markets	7,315.5	6,261.5	+16.8%	+7.3%
Eastern Europe, Middle East and Africa	773.7	728.5	+6.2%	-2.1%
South America	538.8	464.7	+15.9%	+11.1%
Asia-Pacific (excluding Japan)	2,956.2	2,582.8	+14.5%	-0.9%
Sub-total – emerging markets	4,268.7	3,776.0	+13.0%	+0.3%
Total revenue	11,584.2	10,037.5	+15.4%	+4.6%

(1) On a comparable Group structure and exchange rate basis.

The sharp fluctuations in exchange rates experienced in late 2014 and throughout 2015 had two consequences for the Group. Firstly, revenue growth expressed in euros is significantly higher than the figure at constant exchange rates. And secondly, price differences between countries increased, leading to adjustments in the pricing structure of the Group's Luxury brands and directly impacting tourist travel between different geographic regions.

The overall year-on-year increase in reported consolidated revenue includes an €87 million positive impact from changes in Group structure during the year, primarily due to the acquisition of Ulysse Nardin, which has been consolidated since November 1, 2014.

Exchange rate fluctuations had a €924 million positive effect on revenue in 2015, of which €439 million was attributable to the rise in the US dollar against the euro and €322 million to the appreciation of Asian currencies (particularly the Hong Kong dollar and Chinese yuan).

During 2015, revenue growth in mature markets was once again buoyant (7.3% based on comparable data), driven by dynamic markets such as Western Europe and Japan. In emerging markets – which accounted for 37% of consolidated sales, with 26% generated in the Asia-Pacific region (excluding Japan) – overall revenue was slightly down year on year, except in South America where the Group reported a strong increase. Revenue generated outside the eurozone accounted for 79% of the consolidated total in 2015.

Quarterly revenue data

<i>(in € millions)</i>	First quarter	Second quarter	Third quarter	Fourth quarter	Total 2015
Gucci	869.0	1,005.2	924.1	1,099.7	3,898.0
Bottega Veneta	290.0	339.2	324.0	332.6	1,285.8
Yves Saint Laurent	211.4	231.7	243.4	287.1	973.6
Other Luxury brands	383.6	431.9	397.0	495.4	1,707.9
Luxury Division	1,754.0	2,008.0	1,888.5	2,214.8	7,865.3
PUMA	825.0	776.2	918.2	884.0	3,403.4
Other Sport & Lifestyle brands	65.0	64.8	81.4	67.9	279.1
Sport & Lifestyle Division	890.0	841.0	999.6	951.9	3,682.5
Corporate and other	7.2	12.3	7.1	9.8	36.4
Kering total	2,651.2	2,861.3	2,895.2	3,176.5	11,584.2

<i>(in € millions)</i>	First quarter	Second quarter	Third quarter	Fourth quarter	Total 2014
Gucci	838.1	838.2	851.0	969.9	3,497.2
Bottega Veneta	250.8	274.7	286.2	318.8	1,130.5
Yves Saint Laurent	158.0	162.6	177.8	208.9	707.3
Other Luxury brands	335.4	335.8	340.9	411.5	1,423.6
Luxury Division	1,582.3	1,611.3	1,655.9	1,909.1	6,758.6
PUMA	730.0	656.1	847.8	756.3	2,990.2
Other Sport & Lifestyle brands	59.6	53.0	74.3	68.0	254.9
Sport & Lifestyle Division	789.6	709.1	922.1	824.3	3,245.1
Corporate and other	7.7	10.4	7.3	8.4	33.8
Kering total	2,379.6	2,330.8	2,585.3	2,741.8	10,037.5

<i>(comparable change)</i>	First quarter	Second quarter	Third quarter	Fourth quarter	Full-year 2015
Gucci	-7.9%	+4.6%	-0.4%	+4.8%	+0.4%
Bottega Veneta	+3.1%	+9.3%	+4.3%	-3.1%	+3.2%
Yves Saint Laurent	+21.2%	+27.3%	+26.6%	+27.4%	+25.8%
Other Luxury brands	-4.5%	+6.4%	-1.0%	+10.6%	+3.1%
Luxury Division	-2.6%	+8.0%	+3.1%	+7.2%	+4.1%
PUMA	+4.5%	+7.5%	+3.9%	+11.7%	+6.8%
Other Sport & Lifestyle brands	-5.0%	+2.5%	-2.4%	-10.1%	-3.9%
Sport & Lifestyle Division	+3.7%	+7.1%	+3.4%	+9.8%	+5.9%
Corporate and other	N/A	N/A	N/A	N/A	N/A
Kering total	-0.6%	+7.7%	+3.1%	+8.0%	+4.6%

Recurring operating income

Kering's recurring operating income amounted to €1,647 million in 2015, down 1% on 2014 on a reported basis, and consolidated recurring operating margin came to 14.2%. The Luxury Division's recurring operating margin narrowed to 21.7% during the year, with more than half of

the decrease attributable to the combined impact of the effects of exchange rate fluctuations and related currency hedges as well as lower margins posted by Gucci and the Division's Watches brands.

Recurring operating margin for the Sport & Lifestyle Division amounted to 2.6%, reflecting the lower margin recorded by PUMA.

<i>(in € millions)</i>	2015	2014	Change
Luxury Division	1,708.0	1,665.6	+2.5%
Sport & Lifestyle Division	94.8	137.5	-31.1%
Corporate and other	(156.1)	(139.1)	-12.2%
Recurring operating income	1,646.7	1,664.0	-1.0%

The year on year change in recurring operating income can be analysed as follows:

- consolidated gross margin for 2015 amounted to €7,074 million, up €778 million or 12.4% on the previous year as reported;

- operating expenses rose 17.2% year on year on a reported basis, primarily due to currency effects, higher store running costs and ongoing significant investments in marketing operations within PUMA in the first half of 2015.

The Group's average headcount was 34,697 in 2015, representing a 5.5% increase on 2014.

EBITDA

At €2,056 million, consolidated EBITDA was 3.3% higher than in 2014, but the EBITDA margin narrowed by 2 percentage points to 17.8% in 2015 from 19.8%.

<i>(in € millions)</i>	2015	2014	Change
Luxury Division	2,025.4	1,919.2	+5.5%
Sport & Lifestyle Division	161.0	191.2	-15.8%
Corporate and other	(130.1)	(119.7)	-8.7%
EBITDA	2,056.3	1,990.7	+3.3%

Other non-recurring operating income and expenses

Other non-recurring operating income and expenses represented a net expense of €394 million in 2015 and primarily comprised (i) restructuring costs, (ii) asset impairment losses (including write-downs of the goodwill related to PUMA and one of the Other Luxury brands as well as asset write-downs recorded by Gucci as a result of the brand's current transition), and (iii) disposal gains, chiefly relating to the sale of the Tretorn brand and the capital gain arising on the sale of a property complex.

In 2014, this item represented a net expense of €112 million and primarily included (i) a net gain on the disposal of a property complex, (ii) asset impairment losses, including €189 million charged against goodwill related to Other Sport & Lifestyle brands, and (iii) restructuring costs for the Luxury Division.

Net finance costs

The Group's net finance costs can be analysed as follows:

<i>(in € millions)</i>	2015	2014	Change
Cost of net debt	(128.8)	(151.3)	-14.9%
Other financial income and expenses	(120.3)	(46.1)	+161.0%
Finance costs, net	(249.1)	(197.4)	+26.2%

In 2015, the Group's cost of net debt was just under €129 million, 15% lower than in 2014.

This year-on-year improvement was primarily due to a lower average cost of borrowing on the Group's long-term debt correlated with the reduction in the reference interest rates applicable to its short-term debt, as rates remained at an historic low.

However, this positive effect was partly offset by a year-on-year increase in the Group's average outstanding net

debt, which was chiefly attributable to changes in Group structure resulting notably from (i) the recapitalisation of La Redoute and Relais Colis in 2014 and of Movitex in early 2015, and (ii) the acquisition of Ulysse Nardin in the last quarter of 2014.

"Other financial income and expenses" represented a net expense that was €74 million higher than in 2014, mainly due to the application of IAS 39, and notably the adverse impact of the ineffective portion of cash flow hedges.

Corporate income tax

The Group's income tax charge breaks down as follows:

<i>(in € millions)</i>	2015	2014	Change
Tax on recurring income	(336.5)	(268.0)	+25.6%
Tax on non-recurring items	14.8	(57.6)	-125.7%
Total tax charge	(321.7)	(325.6)	-1.2%
Effective tax rate	32.0%	24.0%	+8.0 pts
Recurring tax rate	24.0%	18.3%	+5.7 pts

Kering's effective tax rate rose sharply in 2015 notably due to the fact that a number of non-recurring operating losses were recorded during the year which did not have a corresponding positive tax effect, notably goodwill impairment losses.

Adjusted for the effect of non-recurring items and the related taxes, the recurring tax rate increased by 5.7 percentage points to 24.0% due chiefly to the one-off impact of currency hedging.

Share in earnings (losses) of equity-accounted companies

This item represented a negative €2.2 million in 2015 and mainly included the contribution of Wilderness, Tomas Maier and Altuzarra.

Net income from continuing operations

Consolidated net income from continuing operations came to €680 million in 2015 versus €1,028 million for the previous year.

Attributable net income from continuing operations amounted to €655 million compared with €1,008 million in 2014.

Net income (loss) from discontinued operations

This item includes the income statement contributions from all assets (or groups of assets) accounted for in accordance with IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations (see Note 12 to the consolidated financial statements).

In 2015, the Group reported net income of €41 million from discontinued operations, notably including the impacts of the sale of Sergio Rossi as well as the positive impact of the termination of commitments given under previous sale agreements.

In 2014, the Group reported a €479 million net loss from discontinued operations. This included (i) a €355 million loss related to Redcats, mainly comprising the cost of financing the social guarantees granted to the employees concerned by the modernisation measures at La Redoute and Relais Colis as well as a provision for vendor warranties given in connection with the sale of these two companies, and (ii) the net loss posted by Sergio Rossi, in particular a €52 million write-down recorded against the residual value of the brand.

Net income attributable to non-controlling interests

Net income attributable to non-controlling interests totalled €25 million in 2015 compared with €20 million in 2014.

Net income attributable to owners of the parent

Net income attributable to owners of the parent amounted to around €696 million in 2015 versus €529 million in 2014.

Adjusted for non-recurring items net of tax, attributable net income from continuing operations decreased 13.6%, coming in at €1,017 million versus €1,177 million in 2014.

Earnings per share

The weighted average number of Kering shares used to calculate earnings per share was approximately 126 million in 2015, virtually unchanged from the number used for 2014.

Earnings per share stood at €5.52 versus €4.20 for the previous year.

Earnings per share from continuing operations totalled €5.20 in 2015, compared with €8.00 for 2014.

Excluding non-recurring items, earnings per share from continuing operations amounted to €8.07, down 13.7% on the 2014 figure.

The impact of dilutive instruments on the calculation of earnings per share was almost neutral in 2015.

1.4. analysis of operating performances by brand

Luxury Division

(in € millions)	2015	2014	Change
Revenue	7,865.3	6,758.6	+16.4%
Recurring operating income	1,708.0	1,665.6	+2.5%
<i>as a % of revenue</i>	<i>21.7%</i>	<i>24.6%</i>	<i>-2.9 pts</i>
EBITDA	2,025.4	1,919.2	+5.5%
<i>as a % of revenue</i>	<i>25.8%</i>	<i>28.4%</i>	<i>-2.6 pts</i>
Gross operating investments	390.9	372.4	+5.0%
Average headcount	21,576	20,122	+7.2%

2015 was marked by considerable geopolitical and economic instability as well as by high volatility in both currency and stock markets, which weighed on consumer spending for Luxury Goods. According to the Bain-Altgamma research survey, during 2015 the relevant market in which the Kering group's Luxury brands operate only grew by between 1% and 2% at constant exchange rates.

In addition to this, market growth was very mixed across geographic regions, as sharp currency swings and heightened consumer sensitivity to the pricing policies of Luxury Goods brands led to major changes in buying behaviour and tourism patterns.

Business was very brisk in Europe, fuelled by a 21% surge in tourist purchases (mainly Chinese and Americans), with sales peaking in the second quarter and coming in at an excellent level in the third quarter, before slowing in the last three months of the year, partly due to the terrorist attacks in Paris in November.

In Japan, the market was buoyed by solid domestic consumer spending and an ongoing increase in the number of tourists from Mainland China.

In the Asia-Pacific region (excluding Japan), a number of countries also reported higher sales driven by purchases by Chinese tourists. This was particularly the case for Australia, throughout 2015, as well as for Singapore and South Korea in the last few months of the year.

Conversely, the market environment worsened once again in Hong Kong and, to a lesser extent, Macao. According to the Bain-Altgamma research survey, sales of Luxury products were also down (by 2%) in Mainland China although there were signs in the fourth quarter that the situation was beginning to stabilise, with sales for certain brands even picking up.

In North America, despite the positive economic indicators coming out of the United States, the Luxury industry was more volatile and less dynamic in 2015 than in 2014. Retail sales statistics show that there was a slowdown towards the end of the year, although the basis of comparison with 2014 was high. Throughout 2015 the

strong US dollar led tourists and certain US consumers to make their purchases in other geographic regions.

In addition to the above market conditions, the sharp currency fluctuations (which began at the end of 2014 and became very apparent from early 2015) exacerbated the difference between sales growth figures in euros and those expressed at constant exchange rates.

Against this operating backdrop, Kering's Luxury brands as a whole outperformed the market in 2015, with overall revenue generated by the Luxury Division coming in at €7,865 million, up 16.4% as reported and up 4.1% on a comparable Group structure and exchange rate basis. The only effects during the year of changes in Group structure related to Ulysse Nardin, which has been consolidated since November 1, 2014.

The Luxury Division's year-on-year performance was mixed across quarters, with strong growth in the second and fourth quarters (8.0% and 7.2% respectively) and a good showing in the third quarter (up 3.1%), following on from a 2.6% contraction in the first three months of the year.

Gucci contributed some 50% of the Division's total revenue in 2015 versus 52% in the previous year (on a reported basis). The Division's Other Brands – apart from Bottega Veneta and Yves Saint Laurent – accounted for around 22% of the total, practically unchanged from 2014.

Retail sales in directly-operated stores and online rose by a very robust 7.2% on a comparable basis, and represented 70.6% of the Division's total revenue versus 68.6% in 2014. This year-on-year increase reflects the strategy implemented by all of the Division's brands to more effectively control their distribution and reinforce their exclusivity, as well as measures taken to prudently manage the expansion of the directly-operated store network.

Wholesale sales were 3.0% lower than in 2014 on a comparable basis, with a more significant downturn of 7.3% in the first half but 4.4% growth in the fourth quarter. The overall year-on-year decrease stemmed mainly from the 10.3% contraction in Gucci's wholesale sales resulting from the launch in the first few months of 2015 of a new

phase in its plan to streamline its wholesale distribution network. This plan forms part of the organisational and creative transition process underway within the brand and involves drastically reducing its exposure to multi-brand distributors in Europe.

By product category, the Division's overall revenue is becoming increasingly balanced. This reflects the complementarity of the brands in the portfolio, with Leather Goods, Ready-to-Wear and Shoes representing 53%, 16% and 12%, respectively and Watches & Jewellery accounting for 10%. Apart from Watches – which were adversely affected by a lacklustre market and the sharp appreciation of the Swiss franc – revenue was up in each of the Division's main product categories.

By geographic region, business for the Group's Luxury brands reflected the market trends described above. Consequently, growth was highest in the Division's traditional, more mature markets, coming in at 9.2% on a comparable basis, and even reaching 13.7% for the directly-operated store network.

Western Europe (which made up 32.6% of the Division's revenue) posted a very strong 13.0% increase, driven by robust sales in eurozone countries (up 18.6%). These figures were achieved thanks to high tourist numbers in Europe and steadily rising sales to local customers.

The Japanese market experienced a third year of strong growth, with revenue up 13.7% on a comparable basis following on from the 12.6% and 11.9% increases recorded in 2014 and 2013, respectively. This performance was fuelled by both robust sales in the domestic market and a massive influx of Chinese tourists.

In North America (which contributed 20.1% of the Division's sales) revenue was up 1.7%. The rise in the US dollar against many of the world's other major currencies had an adverse effect on sales to tourists and, to a lesser extent, domestic sales. At the same time, consumer spending on Luxury Goods in the United States seemed to be affected by the uncertainty in the global stock markets that prevailed during the year.

The Luxury Division's sales in emerging markets (which represented around 37.1% of its total revenue) were down 3.7% on a comparable basis.

In the Asia-Pacific region (excluding Japan) revenue declined 3.4%. In parallel, Hong Kong and Macao reported a sharp revenue decline, which could not be offset by the high levels of purchases by Chinese customers in some of the region's countries – including South Korea and

especially Australia – or the sales growth, albeit moderate, achieved in Mainland China. Business in Mainland China was more buoyant in the fourth quarter of 2015, which drove a 0.8% revenue rise for the year as a whole.

Sales also decreased in the Division's other emerging markets, except for Latin America, which saw a jump in revenue, although part of this increase was to the detriment of sales in the United States.

The Luxury Division's recurring operating income amounted to around €1,708 million in 2015, up 2.5% as reported.

Recurring operating margin came in at 21.7%, down 290 basis points as reported. This decrease was due to (i) the combined effects of exchange rate fluctuations and currency hedges, which had a major dilutive impact in 2015, and (ii) the contraction in recurring operating income at constant exchange rates reported by several of the Division's brands.

In the second half of the year, the increase in recurring operating income was more pronounced (approximately 5%) and the dilutive effect on recurring operating margin was contained (down 210 basis points compared with 380 basis points in the first six months). This improved second-half performance was due to both an increase in revenue and tighter control over costs.

EBITDA rose 5.5% year on year and topped the €2 billion mark, coming in at €2,025 million. EBITDA margin stood at 25.8%. The year-on-year change in EBITDA was more favourable than for EBIT, reflecting the growing weight of depreciation and amortisation within operating income (up 25.2% on 2014) as a result of the Division's capital expenditure strategy implemented over the past several years.

The Luxury Division's gross operating investments totalled €391 million for 2015, 5.0% higher than in 2014. The increase mainly stemmed from currency effects, as at constant exchange rates gross operating investments rose only slightly year on year, reflecting – as in 2014 – the Division's focus on achieving organic growth on a same-store basis and consolidating the network of existing stores, while taking into consideration the more unsettled operating context for the Luxury industry. As a proportion of revenue, gross operating investments represented 5.0% in 2015 versus 5.5% in 2014.

As of December 31, 2015, the Luxury Division had a network of 1,264 directly-operated stores, including 773 (61%) in mature markets and 491 in emerging markets. Net store additions during the year totalled 78, compared with 90 in 2014.

Gucci

<i>(in € millions)</i>	2015	2014	Change
Revenue	3,898.0	3,497.2	+11.5%
Recurring operating income	1,032.3	1,056.0	-2.2%
<i>as a % of revenue</i>	26.5%	30.2%	-3.7 pts
EBITDA	1,206.1	1,199.2	+0.6%
<i>as a % of revenue</i>	30.9%	34.3%	-3.4 pts
Gross operating investments	192.8	186.4	+3.4%
Average headcount	10,570	9,623	+9.8%

Under the leadership of Marco Bizzarri, Gucci began a major transformation process in 2015, aimed at giving the brand new impetus.

The year also saw a new creative momentum take hold at Gucci, with the appointment of Alessandro Michele as Creative Director. Alessandro's collections have been resounding successes with both buyers and the press, which has led to a resurgence in the brand's customer appeal. These changes were accompanied by a new, more consistent communications strategy, with a greater emphasis on digital communications.

From a product perspective, the offering was streamlined and made clearer in 2015, thanks to a reworked merchandising approach that is more in touch with the brand's customers. New lines were successfully introduced, comprising contemporary interpretations of the GG signature and other iconic Gucci symbols and motifs.

Customer experience is one of the major focal points of Gucci's new strategy, and in October 2015 it launched a completely reconfigured version of the gucci.com website in the United States and Canada which it intends to roll out in other geographic regions throughout the course of 2016. With respect to physical distribution, 34 stores were opened or refurbished during 2015 based on a new store concept, and the plan for streamlining and improving the wholesale distribution network entered a new phase. Lastly, particular attention was given to service excellence and clienteling – two areas that are key to enhancing in-store productivity and reinforcing Gucci's renewed brand perception.

Gucci's performance in 2015 was, however, largely based on sales of collections presented in 2014 and does not therefore fully reflect the effects of the measures and initiatives put in place by Gucci's new management. For example, the first collection fully designed by Alessandro Michele is the Cruise 2016 collection, which was shown in New York in June 2015 and has been available in stores since the end of the third quarter of 2015. The initial positive signs of Gucci's transformation can be seen in the brand's performance for the last three months of the year and are expected to become even more apparent in 2016.

Gucci posted €3,898 million in revenue in 2015, up 11.5% year-on-year as reported and 0.4% at comparable exchange rates.

After a 1.6% comparable-basis contraction in the first half, when revenue was very adversely affected by the new phase of the plan to streamline the brand's wholesale distribution network, business picked up again in the second half, with growth of 2.4%, thanks notably to a strong rise in retail sales in directly-operated stores and wholesale sales coming in at more or less the same level as in the previous year.

Retail sales generated in directly-operated stores accounted for 81.8% of the brand's total sales in 2015 versus 79.0% in 2014 (on a reported basis).

At constant exchange rates, sales from this distribution channel increased 3.2% year on year, fuelled by strong revenue growth both in the second and fourth quarters (10.4% and 5.5% respectively). The robust second-quarter showing was due to an increase in promotions aimed at reducing inventory levels of collections released before the arrival of Alessandro Michele as Gucci's new Creative Director. The fourth-quarter sales figures were very encouraging as they reflect, to a certain extent, the brand's renewed appeal and the success of its new collections, even though their contribution to overall revenue for the quarter was still relatively modest, at just over 30%.

In the brand's mature markets, the year-on-year increase in revenue generated in directly-operated stores was most pronounced in Western Europe, where growth came to 18%. This revenue surge was fuelled by high tourist numbers, particularly Chinese and Americans, as well as very robust revenue growth in the domestic market, demonstrating the brand's enhanced appeal.

In Japan, where the Gucci brand is well established, sales in directly-operated stores were up 9.2% on a comparable basis, with a sharp acceleration in the second quarter led by an increase in sales to tourists.

In North America, sales increased only slightly on a comparable basis as they were weighed down by lower tourist numbers.

In emerging markets (which accounted for 43.7% of Gucci's sales in directly-operated stores versus 45.5% in 2014, as reported), sales dropped 3.3% on a comparable exchange rate basis, primarily as a result of a 5.6% contraction in the Asia-Pacific region. This region's downward trend was almost entirely due to the worsening consumer

environment in Hong Kong and Macao, as sales in Mainland China stabilised in 2015 and South Korea and Australia reported a very solid sales performance in line with the rise in tourist levels. The brand's revenue in other emerging markets was higher overall than in 2014, with South American customers opting to purchase in their domestic markets.

Sales growth in directly-operated stores in 2015 was fairly even across main product categories.

Leather Goods recorded a significant revenue rise, led by sales of handbags. In addition, the successful launch of new models offset the negative impact of the withdrawal, as planned, of products from older collections.

Gucci's other main product categories (Shoes and Ready-to-Wear) also delivered growth in 2015, spurred by the upswing in sales of Women's Ready-to-Wear lines, which began to be felt in 2014 and continued in 2015 thanks to the appeal of new collections.

Overall, sales of Leather Goods, Shoes and Ready-to-Wear accounted for 56.9%, 14.2% and 11.3% respectively of the brand's total revenue.

Wholesale sales were down 10.3% on a comparable basis for the full year, having dropped 20.9% on a comparable basis over the first six months of 2015. This reflects the new phase of the brand's plan to drastically streamline its wholesale distribution network (mainly in the multi-brand distributors segment) which was launched in late 2014/early 2015. However, wholesale sales for the last quarter of 2015 were very encouraging as they were up year on year. For the year as a whole though, all product categories were adversely affected by the additional reduction in volumes distributed by wholesalers.

Bottega Veneta

<i>(in € millions)</i>	2015	2014	Change
Revenue	1,285.8	1,130.5	+13.7%
Recurring operating income	374.5	357.2	+4.8%
<i>as a % of revenue</i>	29.1%	31.6%	-2.5 pts
EBITDA	413.8	388.8	+6.4%
<i>as a % of revenue</i>	32.2%	34.4%	-2.2 pts
Gross operating investments	49.5	40.8	+21.3%
Average headcount	3,401	3,212	+5.9%

Bottega Veneta posted revenue of nearly €1,286 million in 2015, up 13.7% as reported and 3.2% at comparable exchange rates.

With a view to preserving its high-end positioning and exclusivity, Bottega Veneta's preferred distribution channel is its directly-operated stores, which accounted for 81.3% of the brand's total sales in 2015 and posted comparable revenue growth of 3.7%. Sales in directly-operated stores were weighed down in 2015 by unfavourable market conditions in the Asia-Pacific region

Gucci's recurring operating income for 2015 came in at €1,032 million, down by a contained 2.2% year on year as reported. The brand's recurring operating margin narrowed by 370 basis points to 26.5%. Nearly half of this decrease was due to the combined dilutive impact of exchange rate fluctuations and currency hedges, and the remainder was attributable to an increase in operating expenses, which primarily derived from higher store running costs. The brand's operating performance picked up in the second half however, with recurring operating income more or less stable year on year (having slipped 4.9% in the first half), and recurring operating margin narrowing less significantly.

EBITDA edged up 0.6% to €1,206 million in 2015 and the EBITDA margin remained very high, at 30.9%.

As of December 31, 2015, Gucci operated 525 stores directly, including 218 in emerging markets. A net 20 new stores were added during the year. Five of the new openings reflect the decision taken in 2014 to bring back under direct management points of sale that were previously operated by third parties in South Africa and the United States.

Gucci's gross operating investments amounted to €193 million in 2015, up 3.4% on 2014, primarily as a result of currency effects. The figure for 2015 included the impact of a major store refurbishment program launched during the year, and as of December 31, 2015, a total of 34 points of sale had already been converted to the new store concept.

as well as by wider price differences across regions due to the depreciation of the euro against many of the world's other major currencies.

High tourist numbers in Western Europe and Japan drove a strong performance in these two regions, with sales in directly-operated stores climbing by 31.1% and 10.0% respectively. In addition, the brand's appeal and popularity increased in Europe, which fuelled a rise in sales in the domestic market.

The strong dollar directly affected sales in North America, leading to an 8.3% contraction in revenue generated by directly-operated stores in this region.

In the Asia-Pacific region (excluding Japan) – which once again accounted for over 90% of Bottega Veneta's business in emerging markets – sales were hampered by a lacklustre Luxury Goods market in Greater China, despite the very positive trends seen in the region's other countries. Overall, revenue from directly-operated stores in emerging markets was down 8.4% year on year.

Sales generated in the wholesale network edged up 1.1% in 2015, although this figure masks very mixed trends. Excluding Western Europe – where Bottega Veneta is reorganizing its distribution with the aim of becoming more selective and exclusive – wholesale revenue advanced by around 14%.

Leather Goods once again constituted the brand's core business, making up 87.6% of total sales in 2015. Bottega Veneta is currently paying particular attention to increasing customer engagement for its handbag offering, by creating seasonal variations of its iconic pieces as well as introducing new models. Furthermore, with a view to consolidating its exclusive positioning, the brand is working on making its offering even more creative and luxurious, while at the same time ensuring that price gaps across regions are gradually reduced.

Bottega Veneta's performance in its other major product categories was also positive in 2015, particularly for Shoes. Nevertheless, in order to speed up short- and

medium-term growth, during the year the brand reinforced its creative teams in charge of diversification for this category. It also increased the number of product references and expanded the amount of space allocated to the Shoes category within its stores.

All of the initiatives undertaken throughout the year to propel Bottega Veneta into a new stage of its development initially had a dilutive effect on recurring operating margin, as recurring operating income rose 4.8% to just below €375 million but recurring operating margin narrowed by 250 basis points to 29.1% as reported. The combined effect of exchange rate fluctuations and currency hedges also contributed to this decrease in profitability.

EBITDA climbed 6.4% to nearly €414 million in 2015. This represents a higher rise than that for recurring operating income, due to an increase in depreciation and amortisation expenses resulting from the brand's investments in recent years.

Bottega Veneta's network of directly-operated stores totalled 251 as of December 31, 2015, including 110 in emerging markets. There were 15 net store additions during the year.

The brand's gross operating investments totalled nearly €50 million in 2015, up €9 million, or 21.3% on the previous year, as 2014 represented a trough in its capital expenditure cycle. Overall gross operating investments for 2015 represented 3.8% of Bottega Veneta's revenue, a relatively low ratio compared with Kering's other luxury brands.

Yves Saint Laurent

<i>(in € millions)</i>	2015	2014	Change
Revenue	973.6	707.3	+37.7%
Recurring operating income	168.5	105.1	+60.3%
<i>as a % of revenue</i>	17.3%	14.9%	+2.4 pts
EBITDA	207.9	130.9	+58.8%
<i>as a % of revenue</i>	21.4%	18.5%	+2.9 pts
Gross operating investments	63.1	54.2	+16.4%
Average headcount	1,943	1,712	+13.5%

In 2015, the success of the collections designed by Hedi Slimane – Creative Director with total responsibility for the brand's image – and the strategic relevance of its product offering helped further strengthen Yves Saint Laurent's brand appeal. This appeal – which was given an additional boost by continued investments in the brand's stores and a 360° communication strategy – resulted in very robust revenue growth for Yves Saint Laurent during the year.

The brand's revenue jumped 37.7% year on year as reported, or 25.8% based on comparable exchange rates, coming in just under the €1 billion mark at €974 million. Growth was even across the year, spurred both by strong demand

from domestic customers in all countries and a massive influx of tourists in its European and Japanese stores.

The investments undertaken for the directly-operated store network since 2012 have enabled Yves Saint Laurent to increase the portion of sales generated through this exclusive distribution channel, which accounted for around 64% of the brand's total sales in 2015 versus 61.5% in 2014. Revenue from retail sales in directly-operated stores advanced by 28.7% during the year, primarily led by a strong increase in same-store sales. This performance also reflects the excellence of the brand's teams in allocating and restocking items within the store network.

Wholesale sales were up 21.3% based on comparable data, illustrating how wholesalers see the brand as a major growth driver for their business. This distribution channel also remains strategically important for Yves Saint Laurent as it represents a perfect fit with its retail channel.

The efforts undertaken since 2014 to align the performances of licensed product categories began to pay off in 2015, with revenue from royalties climbing 18.5% during the year.

As in 2014, all of Yves Saint Laurent's main product categories registered very strong sales growth.

The brand's Leather Goods offering remained highly popular, both with long-standing and new customers, and throughout the year Yves Saint Laurent carefully managed its price structure in order to factor in the effect of changes in exchange rates and market conditions in certain regions. Sales posted by this category rose 29.4% at constant exchange rates.

Revenue from Ready-to-Wear sales jumped by 26.2% at constant exchange rates and this category once again occupied an essential place in the brand's product offering, with well-balanced sales of Women's and Men's collections.

Yves Saint Laurent notched up revenue increases across all of its geographic regions in 2015.

In emerging markets – which contributed 28.9% of the brand's total revenue for the year – sales growth came to 17.5%. The economic climate in Hong Kong and Mainland China weighed on the brand's performance in Greater China, but the region's revenue figures nonetheless remained impressive. Yves Saint Laurent also reported a very robust revenue performance in the rest of the Asia-Pacific region as well as in Latin America.

Sales in Yves Saint Laurent's traditional markets soared by 29.5% on a comparable basis, reflecting the brand's renewed appeal both with local customers and with tourists from emerging markets. Revenue growth reached extremely high levels across all of these regions, coming in at 47.2% in Japan, where the brand was in remarkably high demand, 27.8% in North America, and 27.5% in Western Europe.

Yves Saint Laurent ended 2015 with recurring operating income of €169 million, versus around €105 million in 2014, representing a year-on-year increase of 60.3%. Recurring operating margin reached 17.3%, up 240 basis points as reported. This year-on-year improvement demonstrates how the brand has now reached a size that enhanced the positive impact of its operating leverage. Costs incurred to develop the brand by extending the store network and implementing an active brand marketing policy have not prevented the brand from better absorbing its fixed costs.

EBITDA amounted to €208 million, and EBITDA margin topped 20%, coming in at 21.4% (up 290 basis points on 2014).

As of December 31, 2015, the Yves Saint Laurent brand directly operated 142 stores, including 61 in emerging markets. There were 14 net store openings during the year, including the Tokyo flagship store in the Omotesando district.

Overall, the brand's gross operating investments rose to around €63 million in 2015, representing a 16.4% increase on 2014 although the pace of the increase was slower than that of the brand's revenue and operating income, which had a positive impact on cash flow generation.

Other Luxury brands

<i>(in € millions)</i>	2015	2014	Change
Revenue	1,707.9	1,423.6	+20.0%
Recurring operating income	132.7	147.3	-9.9%
<i>as a % of revenue</i>	7.8%	10.3%	-2.5 pts
EBITDA	197.6	200.3	-1.3%
<i>as a % of revenue</i>	11.6%	14.1%	-2.5 pts
Gross operating investments	85.5	91.0	-6.0%
Average headcount	5,662	5,575	+1.6%

Other Luxury brands include Ulysse Nardin since November 1, 2014. Consequently, year-on-year comparisons between 2015 and 2014 need to take into account this change in Group structure. In addition, due to Sergio Rossi's reclassification under assets held for sale at December 31, 2014, this brand's results in 2015 were no longer included under Other Luxury brands and the 2014 figures have been restated accordingly.

Total revenue generated by Other Luxury brands amounted to €1,708 million in 2015, up 20.0% year on year as reported

and 3.1% on a comparable Group structure and exchange rate basis. Growth was particularly pronounced in the second and last quarters, with revenue rising 6.3% and 10.6% respectively based on comparable exchange rates. Other Luxury brands contributed nearly 21.7% of the Luxury Division's total revenue during the year.

The Couture & Leather Goods brands posted a particularly strong revenue rise of 7.7% on a comparable basis (with an 11.6% increase in the fourth quarter).

Jewellery brands reported a double-digit increase in revenue on a comparable basis, fuelled by very high business volumes in the last quarter. On the other hand, despite picking up steadily quarter after quarter, revenue of the Division's Watches brands contracted sharply in an unfavourable market environment. As a result, Sowind and Ulysse Nardin took steps to adapt their product offerings and organisational structures to the difficult operating context. These measures are also aimed at rapidly achieving operational synergies between the various Watches brands, particularly in terms of corporate support functions.

The wholesale network was once again the main distribution channel for Other Luxury brands, accounting for 53.8% of sales. This proportion reflects the differing stages of development of the Couture & Leather Goods brands as well as the specific distribution characteristics of Watches & Jewellery. Sales generated in the wholesale network decreased 4.9% year on year on a comparable basis, reflecting a contraction in wholesale sales of Watches and the restructuring measures currently underway in Brioni's distribution network. Although revenue trends were generally better for Other Luxury brands, wholesalers nevertheless showed a tendency to remain prudent in 2015 in terms of volumes purchased, due to the volatility of certain of the markets in which they operate.

Retail sales in directly-operated stores advanced 16.3% based on comparable data, led by the strong performance of Couture & Leather Goods brands as well as by growth of the Jewellery brands. Developing an exclusive distribution network remains a strategic objective for all of the brands but the pace of this development needs to be adapted to each brand's maturity, as well as its positioning in its traditional markets and the depth and scope of its product offering.

Ready-to-Wear remained the best-selling product category, making up 30.5% of total Other Luxury brands revenue, and also reported year-on-year growth, particularly for women's collections. Watches & Jewellery represented the second largest revenue generator, accounting for 30.4% of the total, but this category saw contrasting trends during the year between its two different segments (year-on-year growth in Jewellery and a contraction in Watches). Leather Goods and Shoes posted the highest year-on-year increase in revenue among Other Luxury brands for 2015.

Other Luxury brands saw mixed trends across geographic regions in 2015, with high growth in mature markets (up 8.0% on a comparable basis) and an 8.0% revenue contraction in emerging markets.

This reflects the fact that the performance of certain brands (particularly Brioni and Ulysse Nardin) was weighed down by weak demand in Eastern Europe and the Middle East. Conversely, sales remained stable in the Asia-Pacific region, edging up 0.6%. Revenue from Couture & Leather Goods brands climbed by a steep 12.6% on a comparable basis in this region (with particularly brisk momentum in the fourth quarter), thanks to their increasing appeal and renown, especially in Mainland China. Sales declined overall in Hong Kong, particularly for Watches.

In the Other Luxury brands' mature markets – which made another significant contribution to sales, representing 72.5% of the total – Japan and Western Europe were the main growth drivers, reporting revenue rises of 18.5% and 12.1%, respectively, thanks to resilient spending by local customers and a steep increase in tourist numbers. In North America, the market environment worsened throughout the year and revenue for Other Luxury brands was down on 2014.

Recurring operating income for Other Luxury brands retreated 9.9% year on year to €133 million, and recurring operating margin narrowed by 250 basis points to 7.8%, partly due to the adverse impact of currency hedges. These overall figures also reflect the decrease in profitability reported by the Watches brands, which suffered a steep drop in gross margins due to the sharp rise in the Swiss franc and persistently unsettled market conditions.

EBITDA came in at just under €198 million, down approximately €3 million, or 1.3%, on 2014 as reported.

The network of directly-operated stores owned by Other Luxury brands totalled 346 units as of December 31, 2015, including 244 in mature markets and 102 in emerging markets. Altogether, there were 29 net store additions during the year.

Despite a negative currency effect arising from the conversion of foreign currency denominated capital expenditure, gross operating investments decreased year on year to €85 million. As in 2014, this reflects the brands' highly selective and disciplined capital spending strategies.

The Group's Couture & Leather Goods brands performed as follows in 2015:

Alexander McQueen posted very solid sales growth, fuelled by the performance of directly-operated stores. One of the highlights of 2015 for this brand's store network was the opening of a flagship store in Paris. The brand's rapid growth and increasing visibility – which was boosted during the year by the success of the "Savage Beauty" exhibition at the Victoria and Albert Museum in London – clearly justifies the capital expenditure drive undertaken in both 2015 and 2014. However, these investments have had a short-term dilutive impact on Alexander McQueen's recurring operating income.

The McQ brand – which is positioned in the accessible luxury segment – reported satisfactory results in 2015 and maintained solid margins.

Balenciaga saw its revenue increase by over 10% in 2015 for the second year in a row, led by the expansion of its directly-operated network, which now accounts for some 60% of revenue. With the October 2015 appointment of Demna Gvasalia as Artistic Director for Balenciaga's collections, the brand has embarked on a new phase in its development.

In 2015, Brioni was once again adversely affected by the decline in purchases by Russian tourists in Western Europe and the Middle East. The brand pursued its measures to streamline distribution channels, by optimising its store network and being more selective in its choice of third-party distributors. These measures, combined with the difficult economic context, weighed on the brand's profitability for the year.

For Christopher Kane, 2015 marked the brand's first-ever store opening, which took place in London – its home city. Steps were also taken to speed up synergies within the Group and Christopher Kane's teams were strengthened with a view to accompanying the brand in the next stages of its growth.

Stella McCartney experienced another year of strong growth in 2015. Sales were up in all product categories and across all distribution channels. This momentum helped to offset the adverse impact of the expenditure incurred for new store openings and drove an increase in both recurring operating income and recurring operating margin.

For the Watches & Jewellery brands, performance was more mixed:

Boucheron reported a sharp revenue increase in 2015, powered by the success of both its jewellery and high-jewellery collections, particularly the *Quatre* and *Serpent Bohème* lines. High-jewellery sales were outstanding, which reinforced Boucheron's position in this segment. Boucheron's revenue growth led to a further increase in its recurring operating income and recurring operating margin.

Similarly, Pomellato and Dodo delivered very robust growth in 2015, mainly in their traditional markets in Europe. These brands' successful performance during the year primarily reflect measures put in place to completely rework their offerings and collections, as well as a widening of its customer base, which now includes a larger proportion of tourists. This steady rise in the brands' non-European customers as well as their solid recurring operating income figures demonstrate their growth potential.

As was the case for other jewellery brands, Qeelin experienced strong growth in the last quarter of 2015 and ended the year with solid revenue gains in Mainland China and new regions (in Asia and North America).

For both Girard-Perregaux and Ulysse Nardin, business volumes were hampered in 2015 by the morose operating environment and currency fluctuations which had a highly negative effect on the watch industry. The focus for these two brands during the year was therefore on seeking synergies, optimising production, streamlining offers and reorganising the distribution network. These initiatives enabled the brands to contain the drop in recurring operating income, which remained positive, and were taken to ensure that their strong potential can be exploited in 2016. Both Girard-Perregaux and Ulysse Nardin remain benchmark players in the watch industry, as demonstrated by the awards won by Ulysse Nardin in 2015 for its *Anchor Tourbillon* innovation.

Sport & Lifestyle Division

<i>(in € millions)</i>	2015	2014	Change
Revenue	3,682.5	3,245.1	+13.5%
Recurring operating income	94.8	137.5	-31.1%
<i>as a % of revenue</i>	<i>2.6%</i>	<i>4.2%</i>	<i>-1.6 pts</i>
EBITDA	161.0	191.2	-15.8%
<i>as a % of revenue</i>	<i>4.4%</i>	<i>5.9%</i>	<i>-1.5 pts</i>
Gross operating investments	91.0	85.5	+6.4%
Average headcount	11,772	11,645	+1.1%

The Sport & Lifestyle Division reported revenue of €3,683 million in 2015, up by 13.5% as reported and by a robust 5.9% at comparable exchange rates. Currency effects were significant during the year as the Division is exposed to currencies that have appreciated considerably against the euro since the end of 2014. The only change in Group structure in 2015 – which did not have a material impact – was the sale of Tretorn to ABG on June 30.

In line with the upturn that began in 2014, wholesale sales (which represented 78.7% of the Division's total revenue) increased by 5.3% on a comparable basis, with PUMA reporting a 6.4% rise. This further improvement was attributable to measures taken by all of the Sport & Lifestyle Division's brands to more effectively meet the needs and expectations of both distributors and end-customers through an innovative product offering and clearer positioning.

Retail sales in directly-operated stores advanced 9.0% on a comparable basis, led by solid same-store growth and a very promising 27.4% jump in online sales.

By product category, Footwear sales (which represented 41.3% of the Division's total) rose by a sharp 9.8% on a comparable basis, confirming that this product category is back on the growth track.

Revenue generated by Apparel was up 5.0% based on comparable data, a robust showing despite the unfavourable bases of comparison with 2014 when the FIFA World Cup took place and the partnership with Arsenal was launched.

Conversely, Accessories revenue was hindered by Electric's weak performance in 2015. Overall, however, sales of Accessories ended the year up slightly.

In emerging markets – which made up 35.7% of total revenue – the Sport & Lifestyle Division posted brisk revenue growth of 10.6% on a comparable basis. All of the Division's emerging markets reported very robust sales rises, but the upswing was particularly pronounced in the Asia-Pacific region.

Revenue generated by the Sport & Lifestyle Division in its more mature markets rose by a very solid 3.5% on a comparable basis, with the pace of growth accelerating in North America in the second half of the year. Western Europe also fared well, with revenue up 2.7%. In the eurozone, sales for the Division's two main markets (Germany and France) picked up considerably, whereas in Japan revenue contracted slightly during the year.

The Sport & Lifestyle Division ended 2015 with recurring operating income of around €95 million, versus €138 million in 2014. Recurring operating margin narrowed by 160 basis points to 2.6%. This decrease reflects the lower margin recorded by PUMA, primarily due to unfavourable currency effects and the impact of an expected increase in marketing and communications costs.

EBITDA totalled around €161 million, representing a year-on-year decrease of 15.8%.

Gross operating investments rose by 6.4% to €91 million in 2015, partly as a result of currency effects but also due to the increase in capital expenditure at PUMA as a result of the brand's relaunch plan.

PUMA

(in € millions)	2015	2014	Change
Revenue	3,403.4	2,990.2	+13.8%
Recurring operating income	92.4	128.0	-27.8%
<i>as a % of revenue</i>	<i>2.7%</i>	<i>4.3%</i>	<i>-1.6 pts</i>
EBITDA	150.7	178.6	-15.6%
<i>as a % of revenue</i>	<i>4.4%</i>	<i>6.0%</i>	<i>-1.6 pts</i>
Gross operating investments	84.5	75.9	+11.3%
Average headcount	10,988	10,830	+1.5%

After an action-packed year in 2014 which saw major events such as the FIFA World Cup, as well as the creation of new partnerships and alliances (including with Arsenal and Rihanna), and the implementation of major communications initiatives (the *Forever Faster* international advertising campaign), PUMA leveraged the extremely positive effects of this dynamic momentum built up to showcase the brand. At the same time it pursued its strategy aimed at streamlining the brand's offering and making it more innovative and consequently regaining market share with major distributors.

PUMA's revenue totalled €3,403 million in 2015, up 13.8% year on year as reported. At constant exchange rates and excluding the impact of changes in Group structure (i.e. the sale of Tretorn on June 30, 2015), growth was a very solid 6.8%. Comparable growth for the second half was even higher at 7.6%, spurred by an excellent last quarter when revenue advanced 11.7%.

Wholesale sales – which accounted for 78.2% of the brand's total revenue – climbed by 6.4% on a comparable basis. This distribution channel reported growth in all of the brand's main regions apart from Japan, where wholesale sales remained stable. The year-on-year improvement was particularly pronounced in PUMA's strategic markets such as the United States, Germany, the United Kingdom and France, demonstrating that the initiatives put in place to realign the offering with customer expectations and improve the quality of the wholesale distribution network are paying off.

Revenue posted by PUMA's directly-operated stores rose 9.4%, fuelled by higher same-store sales. All of the brand's regions contributed to this increase, including Western Europe despite a weaker performance in the first half of the year. Online sales registered particular progress in 2015 and made up nearly 10% of the brand's total retail sales during the year.

Sales of Footwear – which once again accounted for the highest proportion of PUMA's revenue, at 44.3% – advanced 9.9% on a comparable basis. The last three months of 2015 marked the sixth quarter in a row that this key category reported growth and this excellent performance clearly affirms the brand's rebound in the Footwear segment. The 2015 showing was driven by the launch of new

product ranges in the Running, Training, Football and Golf categories, which proved very popular both with distributors and end-customers, as well as by a leaner offering and the innovative features of a number of recently-launched products.

Apparel sales (36.6% of PUMA's total revenue) climbed 6.2% on a comparable basis – a strong performance in view of the extremely unfavourable basis of comparison with 2014 when sales of replica football shirts were boosted by the FIFA World Cup.

Sales of Accessories edged up 2.0% on a comparable basis, despite a mixed start to the year.

Emerging markets made up 40.5% of PUMA's 2015 revenue, versus 36.8% in 2014 as reported. Sales in these markets advanced 11.2% on a comparable basis. PUMA's revenue in Mainland China surged by 21.7%, reflecting the success of measures launched in 2013 to reorganise the brand's distribution in the region. Sales trends were also extremely positive in the brand's other major emerging markets, especially in Latin America and India.

In Western Europe, revenue rose 2.1% for the year as a whole, with a faster pace of growth in the second half. 2015 also saw sales recovery in the eurozone's two main markets (Germany and France) as well as buoyant momentum in the United Kingdom.

In North America, sales climbed 8.8% on a comparable basis, driven by the success of new footwear models in this key market and by the brand's enhanced appeal and exposure among distributors.

Japan was the only major region where the brand's revenue decreased in 2015, albeit slightly.

PUMA's contribution to the Group's recurring operating income amounted to €92 million in 2015 and the brand's recurring operating margin narrowed by 160 basis points to 2.7%. EBITDA contracted year on year to €151 million.

Currency effects were particularly unfavourable for PUMA during the year, significantly impacting recurring operating margin. The strengthening of the US dollar pushed up supply costs and the brand's currency hedges and targeted price increases were not sufficient to offset the resulting negative impact on gross margin. At constant exchange rates, PUMA's recurring operating margin increased year on year.

The €36 million decrease in recurring operating income in absolute terms (of which €30 million occurred in the first half) chiefly stemmed from an increase in operating expenses – primarily communication and marketing costs incurred as part of PUMA's announced brand investment plan.

As of December 31, 2015, PUMA's directly-operated retail network included 651 stores, representing 27 net additions compared with December 31, 2014. Around

two-thirds of existing stores and new stores opened during the year are in emerging markets where this distribution channel is growing and is delivering strong recurring operating margins.

Gross operating investments amounted to €85 million, up 11.3% on 2014, reflecting the combined impact of the conversion into euros of investments undertaken outside the eurozone and the brand's continuing measures to overhaul its supply chain and information systems.

Other Sport & Lifestyle brands

<i>(in € millions)</i>	2015	2014	Change
Revenue	279.1	254.9	+9.5%
Recurring operating income	2.4	9.5	-74.7%
<i>as a % of revenue</i>	<i>0.9%</i>	<i>3.7%</i>	<i>-2.8 pts</i>
EBITDA	10.3	12.6	-18.3%
<i>as a % of revenue</i>	<i>3.7%</i>	<i>4.9%</i>	<i>-1.2 pts</i>
Gross operating investments	6.5	9.6	-32.3%
Average headcount	784	815	-3.8%

Volcom and Electric recorded combined revenue of €279 million in 2015, up 9.5% year on year as reported but down 3.9% based on constant exchange rates.

The Surfwear and Action Sports market did not see any major improvement during the year. Both the brands in this segment and their distribution networks experienced lower revenue, which hampered gross margins and recurring operating margin.

Against this backdrop Volcom continued to implement the strategy it launched in 2013 aimed at safeguarding margins, improving distribution, and more effectively harmonising its product offering.

As a result it contained the decrease in wholesale sales at 2.2% despite the measures taken by wholesalers to radically streamline their store networks. On the other hand, direct retail sales (accounting for around 18% of the brand's total revenue) increased by 3.2% on the back of a substantial rise in online sales.

Volcom's Apparel category once again contributed some 84% of the brand's revenue in 2015 and its sales were slightly down on 2014. The Footwear category continued to grow, with another rise in revenue, while sales generated by the Accessories category contracted.

Volcom's revenue in its mature markets edged back year on year, notably in North America which is still the brand's main market, representing 64.8% of revenue. This contraction was partly offset by a very encouraging performance in the brand's emerging markets, particularly South America and the Asia-Pacific region.

After a major repositioning drive in the accessories market and a complete overhaul of its offering around new ranges of sunglasses, snow goggles and watches during the previous two years, Electric had reported strong sales growth in 2014. However, as substantially all of the brand's sales are generated through the wholesale distribution channel, its revenue was weighed down throughout 2015 by wholesalers' wait-and-see attitude as well as by unfavourable weather conditions.

Volcom and Electric's combined recurring operating income decreased to €2 million in 2015 and recurring operating margin came in at around 1%. EBITDA margin stood at 3.7%, down 120 basis points on 2014.

Volcom's directly-operated store network comprised 50 stores as of December 31, 2015, including 8 in emerging markets.

Volcom and Electric's gross operating investments totalled some €6 million in 2015, a €4 million decrease compared with 2014.

Corporate and other

The "Corporate and other" segment comprises (i) Kering's corporate departments and headquarters teams, (ii) Shared Services, which provide services to the brands, (iii) the Kering Sustainability Department, which is responsible for the sustainability initiative launched by Kering in 2011, and (iv) Kering's Sourcing Department (KGS), a profit centre for services that it provides on behalf of non-Group brands, such as companies from the former Redcats group.

It also incorporates Kering Eyewear, responsible for bringing the Group's Eyewear business (sunglasses and frames) in-house. However, for the 2014-2016 ramp-up period of this business (the first year of operations for the Gucci license being 2017), the losses associated with Kering Eyewear are being recognised as non-recurring operating expenses.

Net costs recorded by the "Corporate and other" segment in 2015 totalled around €156 million, up only 12.2% compared with 2014. This increase was due to the transfer to this segment of new assignments and cross-business projects carried out on behalf of the Group's brands, notably in relation to the maintenance and upgrading of information systems.

Gross operating investments recorded by the "Corporate and other" segment came to €190 million, up €97 million year on year. This increase was almost entirely due to two non-recurring transactions: (i) the payment of the first instalment of the compensation due to Safilo for early termination of the Gucci eyewear licence, and (ii) property-related investments concerning Kering's Paris head office, Gucci's offices in Milan, and the building located in Tokyo's Omotesando district which houses Yves Saint Laurent's flagship store in Japan.

1.5. *comments on the group's financial position*

(in € millions)	Dec. 31, 2015	Dec. 31, 2014	Change
Goodwill, brands and other intangible assets, net	15,044.3	14,788.0	+256.3
Other non-current assets, net	569.1	310.0	+259.1
Current assets, net	1,071.0	924.4	+146.6
Provisions	(381.9)	(394.0)	+12.1
Capital employed	16,302.5	15,628.4	+674.1
Net assets held for sale	0.0	24.6	-24.6
Total equity	11,623.1	11,262.3	+360.8
Net debt	4,679.4	4,390.7	+288.7

Capital employed

As of December 31, 2015, capital employed was €674 million higher than at the previous year-end.

Goodwill, brands and other intangible assets, net

As of December 31, 2015, "Goodwill, brands and other intangible assets, net" represented 63% of total assets (versus 64% as of December 31, 2014) and mainly comprised:

- goodwill amounting to €3,759 million, of which €2,788 million related to the Luxury Division and €971 million to the Sport & Lifestyle Division. Goodwill

decreased in 2015 due to the completion during the year of the purchase price allocation process for Ulysse Nardin and the recognition of a €150 million impairment loss against goodwill related to PUMA and one of the Other Luxury brands;

- brands valued at €10,851 million, of which €6,944 million for the Luxury Division and €3,907 million for the Sport & Lifestyle Division.

Net of deferred tax liabilities relating to brands (which are recorded under "Other non-current assets, net" as shown below), this item came to €12,302 million as of December 31, 2015.

Other non-current assets, net

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2014	Change
Property, plant and equipment, net	2,073.0	1,887.2	+185.8
Net deferred tax liabilities	(2,008.3)	(2,033.8)	+25.5
Investments in equity-accounted companies	20.9	23.2	-2.3
Non-current financial assets, net	443.6	397.2	+46.4
Other	39.9	36.2	+3.7
Other non-current assets, net	569.1	310.0	+259.1

Net property, plant and equipment rose in 2015, due to the impact of recurring transactions during the year (acquisitions/disposals and depreciation) and exchange rate fluctuations.

Deferred tax liabilities chiefly relate to brands recognised on business combinations, notably Gucci and PUMA.

As of December 31, 2015, investments in equity-accounted companies primarily comprised shares in Wilderness, Tomas Maier and Altuzarra. The year-on-year increase in non-current financial assets, net in 2015 was chiefly due to purchases of real-estate investments.

Property, plant and equipment corresponding to the Group's operating infrastructure break down as follows in units:

		Owned outright	Finance leases	Operating leases	Dec. 31, 2015	Dec. 31, 2014
Stores	Luxury Division	10	4	1,250	1,264	1,173
	Sport & Lifestyle Division	4	1	697	702	677
Logistics units	Luxury Division	11	1	69	81	69
	Sport & Lifestyle Division	6		33	39	37
Production units	Luxury Division	30	2	39	71	71
& other	Sport & Lifestyle Division	2		2	4	7

Current assets, net

As of December 31, 2015, net current assets totalled €1,071 million, versus €924 million as of December 31, 2014. This item breaks down as follows:

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2014	Change
Inventories	2,191.2	2,234.7	-43.5
Trade receivables	1,137.1	1,030.0	+107.1
Trade payables	(939.7)	(982.8)	+43.1
Current tax receivables/payables	(210.8)	(139.5)	-71.3
Other current assets and liabilities	(1,106.8)	(1,218.0)	+111.2
Current assets, net	1,071.0	924.4	+146.6

As of December 31, 2015, Kering's net current assets were almost €147 million higher than at the previous year-end.

After stripping out the impact of fluctuations in exchange rates and changes in Group structure however, changes in working capital requirement led to a net cash outflow of €219 million (see Note 24 to the consolidated financial statements).

- changes in inventories (adjusted for the impact of fluctuations in exchange rates and changes in Group structure) resulted in a net cash outflow of €70 million in 2015. The increase in inventories during the year reflects higher volumes of purchases by PUMA in order to maintain its sales levels in line with the growth forecast for 2016;

- the increase in trade receivables during 2015 led to a €72 million net cash outflow, reflecting growth in wholesale sales, notably at Saint Laurent and PUMA.

The year-on-year decrease in trade payables and the net liability recorded in other current assets and liabilities led to a €77 million net cash outflow in 2015, primarily reflecting the payment of restructuring costs by Gucci.

Provisions

As of December 31, 2015, provisions for pensions and other post-employment benefits were €23 million higher than the December 31, 2014 figure, chiefly as a result of the first-time consolidation of Ulysse Nardin. The portion of current provisions that will not give rise to cash outflows in the coming 12 months amounted to €9 million.

Other provisions decreased in 2015 compared with year-end 2014, mainly reflecting (i) the expiry of vendor warranties given in connection with the sale of Redcats, and (ii) the reversal of a provision for tax risks as the risks concerned were extinguished during the year.

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2014	Change
Provisions for pensions and other post-employment benefits	142.3	119.1	+23.2
Other provisions for contingencies and losses	239.6	274.9	-35.3
Provisions	381.9	394.0	-12.1

Net assets held for sale

This item results from applying IFRS 5 to operations that were discontinued or sold during the year, or were in the process of being sold.

Equity

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2014	Change
Equity attributable to owners of the parent	10,948.3	10,634.1	+314.2
Equity attributable to non-controlling interests	674.8	628.2	+46.6
Total equity	11,623.1	11,262.3	+360.8

As of December 31, 2015, Kering's total equity was higher than at the previous year-end, with equity attributable to owners of the parent up €314 million, mainly due to the combined impact of:

- €696 million in net income attributable to owners of the parent for 2015;
- €505 million in dividends and interim dividends paid by Kering;
- a €77 million positive effect from fair value remeasurements of cash flow hedges;
- a €117 million positive effect from currency translation adjustments;
- a €71 million adverse effect of other changes.

During 2015, Kering carried out the following treasury share transactions:

- purchases and sales of shares under the liquidity agreement (1,683,029 shares purchased and 1,683,029 shares sold);
- the purchase of 8,021 shares and the allotment of 8,090 shares to employees under the 2011 and 2012 free share plans;

- the purchase of 125,000 shares and the sale of 118,870 shares to employee beneficiaries under stock option plans, notably the 2007 plans.

As of December 31, 2015, Kering's share capital was made up of 126,279,322 shares with a par value of €4 each. At that date Kering held no treasury shares in connection with the liquidity agreement. Excluding the liquidity agreement, Kering held 27,598 shares in treasury as of December 31, 2015 compared with 21,537 at the previous year-end.

As of December 31, 2015, equity attributable to non-controlling interests mainly related to PUMA, for a total of €512 million (versus €539 million one year earlier), and the Luxury Division's brands, for €163 million (€88 million as of December 31, 2014).

The year-on-year change in the amount of equity attributable to non-controlling interests primarily reflects net income attributable to non-controlling interests for 2015 as well as dividends paid.

Net debt

The Group's net debt totalled €4,679 million as of December 31, 2015, representing an increase of €289 million or 6.6% compared with the previous year-end. As of December 31, 2015, Kering's net debt broke down as follows:

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2014	Change
Bonds	3,674.5	3,390.4	+284.1
Bank borrowings	313.4	264.0	+49.4
Commercial paper	1,299.7	969.8	+329.9
Other borrowings	538.2	856.4	-318.2
Gross borrowings	5,825.8	5,480.6	+345.2
Cash and cash equivalents	(1,146.4)	(1,089.9)	-56.5
Net debt	4,679.4	4,390.7	+288.7

In the first half of 2015, Kering redeemed the €750 million worth of bonds that matured in April 2015. These bonds comprised a first tranche issued in 2010 for €500 million, which was topped up in 2012 by a €250 million tranche, with an overall coupon of 3.75%.

New borrowings issued in 2015 include an aggregate €1,026 million worth of bond debt. The issues carried out in the first half of the year correspond to (i) a €500 million issue in March 2015 of seven-year bonds with a fixed-rate annual coupon of 0.875% and (ii) two issues of notes in foreign currency – a USD 150 million issue in March 2015 of five-year floating rate notes, and a USD 150 million issue in June 2015 of six-year fixed-rate notes with an annual coupon of 2.887%. In September and November, the Group topped up by €150 million and €50 million respectively the €300 million issue carried out in 2014 of 2.75% bonds maturing in 2024, which therefore increased the total nominal amount of the bond issue to €500 million.

As of December 31, 2015, the Group's gross borrowings included €76 million concerning put options granted to minority shareholders (compared with €310 million as of December 31, 2014).

In accordance with the Group's interest rate management policy, fixed-rate borrowings accounted for 75.8% of the Group's total gross borrowings as of December 31, 2015 (including hedges), compared with 68.6% one year earlier.

As of December 31, 2015, the Group's gross borrowings were mainly denominated in euros. The proportion denominated in Japanese yen represented 6.5% of total gross borrowings (6.8% as of December 31, 2014) and the proportion denominated in other currencies stood at 8.8% (6.7% as of December 31, 2014).

Kering minimises its exposure to concentration risk by diversifying its sources of financing. Therefore, non-bank debt accounted for 85.4% of gross borrowings as of December 31, 2015, versus 79.6% as of December 31, 2014. Kering's credit facilities are taken out with a diversified pool of top-tier French and non-French banks. As of December 31, 2015, 71.5% of the confirmed credit facilities granted to Kering were provided by a total of ten banks. The Group's three leading banking partners represented 34% of the total and no single bank accounted for more than 15% of the aggregate amount of confirmed credit facilities available to the Group.

Kering only carries out borrowing and investment transactions with leading financial institutions and it spreads these transactions amongst the various institutions concerned.

Solvency

As of December 31, 2015, Kering had a very robust financial structure:

- Its gearing ratio (net debt to equity) was 40.3% (versus 39.0% as of December 31, 2014).
- Its solvency ratio (net debt to EBITDA) was 2.28 (versus 2.21 as of December 31, 2014).

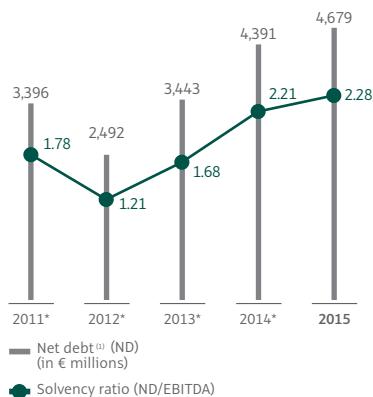
GEARING



* Reported data, not restated.

Kering's bank borrowing facilities are subject to just one financial covenant which provides that the solvency ratio (net debt to EBITDA, calculated annually on a pro forma basis at the year-end) must not exceed 3.75.

SOLVENCY



* Reported data, not restated.

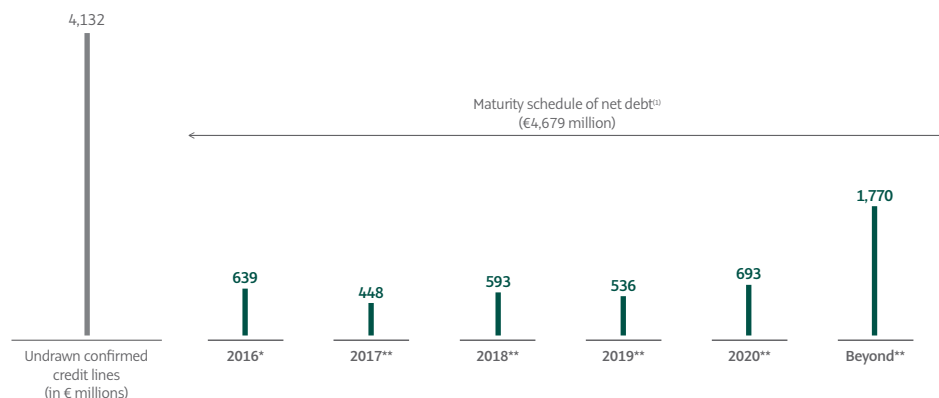
Kering's long-term rating by Standard & Poor's has remained unchanged since March 2012 at BBB with a "stable" outlook.

Liquidity

As of December 31, 2015, Kering had cash and cash equivalents totalling €1,146 million (€1,090 million as of December 31, 2014), as well as confirmed undrawn

medium-term credit facilities amounting to €4,132 million (€4,125 million as of December 31, 2014).

MATURITY SCHEDULE OF NET DEBT



* Gross borrowings after deduction of cash equivalents.

** Gross borrowings.

(1) Net debt is defined on page 176.

In view of the above, the Group is not exposed to liquidity risk. Short-term borrowings and borrowings maturing in five years or beyond accounted for 30.6% and 42.3% respectively of total gross borrowings as of December 31, 2015, compared with 41.7% and 36.9% respectively as of December 31, 2014.

Cash and cash equivalents exclusively comprise cash instruments and money-market funds that are not subject to any risk of changes in value. As of December 31, 2015, the Group had access to €4,153 million in confirmed credit facilities (of which €21 million drawn down), versus €4,144 million as of December 31, 2015.

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

The bonds issued between 2009 and 2015 within the scope of the EMTN programme are all subject to change-of-control clauses entitling bondholders to request early redemption at par if Kering's rating is downgraded to non-investment grade following a change of control.

In addition, the bonds issued in 2009 and 2010 include a step-up coupon clause that applies in the event that Kering's rating is downgraded to non-investment grade.

All of these borrowings are covered by the rating assigned to the Kering group by Standard & Poor's (BBB with a stable outlook) and are not subject to any financial covenants.

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

Changes in net debt

Changes in net debt during 2015 and 2014 can be analysed as follows:

(in € millions)	2015	2014
Net debt as of January 1	4,390.7	3,442.9
Free cash flow from operations	(660.2)	(1,077.8)
Net interest paid and dividends received	166.4	228.1
Dividends paid	561.5	497.7
Acquisition of Kering shares	7.3	8.5
Other acquisitions and disposals	67.3	1,197.9
Other movements	146.4	93.4
Net debt as of December 31	4,679.4	4,390.7

Free cash flow from operations

The generation of free cash flow from operations is a key financial objective for all of the Group's brands. In 2015, the Group's free cash flow from operations totalled €660 million.

(in € millions)	2015	2014	Change
Cash flow from operating activities before tax, dividends and interest	1,845.3	1,844.3	+0.1%
Change in working capital requirement (excluding tax)	(219.3)	(160.3)	+36.8%
Corporate income tax paid	(330.4)	(422.7)	-21.8%
Net cash from operating activities	1,295.6	1,261.3	+2.7%
Net operating investments	(635.4)	(183.5)	+246.3%
Free cash flow from operations	660.2	1,077.8	-38.7%

In 2015, cash flow from operating activities before tax, dividends and interest was stable compared with 2014.

Changes in working capital requirement gave rise to a net cash outflow of €219 million in 2015 (€160 million in 2014). This €59 million year-on-year increase reflects the following factors:

- a €271 million adverse impact arising from a sharp fall in trade payables due mainly to payment time lags at PUMA;

- a €50 million negative effect due to an increase in trade receivables from third-party distributors, notably for Yves Saint Laurent and PUMA;

- offset by a disciplined increase in inventories, which had a favourable impact of almost €179 million.

Corporate income tax paid in 2015 was €92 million lower than in the previous year, reflecting the fact that the 2014 figure included tax paid on the gain realised on the sale of a property complex.

The net cash outflow relating to net operating investments totalled €635 million in 2015. Net of €368 million in proceeds from disposals of property, plant and equipment and intangible assets (primarily from the sale of a property complex), the figure recorded for 2014 came out at €552 million.

<i>(in € millions)</i>	2015	2014	Change
Luxury Division	390.9	372.4	+5.0%
Sport & Lifestyle Division	91.0	85.5	+6.4%
Corporate and other	190.2	93.5	+103.4%
Gross operating investments	672.1	551.4	+21.9%

The 5.0% increase in this item recorded by the Luxury Division was mainly attributable to currency effects. The year-on-year stability at constant exchange rates reflects the Division's focus on organic growth on a same-store basis and on consolidating its existing store network. The increase for the Sport & Lifestyle Division was also primarily due to currency effects. In 2015, 46% of the Group's gross operating investments concerned the store network (versus 59% in 2014).

The year-on-year increase in gross operating investments for the "Corporate and other" segment chiefly corresponds to the aforementioned compensation paid to Safilo as well as to investments in information systems and real estate projects, notably in Milan, Paris and Tokyo.

Available cash flow

In 2015, net cash outflows relating to net finance costs included €12 million in interest paid and dividends received versus €5 million in 2014.

Available cash flow for the year amounted to €494 million compared with €850 million in 2014.

Dividends paid

Dividends paid in 2015 were slightly higher than in 2014. The 2015 figure included €57 million paid to minority shareholders of consolidated subsidiaries (€24 million in 2014), of which almost €43 million related to PUMA. The cash dividend paid by Kering to its own shareholders in 2015 amounted to €505 million (including the interim cash dividend paid on January 26, 2015), representing a slight increase compared with 2014.

Gross operating investments totalled €672 million in 2015, up 22% compared with 2014. Adjusted for the first instalment paid in January 2015 of the compensation due to Safilo, the year-on-year increase amounted to 16.1%. This item breaks down as follows:

Acquisitions and disposals

The €7 million recorded under "Acquisition of Kering shares" – which corresponds to purchases net of sales – primarily relates to the purchase of 133,021 shares for the Group's stock option and free share plans.

During 2015 Kering did not purchase any PUMA shares and kept its interest in the company at 85.81%, unchanged from year-end 2014.

The impact of other acquisitions and disposals of securities during 2015 mainly includes (i) nearly €84 million in financial investments made by the Group, primarily concerning real estate entities and (ii) nearly €4 million in net financial cash flows related to discontinued operations.

In 2014, the impact of other acquisitions and disposals of securities mainly concerned (i) the acquisition of Ulysse Nardin during the year and (ii) €488 million in financial cash flows related to discontinued operations, including cash outflows to finance the trust set up at the time of the sale of La Redoute.

Other movements

This item primarily includes the impact of fluctuations in exchange rates and fair value remeasurements of financial instruments in accordance with IAS 32 and IAS 39.

1.6. *parent company net income and dividend payment*

The parent company ended 2015 with net income of €527 million, compared with €818 million in 2014. The 2015 total includes €657 million in dividends received from subsidiaries (versus €1,187 million in 2014).

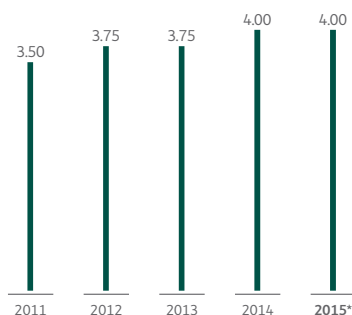
At its February 18, 2016 meeting, the Board decided that, at the Annual General Meeting to be held to approve the financial statements for the year ended December 31, 2015, it will ask shareholders to approve a €4.00 per-share cash dividend for 2015.

An interim dividend amounting to €1.50 per share was paid on January 25, 2016 pursuant to a decision by the Board of Directors on December 16, 2015.

If the final dividend is approved, the total cash dividend payout in 2016 will amount to €505 million.

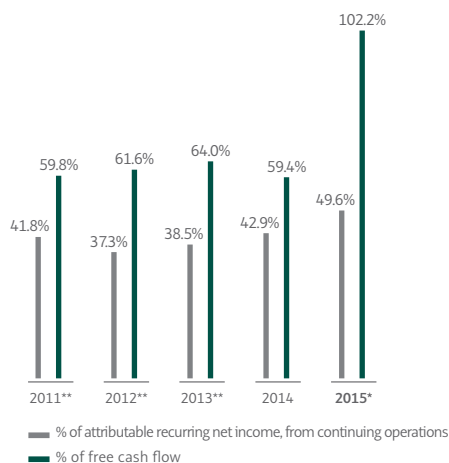
Kering's goal is to maintain well-balanced payout ratios bearing in mind, on the one hand, changes in net income from continuing operations (excluding non-recurring items) attributable to owners of the parent and, on the other hand, the amount of available cash flow. The Group has decided to keep its 2015 dividend at the same level as for 2014 as a sign of its confidence in its future development, despite the fact that this will result in a higher payout rate expressed in terms of available cash flow.

DIVIDEND PER SHARE (IN €)



* Subject to approval at the Annual General Meeting.

PAYOUT RATIOS



* Subject to approval at the Annual General Meeting.

** Reported data, not restated.

1.7. *transactions with related parties*

Transactions with related parties are described in Note 35 to the consolidated financial statements.

1.8. *subsequent events*

On March 16, 2016, Volcom, part of Kering's Sport & Lifestyle activities, has sold the Electric brand via a management buyout (MBO) to a group led by Eric Crane, Electric's Chief Executive Officer.

The transaction includes all the assets of Electric and the rights attached to the brand.

Electric, a Californian premium sports and Lifestyle brand that sells accessories including sunglasses, goggles and watches, was acquired by Volcom in 2008.

1.9. *outlook*

Positioned in structurally high-growth markets, Kering has very solid fundamentals and a portfolio of powerful brands with strong potential.

In 2016, the Luxury activities will focus on achieving same-store revenue growth, with a targeted and selective expansion strategy for the store network, which will lead to a slower pace of net store openings. At Gucci, the changes put in place since 2015 in terms of both creative vision and the brand's product offering will be stepped up and bear fruit during the course of the year. With regards

to the Sport & Lifestyle activities, PUMA expects to capitalise on its successful repositioning and achieve further revenue growth as well as an increase in recurring operating income.

In an unsettled economic environment, with currency fluctuations that could once again lead to volatility in the short term, Kering intends to pursue its strategy of rigorously managing and allocating its resources in order to enhance its operating performance, cash flow generation and return on capital employed.

2. *investment policy*

Kering's investment policy is designed to support and enhance the Group's growth potential on its markets and is focused on financial investments (acquisitions and disposals of assets) and investments related to operations (organic growth).

Financial investments reflect the Group's strategy of reinforcing its profitable high-growth activities in the

Luxury market by acquiring attractive brands with strong growth potential and market positions that perfectly complement its existing assets.

Operating investments are designed to accelerate organic growth for the Group's brands. This is achieved by, for example, developing and renovating the store network and by investing in logistics centres or IT systems.

2.1. *financial investments*

2015

The Group has a balanced portfolio of complementary brands and did not undertake any major investments in 2015. Financial investments represented net cash outflows of €25.6 million for the year.

The cash impact of the sale of business restated in accordance with IFRS 5 (Sergio Rossi and the Redcats group) is shown on the line "Net cash from (used in) discontinued operations" and detailed in Note 12 to the consolidated financial statements.

2014

Financial investments represented net cash outflows of €590.2 million for 2014 and chiefly included the acquisition of the Ulysse Nardin group. Acquisitions exceeded disposals of financial assets, taking into account recapitalisations and refinancing, asset disposals and discontinued operations.

Kering strengthens its portfolio of Luxury brands

On November 19, 2014, Kering announced that it had finalised the acquisition of 100% of Ulysse Nardin. The brand is now part of Kering's Luxury – Watches & Jewellery Division, which is headed by Albert Bensoussan.

Founded in 1846 by Ulysse Nardin with its roots in the nautical world, the eponymous watchmaking house was taken over and relaunched in 1983 by Rolf W. Schnyder who transformed it into a highly profitable business with a strong financial structure. The company has a very strong brand identity based on its historical expertise in marine chronometers and ultra-complex timepieces.

Ulysse Nardin has been consolidated in the Group's financial statements with effect from November 1, 2014. The provisional purchase price accounting for this acquisition was finalised at end-December 2015.

2.2. *operating investments*

The Group conducts a targeted investment policy designed to reinforce both its image and the unique positioning of its brands, as well as to increase its return on capital employed.

The Group's investment policy is focused on the development of its store network, the conversion and renovation of its existing points of sale, the establishment and maintenance of manufacturing units in the Luxury sector, and the development of IT systems.

Gross operating investments amounted to €672 million as of December 31, 2015, up 22% on 2014. In the Luxury Division, the 5.0% rise in investments primarily results from currency effects. Investments were stable at constant exchange rates, reflecting the Division's focus on achieving organic growth on a same-store basis and on consolidating the existing store network. The increase for the Sport & Lifestyle Division was also primarily due to currency effects.

In 2015, 46% of the Group's gross operating investments concerned the store network (versus 59% in 2014).

The year-on-year increase in gross operating investments for the "Corporate and other" segment chiefly corresponds to the compensation due to Safilo as well as to investments in information systems and real estate projects, notably in Milan, Paris and Tokyo.

In 2015, net operating investments included €37 million in proceeds from disposals of property, plant and equipment and intangible assets (€368 million in 2014).

Luxury Division

The Luxury Division's gross operating investments totalled €391 million for 2015, 5.0% higher than in 2014. The increase mainly stemmed from currency effects, since gross operating investments rose only slightly year-on-year at constant exchange rates, reflecting – as in 2014 – the Division's focus on achieving organic growth on a same-store basis and consolidating the network of existing stores, while taking into consideration the more unsettled operating context for the Luxury industry. As a proportion of revenue, gross operating investments represented 5.0% in 2015 versus 5.5% in 2014.

As of December 31, 2015 the Luxury Division had a network of 1,264 directly-operated stores, including 773 (61%) in mature markets and 491 in emerging markets. Net store additions during the year totalled 78, compared to 90 in 2014.

Gucci

Gucci's gross operating investments amounted to €193 million in 2015, up 3.4% on 2014 driven mainly by currency effects. The figure for 2015 included the impact of a major store refurbishment program launched during the year, and as of December 31, 2015, a total of 34 points of sale had already been remodelled based on the new store concept.

As of December 31, 2015, Gucci operated 525 stores directly, including 218 in emerging markets. A net 20 new stores were added during the year. Five of the new openings reflect the decision taken in 2014 to bring back under direct management points of sale that were previously operated by third parties in South Africa and the United States.

Bottega Veneta

The brand's gross operating investments totalled almost €50 million in 2015, up by €9 million, or 21.3% on the previous year, although 2014 represented a trough in its capital expenditure cycle. In addition, the overall gross operating investments figure for 2015 represented 3.8% of Bottega Veneta's revenue, which is quite a low ratio compared with Kering's other Luxury brands.

Bottega Veneta's network of directly-operated stores totalled 251 as of December 31, 2015, including 110 in emerging markets. There were 15 net store additions during the year.

Yves Saint Laurent

Gross operating investments climbed 16.4% to around €63 million in 2015. However, the pace of growth in investments was slower than revenue or operating income growth. This had a positive impact on cash flow generation for the brand.

As of December 31, 2015, the Yves Saint Laurent brand directly operated 142 stores, including 61 in emerging markets. There were 14 net store openings during the year, including the Tokyo flagship store in the Omotesando district.

Other Luxury brands

The network of directly-operated stores owned by Other Luxury brands totalled 346 stores as of December 31, 2015. There were 29 net store additions during the year. The network comprises 244 stores in mature markets and 102 stores in emerging markets.

Despite a negative currency effect arising from the conversion of foreign currency denominated capital expenditure, gross operating investments decreased year-on-year to €85 million. As in 2014, this reflects the brands' highly selective and disciplined capital spending strategies.

Sport & Lifestyle Division

Gross operating investments totalled €91 million in 2015, up 6.4% compared with 2014. The increase reflects currency effects as well as the rise in investments at PUMA in connection with the brand's relaunch.

As of December 31, 2015, the Sport & Lifestyle Division's network of directly-operated stores had 702 points of sale. There were 25 net store additions during the year, of which 16 in emerging markets.

PUMA

Gross operating investments amounted to €85 million, up 11.3% on 2014, reflecting the combined impact of the conversion into euros of investments undertaken outside the eurozone and the brand's continuing measures to overhaul its supply chain and information systems.

As of December 31, 2015, PUMA's directly-operated retail network included 651 stores, representing 27 net additions compared with December 31, 2014. Around two-thirds of existing stores and new stores opened during the year are in emerging markets where this distribution channel is growing and delivering a good level of profitability.

Other Sport & Lifestyle brands

Volcom and Electric's gross operating investments totalled some €6 million in 2015, a €4 million decrease compared with 2014.

Volcom's directly-operated store network comprised 50 stores as of December 31, 2015, including 8 in emerging markets.

3. *risk management*

Risk management forms part of the ongoing identification and evaluation process of Group risks (see section

"Internal control and risk management procedures" in the Chairman's report, page 165 of the Reference Document).

3.1. *financial risks*

The Kering group has established a centralised structure for the management of liquidity, exchange rate and interest rate risks. The Group's Financing and Treasury Department, which reports to the Finance Department, is responsible for this organisation and has the necessary expertise, resources (particularly technical) and information systems to carry out the necessary tasks. It executes transactions in various financial markets with optimum efficiency and security via Kering Finance SNC, which is dedicated to cash management and financing. The Financing and Treasury Department also coordinates cash management for the subsidiaries and sets out the Group's banking policy.

The financial risks identified by the Group are summarised below:

Counterparty risk

Kering minimises its exposure to counterparty risk by dealing only with investment grade companies and by spreading its exposure among its various counterparties, up to their respective exposure and maturity limits. Counterparties to derivative transactions are included in the Group's counterparty risk management procedures. Each of these transactions requires approval and is governed by limits and maturities that are reviewed on a regular basis. Counterparties are assessed using an internal classification system based on the rating they have received from rating agencies. Counterparties must be rated at least "BBB" by Standard & Poor's and the equivalent by Moody's.

Equity risk

In the normal course of business, the Group enters into transactions involving shares in consolidated companies or shares issued by Kering. The Group trades in its own securities either directly or through derivatives as part of its share buy-back programme and in accordance with applicable regulations. Kering has also signed an agreement with a financial broker in order to improve the liquidity of the Group's shares and ensure share price stability. This agreement complies with the Professional

Code of Conduct drawn up by the French association of financial and investment firms (*Association française des marchés financiers* – AMAFI) and approved by the French financial markets authority (*Autorité des marchés financiers* – AMF).

Shares held in connection with non-consolidated investments represent a low exposure risk for the Group and are not hedged.

When Kering enters into financial investments in the form of open-ended investment funds or equivalent funds, it systematically uses liquid monetary instruments with maturities of less than three months in order to mitigate risk. Consequently, the price risk borne by Kering is deemed not to be material.

Additional information on equity risk is provided in Note 30.3 to the annual consolidated financial statements.

Foreign exchange risk

The Group uses hedging instruments to reduce its exposure to currency risk based on the specific requirements of each Division.

These instruments are used either to hedge foreign currency trade receivables and payables, or to hedge highly probable forecast exposures and/or firm commitments. Each entity hedges the risk generated by using a currency other than its functional currency in its commercial dealings.

Companies in the Sport & Lifestyle Division primarily hedge the foreign exchange risk generated by firm purchase commitments in foreign currencies and highly probable purchase flows. Periods depend on the activity specific to each company. Hedging flows may also be generated by inter-company flows through purchasing offices.

Foreign exchange risk hedging by the Luxury Division's entities mainly covers sales made to their retail subsidiaries, and to a lesser extent purchase flows. These are essentially inter-company flows.

Future foreign exchange exposures are determined using a regularly updated budget procedure.

Hedging periods are adapted to each brand's business cycle and only marginally exceed one year at each reporting date.

Foreign exchange policies and procedures are set out by each company's Executive Committee and are validated by Kering.

Each brand hedges its own foreign exchange risks in accordance with policies and procedures reflecting its specific requirements.

These procedures incorporate Group policies as defined by Kering:

- Kering Finance SNC is the sole counterparty in currency transactions, except where specific regulatory or operating constraints rule this out;
- the amounts and maturities of all currency hedging transactions are backed by an economic underlying to prevent any speculative dealing;
- all highly probable exposures are at least 80% - hedged where they concern forecast amounts, or fully hedged in the case of firm commitments;
- Kering has strictly limited the type of financial instruments that may be used for hedging purposes;
- each brand implements its own internal control system and conducts audits on a regular basis.

Kering ensures that each brand's currency risk management policy is consistent with its underlying foreign exchange exposure, notably through a monthly currency reporting procedure. Kering also conducts periodic audits at Group level.

The Group also hedges foreign exchange risk on financial assets and liabilities issued in foreign currencies by using currency swaps for refinancing purposes or by investing cash in euros or local currency.

Note 30.2 to the annual consolidated financial statements sets out the nature of the hedging instruments held by the Group and its exposure to foreign exchange risk (see page 277, "Exposure to foreign exchange risk").

Kering Finance SNC processes, controls and provides administrative support for foreign exchange transactions on behalf of Group companies. Front-office, middle-office, back-office and accounting tasks are separated for security reasons, as well as to ensure that derivatives contracted internally are unwound on the market. Kering Finance SNC uses market-standard techniques and information systems to price currency instruments.

Interest rate risk

Interest rate risk policy falls within Kering's remit, and is managed on a consolidated basis by Kering Finance SNC. Kering has set a 70% - fixed/30% - floating target rate mix for Group consolidated net debt.

Interest rate risk is measured based on current and projected consolidated net debt, the schedule of hedging positions and fixed-rate/floating-rate debt issuances. This enables interest-rate hedging in accordance with the Group's target fixed/floating rate mix. Appropriate hedging products are set up through Kering Finance SNC, in close liaison with Kering's Executive Management. Kering mainly uses (i) interest rate swaps to convert all or a portion of its fixed-rate bonds to a floating rate and (ii) caps and collars in order to protect floating-rate financing against rises in interest rates.

Kering Finance SNC processes, controls and provides administrative support for interest rate transactions on behalf of Group companies. Front-office, middle-office, back-office and accounting tasks are separated for security reasons. Kering Finance SNC uses market-standard techniques and information systems to price interest rate instruments.

Note 30.1 to the annual consolidated financial statements sets out the nature of the hedging instruments held by the Group and its exposure to interest rate risk (see page 275, "Exposure to interest rate risk").

Liquidity risk

Liquidity risk management for the Group and each of its subsidiaries is closely monitored and periodically assessed by Kering, based on Group- and brand-level financial reporting procedures.

In order to manage liquidity risk that may arise when its financial liabilities fall due, the Group's financing policy is geared towards optimising its maturity schedule and avoiding the concentration of redemptions and repayments.

The Group's active risk management policy also seeks to diversify sources of funding and limit reliance on individual lenders.

The Group had undrawn confirmed lines of credit totalling €4,131.8 million as of December 31, 2015 compared to €4,125.5 million as of December 31, 2014.

Kering has a Euro Medium Term Notes (EMTN) programme in Luxembourg for its bond issuances, representing €5 billion. As of December 31, 2015, €3,675.6 million of this amount had been used, of which €275.6 million issued in US dollars. The EMTN programme was extended on December 2, 2015 for a further one-year period. Kering's short-term debt is rated "A2" by Standard & Poor's, while its long-term debt is rated "BBB" with a stable outlook.

The Group's bonds and bank lines of credit are governed by the standard commitment and default clauses customarily included in this type of agreement: *pari passu* ranking, a negative-pledge clause that limits the security that can be granted to other lenders, and a cross-default obligation. The bonds issued within the scope of

the EMTN programme are all subject to change-of-control clauses entitling bondholders to request early redemption at par if Kering's rating is downgraded to non-investment grade following a change of control.

The bonds issued in 2009 and 2010 also include a step-up coupon clause that applies in the event that Kering's rating is downgraded to non-investment grade (see Note 29.4).

Kering and Kering Finance SNC confirmed lines of credit include a default clause (early repayment) in the event of failure to comply with the following financial covenant: consolidated net debt/EBITDA less than or equal to 3.75 (see Note 29.5.3 to the annual consolidated financial statements). This ratio is calculated based on pro forma data. As of December 31, 2015, Kering and Kering Finance

SNC had not drawn down any of the confirmed lines of credit subject to this covenant.

Euro bond issues are not subject to any financial covenants.

The Group was in compliance with all these covenants as of December 31, 2015 and there is no foreseeable risk of breach.

Information relating to liquidity risk is presented in Note 29 to the annual consolidated financial statements, including the breakdown of Group debt by maturity and currency, and in Note 30.6 to the annual consolidated financial statements, which describes liquidity risk in accordance with IFRS 7.39.

3.2. *strategic and operational risks*

In accordance with the AMF's recommendations, this section deals only with risks identified by the Group as having a potentially significant impact.

Macro-economic instability

Limited growth in the global economy and political instability in certain countries both contribute to a deteriorating macro-economic environment.

The balanced geographical coverage of its Luxury and Sport & Lifestyle Divisions limits the Kering group's exposure to the impact of local recessions and enables it to benefit from growth in emerging countries.

The diversity of the Group's product offering reduces its dependence on a specific range. The distribution network also benefits from a balanced geographical footprint, with Luxury Division sales made through over 1,200 directly-operated stores in 42 countries.

Raw materials and strategic skills

To meet its customers' expectations, the Luxury Division needs unhindered availability of raw materials that comply with its quality criteria, and sustained skill levels across its production teams. To this end, the Kering group has forged special partnerships with key suppliers, and pursues a policy of actively seeking new partners. It also develops vertical integration throughout the production chain by means of acquisitions or strategic business partnerships in the subcontracting market.

To maintain the know-how of its Luxury Division businesses over the long term, Kering runs personnel training and skills preservation initiatives, and internalises a number of functions that were previously subcontracted.

Fluctuation in raw materials prices

The rising price of raw materials used by the Kering Luxury Division correlates with high demand for leather, skins and precious stones. Rising prices of the raw materials used by the Sport & Lifestyle Division stem from variations in outsourcing costs and in the prices of rubber, cotton and polyester. Rises in production costs can be wholly or partially offset by corresponding rises in the sale prices of finished products.

Kering pays careful attention to the traceability of supplies, and insists that suppliers and subcontractors comply with legislation and the Group's Code of ethics. The Luxury Division is especially attentive to ensuring that supplies comply with international standards on mining conditions for gold, diamonds and precious stones. These factors tend to restrict the scope of alternative sourcing options for certain materials. The Group is nevertheless structured in order to regularly seek new suppliers capable of meeting its requirements on these issues.

Commercial appeal and brand value

Kering's activities are underpinned by powerful global brands in the Group's Luxury and Sport & Lifestyle Divisions. One of the Group's main operational risks therefore concerns the loss of commercial appeal and brand value that could arise from poor consideration of consumer expectations, market changes, loss of key partnerships, problems with product quality, or failure to comply with the Group's Sustainability principles. The accounting impacts of impairment losses are described in Note 19 to the consolidated financial statements for the year ended December 31, 2015 on page 258.

Consumer expectations

The brands' creative leadership and the success of its collections and resulting commercial appeal are managed by Creative Departments and their world-renowned designers, and perpetuated by remaining true to the identity and fundamental values of the brand. Kering's Sport & Lifestyle brands also play a major role as trend setters for consumers, by investing in R&D and offering new products and services.

The inability to anticipate changes in consumer expectations represents a major risk to Kering's business development. To counter this risk, Kering endeavours to streamline the supply cycle, cutting lead times between product design and launch phases.

Kering also encourages its Divisions to stay ahead of consumer trends by keeping a constant watch over market shifts (attending trade fairs, working with trend forecasting agencies, running consumer surveys, etc.).

The Luxury Division brands are therefore broadening their offerings, increasing the number of collections and developing new partnerships with renowned designers.

Loss of key partnerships

Partnerships with celebrities, athletes, sports teams and other brands make a significant contribution to enhancing the Group's image. The risk of losing strategic partnerships is mitigated by renewing major contracts in advance, extending the partnership portfolio, and paying careful attention to the quality of relationships with figureheads and brand representatives.

Product quality, health and safety risks

Ensuring the quality of goods and compliance with stringent safety standards are among the Group's main priorities.

In order to bring high-quality products to market that are compliant with these standards, the Group implements quality control processes covering all of the stages in the product lifecycle, from design through to marketing. Products are classified using quality and safety standards, while suppliers are referenced on the basis of technical audits and adherence to the Group Suppliers' Charter in the Code of ethics. Product quality and safety controls are carried out at all stages of the production process by quality engineers and accredited laboratories.

Procedures relating to product control are explained in greater depth in Chapter 3 "Sustainability" of the Reference Document, pages 119 to 121.

All Kering Divisions have a "product" crisis management unit. In the event of known risk, they follow procedures ensuring that immediate and transparent information is provided to the public, and that defective products are recalled.

The Group has also taken out civil liability insurance to cover bodily harm or property damage to third parties caused by products considered defective (see section 3.4 "Main existing insurance programmes" page 213).

Image and reputation, respect for ethical rules and integrity

The Group carefully safeguards its image and reputational assets, and consequently seeks to ensure that no incident arises due to unethical behaviour on the part of entities or individuals under its control, or those with which it has business dealings.

All Kering Divisions have a crisis management policy and a unit that liaises with Kering head office.

The Group also monitors adherence by personnel to the Kering group Charter, which defines the framework for the decentralisation of the organisation, and to the Code of ethics (the third edition of which is available in 12 languages and was circulated to all of the Group's employees in 2013). A Group Ethics Committee has been established and is supported by two regional counterparts, the Asia-Pacific Ethics Committee and the Americas Ethics Committee. All three Committees can be contacted via a hotline from 74 countries, operating in 12 languages.

The Group regularly examines ways to adapt these documents to its organisation, ensures that suppliers adhere to the Group Suppliers' Charter, which they are required to promote within their production units, and monitors compliance by means of social audits at production sites (see Chapter 3 "Sustainability" of the Reference Document, pages 116 to 119).

All Luxury Division brands implement appropriate methods and steps to ensure their activities comply with the Group's Sustainability standards: SA8000 and RJC certification, social audits and supplier training programmes are examples of the actions and programmes that the brands have put in place in their day-to-day operations.

The Sport & Lifestyle Division also ensures that its suppliers respect the Group's Sustainability standards. PUMA for example monitors its suppliers' observance of its Social Accountability and Fundamental Environmental (SAFE) standards, which forbid child labour, unethical employment conditions, environmental damage and any business relationships with criminal organisations.

Counterfeiting and parallel distribution networks

Kering owns a large array of brands, models, copyrights, patents, designs and know-how, largely through its Luxury and Sport & Lifestyle Divisions. This portfolio constitutes intellectual property and a strategic asset for the Group.

The Group's legal departments manage the brand portfolio and other intellectual property rights, and implement active and diversified policies to counter breaches of these rights. Kering actively opposes parallel distribution networks and illicit networks that sell counterfeit or copied goods, in particular by working to increase the traceability of its goods.

Protection of the Group's intellectual property takes many forms, from upstream practices of the brand portfolios, to downstream practices, including anti-counterfeiting custom or police raids or legal action. The costs of monitoring markets and tackling counterfeiting, within the brands and at the Group's head office, are divided between legal and security functions, or among the stores. These costs are however relatively insignificant at Group level.

Kering also participates in bodies that represent the leading Luxury industry players. The Group prevents sales of its products by parallel distribution networks by working to increase the traceability of its goods, prohibiting direct sales to these networks and implementing specific measures to tighten control over its distribution channels.

Dependence on patents, licences and supply contracts

The Group is not significantly dependent on any patents, licences or third-party supply sources.

The Group owns or has licence rights to the trademarks, patents and intellectual property rights that it exploits, free of any restrictions as to right of priority or use (and of rights likely to restrict such exploitation) in all relevant markets. The same applies to the corporate names and domain names of the subsidiaries or entities, to the names of the Group's stores and points of sale and to the trademarks and signs of the goods and products manufactured and marketed by the various Group entities. This situation does not preclude any of the trademarks belonging to the Group being licensed to third parties for the sale of goods or services under its trademark enhancement policy, as has been the case in perfumes and cosmetics. In all cases, such licensing agreements have been entered into under fair commercial and financial terms and conditions, and have no impact on the ownership of the trademarks and signs belonging to the Group. Further information on contractual obligations and other commitments is provided in Notes 34.2.1 and 34.2.3 to the 2015 consolidated financial statements on pages 291 and 292.

Litigation

Group companies are involved or are likely to be involved in a number of lawsuits or disputes arising in the normal course of business, including litigation with tax, social security and customs authorities, as well as various governmental and competition authorities. Provisions have been set aside by the companies for the probable costs, as estimated by the entities and their experts. According to the Group entities' experts and advisors, no litigation currently in progress concerning Group companies presents a risk for the normal operations of the Group, or for its future development. Provisions have been set aside in the Group's 2015 consolidated financial statements to cover all of the abovementioned legal risks, including the impact of commitments given on the disposal of controlling interests. None of these risks have been qualified as arising outside the scope of normal business for Group companies.

The Group considers that the effective methods and procedures for identifying and managing its industrial and environmental risks within each of the entities concerned, which rely chiefly on the advice of duly authorised external organisations and advisors, meet, in relevance and proportion, customary technical and professional standards under the prevailing regulatory framework. An active prevention and safety policy is an integral part of these methods and procedures.

Furthermore, the Group has granted various sellers' representations and vendor warranties in connection with disposals of controlling interests in subsidiaries made over the last ten years (see Note 34.1 to the 2015 consolidated financial statements, page 289).

As regards the laws and regulations applicable to the Group's activities (excluding possible international sanctions that may be imposed against certain countries but have no impact on the Group's activities), Kering's businesses are subject to the same constraints and obligations as those directly applicable to its competitors on its different markets. None of its businesses are subject to specific rules or exemptions in any of the relevant territories.

The Company is not aware of any foreseeable regulatory or legislative changes in contradiction with the foregoing.

To the Company's knowledge, during the last 12 months or more, there have been no governmental, legal or arbitration proceedings (including any pending or threatened proceedings of which the issuer is aware) that have had in the recent past or are likely to have in the future, a significant impact on the financial position or earnings of the Company or the Group.

Legal risks

The Group has a vast array of brands and domain names, as well as know-how and production processes that are unique to Kering. In particular, Kering has established licensing agreements with its subsidiaries and partners who use its intellectual property rights, which make up a significant portion of the Group's assets.

Kering works to protect these rights and is active in the fight against counterfeiting, as counterfeiting can have an impact on revenue and damage the reputation of the Group and its products. Initiatives are carried out by the Legal Department of the Group and its brands with the help of external advisors and in conjunction with the relevant local authorities.

The Company, aware that some of its employees have access to confidential information, ensures that they receive information on best practices and the Internal Control Charter, which help minimise this risk, particularly with regard to the use of information systems and social media.

Lastly, the Group has formed legal organisations on the regional (Asia, the Americas and Europe), local (subsidiaries) and central levels in order to monitor its observance of various applicable laws and regulations.

Talent management

The Group recognises that the talent and creativity of its employees are one of the keys to its success. Its capacity to identify, attract and retain staff and nurture their skills is critical for the Group.

Kering's human resources policy therefore seeks to promote a stimulating and rewarding working environment, and to foster attachment to the Group and its values. This is done by means of training programmes and profit-sharing. Kering also aims to boost its staff's employability, to encourage internal mobility and to open up prospects for professional and personal development (see Chapter 3 "Sustainability" of the Reference Document, pages 65 to 68).

Special attention is given to the creative teams, to develop powerful, lasting brand identities.

Information systems

Most of the Group's production and transaction processes rely on information systems. The maturity of the information systems in use across the Group, as regards suitability, security, rollout and functionality, is fairly heterogeneous. The Group runs an ongoing investment programme on the adaptation, improvement, security and durability of its information systems. Business continuity and recovery plans are regularly updated, and their efficacy closely monitored.

With the support of the Divisions' brand security departments, the Group is introducing data protection and business continuity plans.

Credit risk

Because of the nature of its businesses, a large proportion of Kering sales is not exposed to customer payment risks. This is true of direct customer sales by the Luxury Division. For sales through wholesalers, there is no strong dependency whereby loss of particular customers might have a significant impact on the Group's business or earnings.

The Sport & Lifestyle Division is more exposed to payment default risks because a significant proportion of its products is distributed through wholesalers. It manages these risks by constant monitoring of amounts outstanding. As applicable, provisions are set aside against the value of the Division's assets. Credit risk is also minimised by appropriate insurance coverage.

Seasonality of sales

Following the disposals of the retail businesses in 2012 and 2013, the Group has focused on the Luxury and Sport & Lifestyle sectors. The seasonality of the Group's activities has decreased since this repositioning and is no longer considered a significant risk.

However, for the Group's Luxury brands, the fourth quarter is the most important in terms of revenue due to year-end holiday purchases in western countries, although fourth-quarter revenue does not significantly exceed revenue generated during the first three quarters of the year. In addition, the activity of the Luxury and Sport & Lifestyle Divisions generally revolves around the twice-yearly nature of their collections and changes in delivery dates to wholesalers can result in sales being deferred from one quarter to the next.

Exceptional factors likely to have major consequences on the political or macro-economic environment of one or more of the Group's main markets can also impact the Group's activities and quarterly results and consequently change the usual seasonality pattern in a given fiscal year.

3.3. *compliance risks*

Kering's international presence exposes it to risks regarding non-compliance with legislation and national regulations, owing to the complexity and changing nature of regulations chiefly arising from corporate and tax law, customs duties and import restrictions applied by certain countries.

To guard against risks of non-compliance due to a lack of awareness of legislative change, Kering provides its Divisions with a regulatory intelligence service, through head office and support centres in the regions in which the Group operates.

3.4. *risk management*

The Kering risk management policy is based on the ongoing identification and evaluation of risks, risk prevention, protection of people and property, and safety and business continuity plans.

The risk management policy also includes the transfer of risks to insurance companies.

Insurance against risks

The Group's policy of transferring significant risks to insurance companies is based on:

- achieving the best economic balance between risk coverage, premiums and self-insurance;
- and,
- the insurance available, insurance market constraints and local regulations.

Coverage is based on the "All risks except" approach, determined by assessing the financial consequences for the Company of a possible claim, especially in the areas of:

- civil liability: bodily harm or property damage to third parties caused by products, fittings and equipment;
- fire, explosions, water damage, etc;
- operating losses following direct damage.

Insurance coverage is purchased based on an assessment by site and company of the level of coverage necessary to face reasonably estimated potential occurrences of diverse risks (liability, damage and third-party retailer counterparty). This assessment takes account of the analyses of the insurers underwriting the Group's risks.

The insurance schemes now in force in the Group, which centralises most purchases of insurance policies such as property and casualty risks for subsidiaries, were taken out with the assistance of internationally recognised insurance brokers specialised in covering major risks, with reputable insurers in the industrial risk insurance sector.

Main existing insurance programmes:

- property damage from fire, explosion, floods, machine breakage, natural disasters affecting its own property: property, furnishings, equipment, merchandise, IT installations, and property for which it is responsible, as well as any resulting operating losses, for any period deemed necessary for normal business activities to resume;
- damage and loss of equipment, merchandise and/or goods in transit;
- damage resulting from theft, fraud, embezzlement, or acts of malice to valuable assets, data and/or property;
- bodily harm or property damage following construction work carried out as project owner (new buildings, renovations, refurbishments, etc.);
- liability for bodily or property damage to third parties by motorised vehicles belonging to the different companies;
- liability under general and environmental civil liability for "operating risk", "post-delivery risk" and "risk after services rendered", due to damages caused to third parties in the course of the Group's business;
- non-payment of receivables by third-party retailers, particularly in the event of default or insolvency.

Other insurance contracts are taken out by Group companies to cover specific risks or to comply with local regulations.

Uninsured risks are exposures for which there is no insurance coverage offered on the insurance market, or for which the cost of available insurance is disproportionate compared to the potential benefits of the coverage.

The Kering group handles known and manageable risks given the current scientific and medical understanding in a manner consistent with other French and international industrial groups with similar types of exposures. This is one of the reasons why the Group is able to place its risks with insurers ready to deal with the unforeseeable and uncertain consequences of accidents.

Insurance coverage concerns all Group companies.

The levels of coverage in place for the main potential risks facing the Group as a whole as of January 1, 2015, were as follows:

- damages, fire, explosions or water damage and the ensuing operating losses: €300 million;
- civil liability: €145 million;
- damage to or loss of goods in transit: €25 million;
- fraud and acts of malice to goods and valuables: €20 million.

In order to diversify the sources of its policies and secure lasting coverage for highly volatile risks such as the earthquake in Japan, the Group has taken out insurance with investors against natural disasters, which is both indemnity-based and parametric.

The total risk financing cost for Kering includes three main items (in addition to "physical" protection and prevention expenditure):

- cost of deductibles and non-insured losses retained or self-insured by the subsidiaries in 2015: €1.153 million;
- claims covered by the Group itself through its reinsurance companies in 2015: €8.6 million (total estimated at year-end 2015).

Taking out self-insurance through the Group's reinsurance subsidiary reduces insurance costs and enhances performance because (i) frequently occurring risks are pooled within the Group and insured for an amount that is fixed per claim and (ii) exceptionally frequent claims made in a given year are covered by reinsurance.

Since July 1, 2015, the Group's reinsurance company has covered damage and operating losses of up to €5 million per claim (for the period from July 1 to June 30):

- insurance premiums and management fees including engineering visits and brokers fees, etc. (final 2015 expenses): €17.335 million.

Specific additional policies may also be taken out by certain companies or businesses or by virtue of local specificities in certain countries (occupational accidents, contributions to natural disaster funds, etc.). These are managed at the level of each company and/or country.

4. consolidated financial statements as of december 31, 2015

4.1. consolidated income statement for the years ended december 31, 2015 and 2014

(in € millions)	Notes	2015	2014
CONTINUING OPERATIONS			
Revenue	5	11,584.2	10,037.5
Cost of sales		(4,510.0)	(3,741.7)
Gross margin		7,074.2	6,295.8
Payroll expenses	6-7	(1,820.6)	(1,545.2)
Other recurring operating income and expenses		(3,606.9)	(3,086.6)
Recurring operating income	8	1,646.7	1,664.0
Other non-recurring operating income and expenses	9	(393.5)	(112.1)
Operating income		1,253.2	1,551.9
Finance costs, net	10	(249.1)	(197.4)
Income before tax		1,004.1	1,354.5
Corporate income tax	11	(321.7)	(325.6)
Share in earnings (losses) of equity-accounted companies		(2.2)	(0.8)
Net income from continuing operations		680.2	1,028.1
o/w attributable to owners of the parent		655.0	1,007.7
o/w attributable to non-controlling interests		25.2	20.4
DISCONTINUED OPERATIONS			
Net income (loss) from discontinued operations	12	41.0	(478.8)
o/w attributable to owners of the parent		41.0	(478.8)
o/w attributable to non-controlling interests			
Net income of consolidated companies		721.2	549.3
o/w attributable to owners of the parent		696.0	528.9
o/w attributable to non-controlling interests		25.2	20.4
Net income attributable to owners of the parent		696.0	528.9
Earnings per share (in €)	13.1	5.52	4.20
Fully diluted earnings per share (in €)	13.1	5.52	4.20
Net income from continuing operations attributable to owners of the parent		655.0	1,007.7
Earnings per share (in €)	13.1	5.20	8.00
Fully diluted earnings per share (in €)	13.1	5.20	8.00
Net income from continuing operations (excluding non-recurring items) attributable to owners of the parent		1,017.3	1,177.4
Earnings per share (in €)	13.2	8.07	9.35
Fully diluted earnings per share (in €)	13.2	8.07	9.35

4.2. *consolidated statement of comprehensive income for the years ended december 31, 2015 and 2014*

<i>(in € millions)</i>	Notes	2015	2014
Net income		721.2	549.3
Actuarial gains and losses ⁽¹⁾		(29.7)	(5.3)
Unrecognised surplus of pension plan assets			10.0
Share in other comprehensive income (expense) of associates not reclassified to income			
Total items not reclassified to income		(29.7)	4.7
Foreign exchange gains and losses		125.6	74.7
Cash flow hedges ⁽¹⁾		74.9	(151.1)
Available-for-sale financial assets ⁽¹⁾		0.4	(0.7)
Share in other comprehensive income (expense) of associates			
Total items to be reclassified to income		200.9	(77.1)
Other comprehensive income (expense), net of tax	14	171.2	(72.4)
Total comprehensive income		892.4	476.9
o/w attributable to owners of the parent		860.0	440.4
o/w attributable to non-controlling interests		32.4	36.5

(1) Net of tax.

4.3. consolidated statement of financial position as of december 31, 2015 and 2014

Assets

(in € millions)	Notes	Dec. 31, 2015	Dec. 31, 2014
Goodwill	16	3,758.8	4,039.9
Brands and other intangible assets	17	11,285.5	10,748.1
Property, plant and equipment	18	2,073.0	1,887.2
Investments in equity-accounted companies	20	20.9	23.2
Non-current financial assets	21	458.4	400.0
Deferred tax assets	11.2	849.6	758.0
Other non-current assets		39.9	36.2
Non-current assets		18,486.1	17,892.6
Inventories	22	2,191.2	2,234.7
Trade receivables	23	1,137.1	1,030.0
Current tax receivables	11.2	123.8	138.4
Other current financial assets	24	81.2	106.3
Other current assets	24	685.0	673.5
Cash and cash equivalents	28	1,146.4	1,089.9
Current assets		5,364.7	5,272.8
Assets classified as held for sale	12		88.5
TOTAL ASSETS		23,850.8	23,253.9

Equity and liabilities

(in € millions)	Notes	Dec. 31, 2015	Dec. 31, 2014
Share capital	25	505.2	505.1
Capital reserves		2,428.3	2,427.4
Treasury shares		(5.1)	(3.4)
Translation adjustments		63.6	(52.9)
Remeasurement of financial instruments		(9.9)	(86.9)
Other reserves		7,966.2	7,844.8
Equity attributable to owners of the parent	25	10,948.3	10,634.1
Non-controlling interests		674.8	628.2
Total equity	25	11,623.1	11,262.3
Non-current borrowings	29	4,039.9	3,192.2
Other non-current financial liabilities	30	14.8	2.8
Provisions for pensions and other post-employment benefits	26	133.4	111.9
Other non-current provisions	27	82.3	49.3
Deferred tax liabilities	11.2	2,857.9	2,791.8
Non-current liabilities		7,128.3	6,148.0
Current borrowings	29	1,785.9	2,288.4
Other current financial liabilities	24-30	238.9	346.8
Trade payables	24	939.7	982.8
Provisions for pensions and other post-employment benefits	26	8.9	7.2
Other current provisions	27	157.3	225.6
Current tax liabilities	11.2	334.6	277.9
Other current liabilities	24	1,634.1	1,651.0
Current liabilities		5,099.4	5,779.7
Liabilities associated with assets classified as held for sale	12		63.9
TOTAL EQUITY AND LIABILITIES		23,850.8	23,253.9

4.4. *consolidated statement of cash flows for the years ended december 31, 2015 and 2014*

<i>(in € millions)</i>	Notes	2015	2014
Net income from continuing operations		680.2	1,028.1
Net recurring charges to depreciation, amortisation and provisions on non-current operating assets		409.6	326.7
Other non-cash income and expenses		209.6	(95.0)
Cash flow from operating activities	33.1	1,299.4	1,259.8
Interest paid/received		168.8	218.8
Dividends received		(1.4)	
Net income tax payable	11.1	378.5	365.7
Cash flow from operating activities before tax, dividends and interest		1,845.3	1,844.3
Change in working capital requirement	24	(219.3)	(160.3)
Corporate income tax paid	11.2.1	(330.4)	(422.7)
Net cash from operating activities		1,295.6	1,261.3
Purchases of property, plant and equipment and intangible assets	33.2	(672.1)	(551.4)
Proceeds from disposals of property, plant and equipment and intangible assets		36.7	367.9
Acquisitions of subsidiaries, net of cash acquired	33.3	(20.2)	(593.8)
Proceeds from disposals of subsidiaries and associates, net of cash transferred	33.3	(5.4)	3.6
Purchases of other financial assets		(131.1)	(144.1)
Proceeds from disposals of other financial assets		21.0	9.9
Interest and dividends received		12.4	5.3
Net cash used in investing activities		(758.7)	(902.6)
Increase/decrease in share capital and other transactions with owners	33.4	2.1	3.2
Treasury share transactions	33.5	(7.3)	(8.5)
Dividends paid to owners of the parent company		(504.9)	(473.2)
Dividends paid to non-controlling interests		(56.6)	(24.4)
Bond issues	29-33.6	1,070.4	862.7
Bond redemptions	29-33.6	(756.7)	(948.1)
Increase/decrease in other borrowings	29-33.6	87.3	546.7
Interest paid and equivalent		(178.8)	(233.4)
Net cash used in financing activities		(344.5)	(275.0)
Net cash from (used in) discontinued operations	12	3.5	(442.7)
Impact of exchange rate variations		(98.4)	(73.2)
Net increase (decrease) in cash and cash equivalents		97.5	(432.2)
Cash and cash equivalents at beginning of year	33	805.4	1,237.6
Cash and cash equivalents at end of year	33	902.9	805.4

4.5. consolidated statement of changes in equity

(Before appropriation of net income) (in € millions)	Number of shares outstanding ⁽¹⁾	Share capital	Capital reserves	Treasury shares	Cumulative translation adjustments	Remeasu- rement of financial instruments	Other reserves and net income attributable to owners of the parent	Total equity		
								Owners of the parent	Non- controlling interests	Total equity
As of January 1, 2014	126,166,180	504.9	2,424.3	(10.4)	(115.3)	69.8	7,713.3	10,586.6	609.3	11,195.9
Total comprehensive income					62.4	(156.7)	534.7	440.4	36.5	476.9
Increase/decrease in share capital	39,729	0.2	3.1					3.3		3.3
Treasury shares ⁽³⁾	39,044			7.0			(10.2)	(3.2)		(3.2)
Valuation of share-based payment							1.9	1.9		1.9
Dividends paid and interim dividends							(473.3)	(473.3)	(21.9)	(495.2)
Changes in Group structure and other changes							78.4	78.4	4.3	82.7
As of December 31, 2014	126,244,953	505.1	2,427.4	(3.4)	(52.9)	(86.9)	7,844.8	10,634.1	628.2	11,262.3
Total comprehensive income					116.5	77.0	666.5	860.0	32.4	892.4
Increase/decrease in share capital	12,832	0.1	0.9					1.0		1.0
Treasury shares ⁽³⁾	(6,061)			(1.7)			(3.6)	(5.3)		(5.3)
Valuation of share-based payment							0.6	0.6		0.6
Dividends paid and interim dividends							(504.9)	(504.9)	(56.6)	(561.5)
Changes in Group structure and other changes							(37.2)	(37.2)	70.8	33.6
As of December 31, 2015 ⁽²⁾	126,251,724	505.2	2,428.3	(5.1)	63.6	(9.9)	7,966.2	10,948.3	674.8	11,623.1

(1) Shares with a par value of €4 each.

(2) Number of shares outstanding as of December 31, 2015: 126,279,322.

(3) Net of tax.

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note 1 – introduction

Kering, the Group's parent company, is a *société anonyme* (French joint stock company) with a Board of Directors, incorporated under French law, whose registered office is located at 10, avenue Hoche, 75008 Paris, France. It is registered with the Paris Trade and Companies Registry under reference 552 075 020 RCS Paris, and is listed on the Euronext Paris stock exchange.

The consolidated financial statements for the year ended December 31, 2015 reflect the accounting position of Kering and its subsidiaries, together with its interests in associates and joint ventures.

On February 18, 2016, the Board of Directors approved the consolidated financial statements for the year ended December 31, 2015 and authorised their publication. These consolidated financial statements will only be considered as final after their adoption by the Annual General Meeting.

note 2 – accounting policies and methods

2.1. General principles and statement of compliance

Pursuant to European Regulation No. 1606/2002 of July 19, 2002, the consolidated financial statements of the Kering group for the year ended December 31, 2015 were prepared in accordance with applicable international accounting standards published and adopted by the European Union and mandatorily applicable as of that date. These international standards comprise International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC).

The financial statements presented do not reflect the draft standards and interpretations that were at the exposure draft stage with the International Accounting Standards Board (IASB) and the IFRS IC on the date these financial statements were prepared.

All accounting standards and guidance adopted by the European Union may be consulted on the European Commission's website: http://ec.europa.eu/finance/accounting/ras/index_fr.htm.

2.2. IFRS basis adopted

2.2.1. Standards, amendments and interpretations effective as of January 1, 2015

The Group's consolidated financial statements comply with the following amendments to published standards and interpretations which came into effect on January 1, 2015 and have been adopted by the European Union:

- IFRIC 21 – Levies, published in May 2013;
- the amendments contained in the Annual Improvements to IFRSs 2011-2013 Cycle published in December 2013.

The application of these standards did not have a material impact on the Group's consolidated financial statements.

2.2.2. Standards, amendments and interpretations published but not yet mandatorily applicable as of January 1, 2015

The Group has elected not to early adopt the standards, amendments and interpretations adopted by the European Union whose application is not mandatory for financial periods beginning on or after January 1, 2015.

- the amendments contained in the Annual Improvements to IFRSs 2010-2012 Cycle published in December 2013, which will be mandatorily applicable in 2016;
- the amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation, published in May 2014, which will be mandatorily applicable in 2016.

The other main standards and interpretations that have not yet been adopted by the European Union are as follows:

- IFRS 9 – Financial Instruments and the amendments to IFRS 9, IFRS 7, and IAS 39 – Hedge Accounting, which the IASB indicates will be mandatorily applicable as from January 1, 2018, set out the recognition and disclosure principle for financial assets and financial liabilities. These principles will ultimately supersede those contained in IAS 39 – Financial Instruments;
- IFRS 15 – Revenue from Contracts with Customers, which the IASB indicates will be mandatorily applicable as from January 1, 2018, establishes new revenue recognition principles and will ultimately supersede both IAS 18 – Revenue and IAS 11 – Construction Contracts;
- the amendments contained in the Annual Improvements to IFRSs 2012-2014 Cycle, which the IASB indicates will be mandatorily applicable in 2016.

The Group is currently assessing the impacts of these standards and interpretations. At this stage, the impacts are not expected to be material for the Group.

2.2.3. Summary of options used on the first-time adoption of IFRS

On its transition to International Financial Reporting Standards in 2005, the Group applied the IFRS adopted by the European Union and effective as of December 31, 2005 with retroactive effect from January 1, 2004 in accordance with IFRS 1, with the exception of the following exemptions provided by the standards:

- **business combinations:** in accordance with IFRS 3, the Group elected to restate business combinations retroactively to January 1, 1999;
- **employee benefits:** the Group adopted the IFRS 1 option of recognising all actuarial gains and losses at the transition date, offset against opening equity;
- **cumulative translation differences:** the Group decided to use the optional exemption allowing the elimination of cumulative translation differences at the transition date through an offsetting entry in consolidated reserves;
- **assets and liabilities of subsidiaries, associates and joint venture partners:** IFRS 1 states that if the parent company of a group adopts IFRS for the first time in its consolidated financial statements after a subsidiary, the parent company must, in its opening IFRS consolidated balance sheet, value the assets and liabilities at the same carrying amount as that appearing in the subsidiary's financial statements, taking into account any consolidation adjustments. Since Gucci was already preparing its financial statements in accordance with IFRS before the transition date, the Group complied with this treatment when preparing its opening balance sheet;
- **share-based payment:** in accordance with the option allowed by IFRS 2 for equity-settled plans, the Group decided to apply this standard solely to plans issued after November 7, 2002 which had not vested as of January 1, 2005.

In addition, subsequent to the choice offered by the regulator as to the date of adoption of IAS 32 and IAS 39 on financial instruments, the Group opted to apply these standards as from January 1, 2005. Accordingly:

- for the liability component of a **hybrid instrument** that is no longer outstanding at the date of transition to IAS 32 and IAS 39, the Group opted not to separate the equity portion relating to the cumulative interest accreted on the liability component from the initial equity component;

- **financial assets and liabilities recorded prior** to the transition date were designated at fair value through the income statement or as available for sale on the transition date (January 1, 2005).

2.3. Basis of preparation of the consolidated financial statements

2.3.1. Basis of measurement

The consolidated financial statements are prepared in accordance with the historical cost convention, with the exception of:

- certain financial assets and liabilities measured at fair value;
- defined benefit plan assets measured at fair value;
- liabilities in respect of cash-settled share-based payments (share appreciation rights or SARs) measured at fair value;
- non-current assets held for sale, which are measured and recognised at the lower of net carrying amount and fair value less costs to sell as soon as their sale is considered highly probable. These assets are no longer depreciated from the time they qualify as assets (or disposal groups) held for sale.

2.3.2. Use of estimates and judgement

The preparation of consolidated financial statements requires Group management to make estimates and assumptions that can affect the carrying amounts of certain assets and liabilities, income and expenses, and the disclosures in the accompanying notes. Group management reviews these estimates and assumptions on a regular basis to ensure their pertinence with respect to past experience and the current economic situation. Items in future financial statements may differ from current estimates as a result of changes in these assumptions. The impact of changes in accounting estimates is recognised during the period in which the change occurs and all affected future periods.

The main estimates made by management in the preparation of the financial statements concern the valuations and useful lives of operating assets, property, plant and equipment, intangible assets and goodwill, the amount of contingency provisions and other provisions relating to operations, and assumptions underlying the calculation of obligations relating to employee benefits, share-based payment, deferred tax balances and derivatives. The Group notably uses discount rate assumptions based on market data to estimate the value of long-term assets and liabilities.

The main assumptions made by the Group are detailed in specific sections of the notes to the consolidated financial statements, and in particular:

- Note 7 – Share-based payment;
- Note 11 – Income taxes;
- Note 19 – Impairment tests on non-financial assets;
- Note 26 – Employee benefits;
- Note 27 – Provisions;
- Note 30 – Exposure to interest rate, foreign exchange and equity risk;
- Note 31 – Accounting classification and market value of financial instruments.

In addition to the use of estimates, Group management uses judgement to determine the appropriate accounting treatment for certain transactions, pending the clarification of certain IFRS or where prevailing standards do not cover the issue at hand. This is notably the case for put options granted to non-controlling interests.

Put options granted to non-controlling interests

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

The appropriate accounting treatment for acquisitions of additional shares in a subsidiary after control is obtained is prescribed by IFRS. As permitted by the French financial markets authority (*Autorité des marchés financiers* – AMF), the Group has decided to apply two different accounting methods to these put options, depending on whether they were granted before or after the date the revised IFRS 3 first came into effect.

Put options granted before January 1, 2009: existing goodwill method retained

The Group records a financial liability in respect of the put options granted to holders of non-controlling interests in the entities concerned. The corresponding non-controlling interests are derecognised, with an offsetting entry to the financial liability. The difference between the debt representing the commitment to repurchase the non-controlling interests and the carrying amount of reclassified non-controlling interests is recorded as goodwill.

This liability is initially recognised at the present value of the strike price. Subsequent changes in the value of the commitment are recorded by an adjustment to goodwill.

Put options granted after January 1, 2009

The Group records a financial liability at the present value of the strike price in respect of the put options granted to holders of non-controlling interests in the entities concerned.

The offsetting entry for this financial liability will differ depending on whether the non-controlling interests have maintained access at present to the economic benefits of the entity.

In the first case (access at present to the economic benefits), non-controlling interests are maintained in the statement of financial position and the liability is recognised against equity attributable to owners of the parent. In the second case, the corresponding non-controlling interests are derecognised. The difference between the debt representing the commitment to repurchase the non-controlling interests and the carrying amount of derecognised non-controlling interests is recorded as a deduction from equity attributable to owners of the parent.

Subsequent changes in the value of the commitment are recorded by an adjustment to equity.

2.3.3. Statement of cash flows

The Group's statement of cash flows is prepared in accordance with IAS 7 – Statement of Cash Flows. The Group prepares its statement of cash flows using the indirect method.

2.4. Consolidation principles

The consolidated financial statements include the financial statements of companies acquired as from the acquisition date and companies sold up until the date of disposal.

2.4.1. Subsidiaries

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

Subsidiaries are consolidated from the effective date of control.

Inter-company assets and liabilities and transactions between consolidated companies are eliminated. Gains and losses on internal transactions with controlled companies are fully eliminated.

Accounting policies and methods are modified where necessary to ensure consistency of accounting treatment at Group level.

2.4.2. Associates

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

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

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

Goodwill related to an associate is included in the carrying amount of the investment, presented separately within "Investments in associates" in the statement of financial position.

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

The accounting policies and methods of associates are modified where necessary to ensure consistency of accounting treatment at Group level.

2.4.3. Business combinations

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

Business combinations are recognised and measured in accordance with the provisions of the revised IFRS 3. Accordingly, the consideration transferred (acquisition price) is measured at the fair value of the assets transferred, equity interests issued and liabilities incurred by the acquirer at the date of exchange. Identifiable assets and liabilities are generally measured at their fair value on the acquisition date. Costs directly attributable to the business combination are recognised in expenses.

The excess of the consideration transferred plus the amount of any non-controlling interest in the acquiree over the net fair value of the identifiable assets and liabilities acquired is recognised as goodwill. If the difference is negative, the gain on the bargain purchase is immediately recognised in income.

The Group may choose to measure any non-controlling interests resulting from each business combination at fair value (full goodwill method) or at the proportionate share in the identifiable net assets acquired, which are also generally measured at fair value (partial goodwill method).

Goodwill is determined at the date control over the acquired entity is obtained and may not be adjusted after the measurement period. No additional goodwill is recognised on any subsequent acquisition of non-controlling interests. Acquisitions and disposals of non-controlling interests are recognised directly in consolidated equity.

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

2.5. Foreign currency translation

2.5.1. Functional and presentation currency

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

2.5.2. Foreign currency transactions

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

Monetary items in foreign currencies are translated at the end of each reporting period using the closing rate. Translation adjustments arising from the settlement of these items are recognised in income or expenses for the period.

Non-monetary items in foreign currencies valued at historical cost are translated at the rate prevailing on the transaction date, and non-monetary items in foreign currencies measured at fair value are translated at the rate prevailing on the date the fair value is determined. When a gain or loss on a non-monetary item is recognised directly in other comprehensive income, the foreign exchange component is also recognised in other comprehensive income. Otherwise, the component is recognised in income or expenses for the period.

The treatment of foreign exchange rate hedges in the form of derivatives is described in the section on derivative instruments in Note 2.11 – Financial assets and liabilities.

2.5.3. Translation of the financial statements of foreign subsidiaries

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

- items recorded in the statement of financial position other than equity are translated at the exchange rate at the end of the reporting period;
- income and cash flow statement items are translated at the average rate for the period, corresponding to an approximate value for the rate at the transaction date in the absence of significant fluctuations;
- foreign exchange differences are recognised as translation adjustments in the statement of comprehensive income under other comprehensive income.

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

2.5.4. Net investment in a foreign subsidiary

Foreign exchange gains or losses arising on the translation of a net investment in a foreign subsidiary are recognised in the consolidated financial statements as a separate component within the statement of comprehensive income, and in income on disposal of the net investment. Foreign exchange gains or losses in respect of foreign currency borrowings designated as a net investment in a foreign subsidiary are recognised in other comprehensive income (to the extent that the hedge is effective), within the statement of comprehensive income, and in income on disposal of the net investment.

2.6. Goodwill

Goodwill is determined as indicated in Note 2.4.3.

Goodwill is allocated as of the acquisition date to cash-generating units (CGUs) or groups of CGUs defined by the Group based on the characteristics of the core business, market or geographical segment of each brand. The CGUs or groups of CGUs to which goodwill has been allocated are tested for impairment during the second half of each fiscal year or whenever events or circumstances indicate that an impairment loss is likely.

Impairment tests are described in Note 2.10.

2.7. Brands and other intangible assets

Intangible assets are recognised at cost less accumulated amortisation and impairment losses.

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

Intangible assets are amortised over their useful life where this is finite and are tested for impairment when there is an indication that it may be impaired. Intangible assets with indefinite useful lives are not amortised but are tested for impairment at least annually or more frequently when there is an indication that an impairment loss is likely.

Brands representing a predominant category of the Group's intangible assets are recognised separately from goodwill when they meet the criteria set out in IAS 38. Recognition and durability criteria are then taken into account to assess the useful life of the brand. Most of the Group's brands are intangible assets with indefinite useful lives.

Impairment tests are described in Note 2.10.

In addition to the projected future cash flows method, the Group applies the royalties method, which consists of determining the value of a brand based on future royalty revenue receivable where it is assumed that the brand will be operated under licence by a third party.

Software acquired as part of recurring operations is usually amortised over a period not exceeding 12 months.

Software developed in-house by the Group and meeting all the criteria set out in IAS 38 is capitalised and amortised on a straight-line basis over its useful life, which is generally between three and ten years.

2.8. Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and impairment losses with the exception of land, which is presented at cost less impairment losses. The various components of property, plant and equipment are recognised separately when their estimated useful life and therefore their depreciation periods are significantly different. The cost of an asset includes the expenses that are directly attributable to its acquisition.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate component, where necessary, if it is probable that future economic benefits will flow to the Group and the cost of the asset can be reliably measured. All other routine repair and maintenance costs are expensed in the year they are incurred.

Depreciation is calculated using the straight-line method, based on the purchase or production cost, less any residual value which is reviewed annually if considered material, over a period corresponding to the useful life of each asset category, i.e., 10 to 40 years for buildings and improvements to land and buildings, and 3 to 10 years for equipment.

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

Lease contracts

Agreements whose fulfilment depends on the use of one or more specific assets and which transfer the right to use the asset are classified as lease contracts.

Lease contracts which transfer to the Group substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases.

Assets acquired under finance leases are recognised in property, plant and equipment against the corresponding debt recognised in borrowings for the same amount, at the lower of the fair value of the asset and the present value of minimum lease payments. The corresponding assets are depreciated over a useful life identical to that of property, plant and equipment acquired outright, or over the term of the lease, whichever is shorter.

Lease contracts that do not transfer substantially all the risks and rewards incidental to ownership are classified as operating leases. Payments made under operating leases are recognised in recurring operating expenses on a straight-line basis over the term of the lease.

Capital gains on the sale and leaseback of assets are recognised in full in income at the time of disposal when the lease qualifies as an operating lease and the transaction is performed at fair value.

The same accounting treatment is applied to agreements that, while not presenting the legal form of a lease contract, confer on the Group the right to use a specific asset in exchange for a payment or series of payments.

2.9. Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated sale price in the normal course of operations, net of costs to be incurred to complete the sale.

The same method for determining costs is adopted for inventories of a similar nature and use within the Group.

Inventories are valued using the retail, first-in-first-out (FIFO) or weighted average cost method, depending on the Group activity.

Interest expenses are excluded from inventories and expensed as finance costs in the year they are incurred.

The Group may recognise an inventory allowance based on expected turnover, if inventory items are damaged, have become wholly or partially obsolete, the selling price has declined, or if the estimated costs to completion or to be incurred to make the sale have increased.

2.10. Asset impairment

For the purposes of impairment testing, assets are grouped into cash-generating units (CGUs), i.e., the smallest group of assets that generates cash inflows from continuing use, that are largely independent of the cash inflows from other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

CGUs comprising goodwill and/or intangible assets with indefinite useful lives, such as certain brands, are tested for impairment at least annually during the second half of each reporting period.

An impairment test is also performed for all CGUs when events or circumstances indicate that they may be impaired. Such events or circumstances concern material unfavourable changes of a permanent nature affecting either the economic environment or the assumptions or objectives used on the acquisition date of the assets.

Impairment tests seek to determine whether the recoverable amount of a CGU is less than its net carrying amount.

The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value in use.

The value in use is determined with respect to future cash flow projections, taking into account the time value of money and the specific risks attributable to the asset or CGU or group of CGUs.

Future cash flow projections are based on medium-term budgets and plans. These plans are drawn up for a period of four years with the exception of certain CGUs or groups of CGUs undergoing strategic repositioning, for which a longer period may be applied. To calculate value in use, a terminal value equal to the perpetual capitalisation of a normative annual cash flow is added to the estimated future cash flows.

Fair value corresponds to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These values are determined based on market data (comparison with similar listed companies, values adopted in recent transactions and stock market prices).

When the CGU's recoverable amount is less than its net carrying amount, an impairment loss is recognised.

Impairment is charged first to goodwill where appropriate, and recognised under "Other non-recurring operating income and expenses" in the income statement as part of operating income.

Impairment losses recognised in respect of property, plant and equipment and other intangible assets may be reversed at a later date if there is an indication that the impairment loss no longer exists or has decreased. Impairment losses in respect of goodwill may not be reversed.

Goodwill relating to the partial disposal of a CGU is measured on a proportionate basis, except where an alternative method is more appropriate.

2.11. Financial assets and liabilities

Derivative instruments are recognised in the statement of financial position at fair value, in assets (positive fair value) or liabilities (negative fair value).

2.11.1. Financial assets

Pursuant to IAS 39, financial assets are classified within one of the following four categories:

- financial assets at fair value through the income statement;
- loans and receivables;
- held-to-maturity investments;
- available-for-sale financial assets.

The classification determines the accounting treatment for the instrument. It is defined by the Group on the initial recognition date, based on the objective behind the asset's purchase. Purchases and sales of financial assets are recognised on the trade date, which is the date the Group is committed to the purchase or sale of the asset. A financial asset is derecognised if the contractual rights to the cash flows from the financial asset expire or the asset is transferred.

1. Financial assets at fair value through the income statement

These are financial assets held by the Group for short-term profit, or assets voluntarily classified in this category.

These assets are measured at fair value, with changes in fair value recognised in income.

They primarily comprise eligible money-market funds (OPCVMs) classified as current assets under cash equivalents, as well as derivatives not designated as hedging instruments within a hedging relationship.

2. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed in an active market and are not held for trading purposes or classified as available for sale.

These assets are initially recognised at fair value and subsequently at amortised cost using the effective interest method. For short-term receivables without a stated interest rate, fair value and amortised cost approximate the amount of the original invoice unless the effective interest rate has a material impact.

These assets are subject to impairment tests when there is an indication of impairment loss. An impairment loss is recognised if the carrying amount exceeds the estimated recoverable amount.

Loans and receivables due from non-consolidated investments, deposits and guarantees, trade receivables and other short-term receivables are included in this category and are presented in non-current financial assets, trade receivables and other current financial assets in the statement of financial position.

3. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets, other than loans or receivables, with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. These assets are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

These assets are subject to impairment tests when there is an indication of impairment loss. An impairment loss is recognised if the carrying amount exceeds the estimated recoverable amount.

Held-to-maturity investments are presented in non-current financial assets.

4. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not included in the aforementioned categories. They are recognised at fair value. Unrealised capital gains or losses are recognised in other comprehensive income until the disposal of the assets. However, where there is an objective indication of loss in value of an available-for-sale financial asset, the accumulated loss is recognised in income. Impairment losses recognised in respect of shares cannot be reversed through the income statement at the end of a subsequent reporting period.

For listed securities, fair value corresponds to a market price. For unlisted securities, fair value is determined by reference to recent transactions or using valuation techniques based on reliable and objective indicators. However, when the fair value of a security cannot be reasonably estimated, it is recorded at historical cost. These assets are subject to impairment tests in order to assess whether they are recoverable.

This category mainly comprises non-consolidated investments and marketable securities that do not meet the definitions of other financial asset categories. They are presented in non-current financial assets.

2.11.2. Financial liabilities

The measurement of financial liabilities depends on their IAS 39 classification. Excluding put options granted to non-controlling interests, derivative liabilities and financial liabilities accounted for under the fair value option, the Group recognises all financial liabilities and particularly borrowings, trade payables and other liabilities initially at fair value less transaction costs and subsequently at amortised cost, using the effective interest method.

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

The net carrying amount of financial liabilities that qualify as hedged items as part of a fair value hedging relationship and are valued at amortised cost, is adjusted with respect to the hedged risk.

Hedging relationships are described in the section on derivative instruments.

Financial liabilities accounted for under the fair value option, other than derivative liabilities, are carried at fair value. Changes in fair value are taken to the income statement. Transaction costs incurred in setting up these financial liabilities are recognised immediately in expenses.

2.11.3. Hybrid instruments

Certain financial instruments have both a standard debt component and an equity component.

For the Group, this concerns in particular OCEANE bonds (bonds convertible or exchangeable into new or existing shares).

Under IAS 32, convertible bonds are considered hybrid instruments insofar as the conversion option provides for the repayment of the instrument against a fixed number of equity instruments. There are several components:

- a financial liability (corresponding to the contractual commitment to pay cash), representing the debt component;
- the option converting the bonds into a fixed number of ordinary shares, offered to the subscriber, similar to a call option written by the issuer, representing an equity instrument;
- potentially one or more embedded derivatives.

The accounting policies applicable to each of these components, at the issue date and at the end of each subsequent reporting period, are as follows:

- debt component: the amount initially recognised as debt corresponds to the present value of the future cash flows arising from interest and principal payments at the market rate for a similar bond with no conversion option. If the convertible bond contains embedded derivatives closely related to the borrowing within the meaning of IAS 39, the value of these components is allocated to the debt in order to determine the value of the equity component. The debt component is subsequently recognised at amortised cost;
- embedded derivatives not closely related to the debt are recognised at fair value with changes in fair value recognised in income;
- equity component: the value of the conversion option is determined by deducting the value of any embedded derivatives from the amount of the issue less the carrying amount of the debt component. The conversion option continues to be recorded in equity at its initial value. Changes in value are not recognised;
- transaction costs are allocated pro rata to each component.

2.11.4. Derivative instruments

The Group uses various financial instruments to reduce its exposure to foreign exchange, interest rate and equity risk. These instruments are listed on organised markets or traded over the counter with leading counterparties.

All derivatives are recognised in the statement of financial position under other current or non-current assets and liabilities depending on their maturity and accounting classification, and are valued at fair value as of the trade date. Changes in the fair value of derivatives are always recorded in income except in the case of cash flow and net investment hedges.

Derivatives designated as hedging instruments are classified by category of hedge based on the nature of the risks being hedged:

- a cash flow hedge is used to hedge the risk of changes in cash flow from recognised assets or liabilities or a highly probable transaction that would impact consolidated net income;
- a fair value hedge is used to hedge the risk of changes in the fair value of recognised assets or liabilities or a firm commitment not yet recognised that would impact consolidated net income;
- a net investment hedge is used to hedge the foreign exchange risk arising on foreign activities.

Hedge accounting can only be applied if all the following conditions are met:

- there is a clearly identified, formalised and documented hedging relationship as of the date of inception;
- the effectiveness of the hedging relationship can be demonstrated on a prospective and retrospective basis. The results obtained must attain a confidence level of between 80% and 125%.

The accounting treatment of financial instruments qualified as hedging instruments, and their impact on the income statement and the statement of financial position, depends on the type of hedging relationship:

- cash flow and net investment hedges:
 - the effective portion of fair value gains and losses on the hedging instrument is recognised directly in other comprehensive income. These amounts are released to the income statement to match the recognition of the hedged items, mainly in gross profit for trading transaction hedges and in net finance costs for financial transaction hedges,
 - the ineffective portion of the hedge is recognised in the income statement;
- for fair value hedges, the hedged component of these items is measured on the statement of financial position at fair value with respect to the hedged risk. Fair value gains and losses are recorded in the income statement and offset, to the extent effective, by matching fair value gains and losses on the hedging instrument.

2.11.5. Cash and cash equivalents

The "Cash and cash equivalents" line item recorded on the assets side of the consolidated statement of financial position comprises cash, mutual or similar funds, short-term investments and other highly liquid instruments that are readily convertible to known amounts of cash, subject to an insignificant risk of changes in value, and have a maximum maturity of three months as of the purchase date.

Investments with a maturity exceeding three months, and blocked or pledged bank accounts, are excluded from cash. Bank overdrafts are presented in borrowings on the liabilities side of the statement of financial position.

In the statement of cash flows, cash and cash equivalents include accrued interest receivable on assets presented in cash and cash equivalents and bank overdrafts. A schedule reconciling cash per the statement of cash flows and per the statement of financial position is provided in Note 33.

2.11.6. Definition of consolidated net debt

The concept of net debt used by Group companies comprises gross debt including accrued interest receivable less net cash as defined by French accounting standards authority (*Autorité des Normes Comptables* – ANC) recommendation No. 2013-03. 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 hedging relationship.

2.12. Treasury shares

Treasury shares, whether specifically allocated for grant to employees or allocated to the liquidity agreement or in any other case, as well as directly related transaction costs, are deducted from consolidated equity. On disposal, the consideration received for these shares, net of transaction costs and the related tax impacts, is recognised in equity.

2.13. Treasury share options

Treasury share options are treated according to their characteristics as derivative instruments, equity instruments or non-derivative financial liabilities.

Options classified as derivatives are recorded at fair value through the income statement. Options classified as equity instruments are recorded in equity for their initial amount. Changes in value are not recognised. The accounting treatment of financial liabilities is described in Note 2.11.2.

2.14. Share-based payment

Free share plans, stock purchase plans and stock subscription plans are awarded by the Group and settled in shares. In accordance with IFRS 2 – Share-based Payment, the fair value of these plans, determined by reference to the fair value of services rendered by the beneficiaries, is assessed at the grant date. The mathematical models used in these calculations are described in Note 7.

During the rights vesting period, the fair value of options and free shares calculated as described above is amortised in proportion to the vesting of rights. This expense is recorded in payroll expenses with an offsetting increase in equity.

Share appreciation rights (SARs) granted by the Group also result in the recognition of payroll expenses spread over the rights vesting period and a matching liability which is measured at fair value through income at the end of each reporting period.

2.15. Income taxes

The income tax charge for the period comprises the current and deferred tax charge.

Deferred tax is calculated using the liability method on all temporary differences between the carrying amount recorded in the consolidated statement of financial position and the tax value of assets and liabilities, except for goodwill that is not deductible for tax purposes and certain other exceptions. The valuation of deferred tax balances depends on the way in which the Group intends to recover or settle the carrying amount of assets and liabilities, using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are not discounted and are classified in the statement of financial position within non-current assets and liabilities.

A deferred tax asset is recognised on deductible temporary differences and for tax loss carry-forwards and tax credits to the extent that their future offset is probable.

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

2.16. Provisions

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

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

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

2.17. Post-employment benefits and other long-term employee benefits

Based on the laws and practices of each country, the Group recognises various types of employee benefits.

Under defined contribution plans, the Group is not obliged to make additional payments over and above contributions already made to a fund, if the fund does not have sufficient assets to cover the benefits corresponding to services rendered by personnel during the current period and prior periods. Contributions paid into these plans are expensed as incurred.

Under defined benefit plans, obligations are valued using the projected unit credit method based on agreements in effect in each company. Under this method, each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation. The obligation is then discounted. The actuarial assumptions used to determine the obligations vary according to the economic conditions of the country where the plan is established. These plans are valued by independent actuaries on an annual basis for the most significant plans and at regular intervals for the other plans. The valuations take into account the level of future compensation, the probable active life of employees, life expectancy and staff turnover.

Actuarial gains and losses are primarily due to changes in assumptions and the difference between estimated results based on actuarial assumptions and actual results. All actuarial differences in respect of defined benefit plans are recognised in other comprehensive income.

The past service cost designating the increase in an obligation following the introduction of a new plan or changes to an existing plan, is expensed immediately whether the benefit entitlement has already vested or is still vesting.

Expenses relating to this type of plan are recognised in recurring operating income (service cost) and net finance costs (net interest on the net defined benefit liability or asset). Curtailments, settlements and past service costs are recognised in recurring operating income. The provision recognised in the statement of financial position corresponds to the present value of the obligations calculated as described above, less the fair value of plan assets.

2.18. Non-current assets (and disposal groups) held for sale

The Group applies IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. This requires the separate recognition and presentation of non-current assets (or disposal groups) held for sale and discontinued operations.

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

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

2.19. Revenue recognition

Revenue mainly comprises sales of goods for resale, consumer goods and Luxury Goods, together with income from sales-related services, royalties and operating licences.

Revenue is valued at the fair value of the consideration received for goods and services sold, royalties and licences, excluding taxes, net of rebates and discounts and after elimination of inter-company sales.

In the event of deferred payment beyond the usual credit terms that is not assumed by a financing institution, the revenue from the sale is equal to the discounted price, with the difference between the discounted price and the cash payment recognised in financial income over the life of the deferred payment if the transaction is material.

Sales of goods are recognised when a Group entity has transferred the risks and rewards incidental to ownership to the buyer (generally on delivery), when revenue can be reliably measured, when recovery is reasonably assured and when the probability of the goods being returned can be estimated with sufficient reliability.

Services such as those directly related to the sale of goods are recognised over the period in which such services are rendered or, if the Group company acts as an intermediary in the sale of these services, as of the date the contractual agreement is signed by the customer.

2.20. Operating income

Operating income includes all revenue and expenses directly related to Group activities, whether these revenue and expenses are recurring or arise from non-recurring decisions or transactions.

Recurring operating income is an analytical balance intended to facilitate the understanding of the entity's operating performance.

Other non-recurring operating income and expenses consists of items, which by their nature, amount or frequency, could distort the assessment of Group entities' operating performance. Other non-recurring operating income and expenses include:

- impairment of goodwill and other intangible assets;
- gains or losses on disposals of non-current assets;
- restructuring costs and costs relating to employee adaptation measures.

2.21. Earnings per share

Earnings per share is calculated by dividing net income attributable to owners of the parent by the weighted average number of outstanding shares during the year, after deduction of the weighted average number of treasury shares held by consolidated companies.

Fully diluted earnings per share is calculated by adjusting net income attributable to owners of the parent and the number of outstanding shares for all instruments granting deferred access to the share capital of the Company, whether issued by Kering or one of its subsidiaries. Dilution is determined separately for each instrument based on the following conditions:

- when the proceeds corresponding to potential future share issues are received at the time dilutive securities are issued (e.g., convertible bonds), the numerator is equal to net income before dilution plus the interest expense that would be saved in the event of conversion, net of tax;
- when the proceeds are received at the time the rights are exercised (e.g., stock subscription options), the dilution attached to the options is determined using the treasury shares method (theoretical number of shares purchased at market price [average over the period] based on the proceeds received at the time the rights are exercised).

In the case of material non-recurring items, earnings per share excluding non-recurring items is calculated by adjusting net income attributable to owners of the parent for non-recurring items net of taxes and non-controlling interests. Non-recurring items taken into account for this calculation correspond to all the items included under "Other non-recurring operating income and expenses" in the income statement.

2.22. Operating segments

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

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker, and for which discrete financial information is available.

Each operating segment is monitored separately for internal reporting purposes, according to performance indicators common to all of the Group's segments.

The segments presented are operating segments or groups of similar operating segments.

note 3 – highlights

The Kering group consolidated financial statements for the year ended December 31, 2015 include the financial statements of the companies listed in Note 37.

3.1. Change in management and creative responsibility at Gucci

On January 21, 2015, Marco Bizzarri – Gucci's President and CEO who succeeded Patrizio di Marco on January 1, 2015 – announced that Alessandro Michele had been appointed as the brand's new Creative Director following the departure of his predecessor Frida Giannini.

Alessandro Michele has been given total creative responsibility for all of Gucci's collections and its brand image. The first collection fully designed by Alessandro Michele is the 2016 Cruise collection, which was unveiled in New York on June 4, 2015 and has been available in stores since the end of the third quarter of 2015.

3.2. Finalisation of the partnership with Safilo and launch of Kering Eyewear

In 2014, Kering announced its plan to invest in a dedicated entity specialised in luxury, high-end and sport Eyewear, managed by a skilled team of experienced professionals under the direction of Roberto Vedovotto. This innovative management model for the Group's Eyewear business will allow it to fully leverage the growth potential of its brands in this category.

As part of this strategic move, Kering and Safilo agreed to further their partnership and jointly intend to terminate the current Gucci licence agreement two years in advance, i.e., by December 31, 2016, which will result in total compensation of €90 million to be paid to Safilo. On January 12, 2015, Kering announced that it had signed a partnership agreement with Safilo covering the development, manufacture and supply of Gucci Eyewear products. The agreement took effect as from fourth-quarter 2015 in order to ensure a seamless transition for Gucci's Eyewear business.

On March 18, 2015, Kering announced the appointment of Roberto Vedovotto, CEO of Kering Eyewear, as a new member of its Executive Committee. Kering Eyewear was officially launched on June 30, 2015 when its first collection, *Collezione Uno*, was presented at the Palazzo Grassi in Venice.

The overall €90 million in compensation due to Safilo has been recognised as an intangible asset in the 2015 financial statements and will be amortised as from January 1, 2017. The compensation will be paid in three equal instalments, with the first payment made on January 12, 2015 and the following two due in December 2016 and September 2018.

3.3. Reorganisation of the Couture & Leather Goods and Watches & Jewellery brands

On July 27, 2015, Kering announced that Grita Loeb sack had been appointed Chief Executive Officer of Kering's Luxury – Couture & Leather Goods' emerging brands, effective September 14, 2015. The CEOs of Alexander McQueen, Balenciaga, Brioni, Christopher Kane, Stella McCartney and Tomas Maier will report to her. Kering's Luxury – Couture & Leather Goods division also includes Gucci, Bottega Veneta and Saint Laurent, which will remain under François-Henri Pinault's direct supervision.

The autonomy of each of Kering's brands will continue to be fully respected in the expansion of the Group's Luxury business and the brands will remain under the operational responsibility of their respective CEOs.

The second half of the year also saw the arrival of new CEOs within the Luxury – Watches & Jewellery division headed by Albert Bensoussan: Hélène Poullit-Duquesne was appointed CEO of Boucheron, effective September 28, 2015, and Sabina Belli was named CEO of Pomellato, effective December 10, 2015.

On July 31, 2015, Balenciaga and Alexander Wang announced their joint decision not to renew their contract beyond its initial term. Alexander Wang showed his final collection for Balenciaga in Paris on October 2, 2015. On October 7, 2015, Demna Gvasalia was appointed as the new Artistic Director of Balenciaga's collections. Demna Gvasalia has creative responsibility for the brand's collections and image and will present his first collection for the brand at the women's ready-to-wear autumn/winter 2016-17 show in Paris.

3.4. Sale of Italian luxury shoemaker Sergio Rossi

On December 30, 2015 Kering announced that it had closed the sale of the Italian luxury shoemaker, Sergio Rossi, to Investindustrial, in accordance with the terms announced on December 9, 2015.

The transaction included all the industrial assets of Sergio Rossi, the rights attached to the brand and the entire distribution network. The sale will allow the Sergio Rossi brand to continue its development with a strategic partner that can support the brand solidly and with prospects for long-term growth. Investindustrial is one of Europe's best-known industrial groups, which provides solutions and capital to mid-sized companies in order to accelerate their international expansion and improve their operational efficiency. Among the companies managed by Investindustrial today are brands such as Aston Martin, B&B Italia and Flos, which are internationally recognised for their excellence in Italian design.

By choosing Investindustrial, Kering selected a credible and reliable partner to ensure the continued long-term development of Sergio Rossi, in the best interests of the brand, the company, its staff and its customers.

This sale did not have a material impact on the Group's 2015 financial statements.

3.5. Other highlights

On January 15, 2015, Kering sold the assets of Movitex to the group's management team, after recapitalising it in accordance with the preliminary agreement signed on December 3, 2014.

On March 25, 2015 Kering bought out the non-controlling interests in Sowind Group in accordance with the shareholder agreements signed in June 2011. This acquisition did not have a material impact on the Group's 2015 financial statements.

On June 30, 2015, PUMA announced that it had sold the intellectual property rights (including trademark rights) of its subsidiary, Tretorn Group, to US-based Authentic Brands Group, LLC (ABG). Tretorn – which is based in Helsinborg in Sweden and makes sport and leisure products – was acquired by PUMA in 2002. This sale is in line with PUMA's strategy of refocusing on its core businesses.

On March 20, 2015, Kering issued a €500 million, 0.875% fixed-rate bond maturing in seven years. Also during the first half of 2015, Kering carried out two issues of notes in foreign currency – a USD 150 million issue in March 2015 of five-year floating-rate notes, and a USD 150 million issue in June 2015 of six-year fixed-rate notes with an annual coupon of 2.887%.

On September 22, 2015 and November 5, 2015, the Group topped up the 2.75% bond issue carried out in 2014 by €150 million and €50 million respectively.

note 4 – operating segments

The policies applied to determine the operating segments presented are set out in Note 2.22.

Information provided on operating segments is prepared in accordance with the same accounting rules as in the consolidated financial statements and set out in the notes thereto.

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

Net recurring charges to depreciation, amortisation and provisions on non-current operating assets reflect net charges to depreciation, amortisation and provisions on intangible assets and property, plant and equipment recognised in recurring operating income.

Purchases of property, plant and equipment and intangible assets correspond to gross non-current asset purchases, including cash timing differences but excluding purchases of assets under finance leases.

Non-current segment assets comprise goodwill, brands and other intangible assets, property, plant and equipment and other non-current assets.

Segment assets comprise non-current segment assets, inventories, trade receivables and other current assets.

Segment liabilities comprise deferred tax liabilities on brands, trade payables and other current liabilities.

4.1. Information by segment

<i>(in € millions)</i>	Gucci	Bottega Veneta
December 31, 2015		
Revenue	3,898.0	1,285.8
– Non-Group	3,898.0	1,285.8
– Group		
Recurring operating income (loss)	1,032.3	374.5
Recurring charges to depreciation, amortisation and provisions on non-current operating assets	173.8	39.3
Other non-cash recurring operating income and expenses	76.0	18.1
Purchases of property, plant and equipment and intangible assets, gross	192.8	49.5
Segment assets	8,474.1	796.6
Segment liabilities	1,930.3	209.6
December 31, 2014		
Revenue	3,497.2	1,130.5
– Non-Group	3,497.2	1,130.5
– Group		
Recurring operating income (loss)	1,056.0	357.2
Recurring charges to depreciation, amortisation and provisions on non-current operating assets	143.2	31.6
Other non-cash recurring operating income and expenses	(78.8)	(27.0)
Purchases of property, plant and equipment and intangible assets, gross	186.4	40.8
Segment assets	8,478.7	731.4
Segment liabilities	2,105.7	184.6

Yves Saint Laurent	Other Luxury brands	Luxury Division	PUMA	Other Sport & Lifestyle brands	Sport & Lifestyle Division	Corporate and Other	Total
973.6	1,707.9	7,865.3	3,403.4	279.1	3,682.5	36.4	11,584.2
973.6	1,707.9	7,865.3	3,403.4	279.1	3,682.5	36.4	11,584.2
168.5	132.7	1,708.0	92.4	2.4	94.8	(156.1)	1,646.7
39.4	64.9	317.4	58.3	7.9	66.2	26.0	409.6
17.7	14.5	126.3	0.2	(2.9)	(2.7)	134.6	258.2
63.1	85.5	390.9	84.5	6.5	91.0	190.2	672.1
1,419.9	3,201.3	13,891.9	6,148.9	425.1	6,574.0	704.6	21,170.5
308.5	601.8	3,050.2	1,755.2	140.6	1,895.8	369.9	5,315.9
707.3	1,423.6	6,758.6	2,990.2	254.9	3,245.1	33.8	10,037.5
707.3	1,423.6	6,758.6	2,990.2	254.9	3,245.1	33.8	10,037.5
105.1	147.3	1,665.6	128.0	9.5	137.5	(139.1)	1,664.0
25.8	53.0	253.6	50.6	3.1	53.7	19.4	326.7
(7.8)	(31.4)	(145.0)	(4.8)	(3.0)	(7.8)	128.4	(24.4)
54.2	91.0	372.4	75.9	9.6	85.5	93.5	551.4
1,378.0	3,108.5	13,696.6	6,149.0	414.4	6,563.4	389.6	20,649.6
306.4	557.4	3,154.1	1,750.7	137.3	1,888.0	274.5	5,316.6

4.2. Information by geographic area

The presentation of revenue by geographic area is based on the geographic location of customers. Non-current

segment assets are not broken down by geographic area since a significant portion consists of goodwill and brands, which are analysed based on the revenue they generate in each region, and not based on their geographic location.

<i>(in € millions)</i>	2015	2014
Western Europe	3,562.4	3,152.3
North America	2,652.0	2,146.7
Japan	1,101.1	962.5
Sub-total – mature markets	7,315.5	6,261.5
Eastern Europe, Middle East and Africa	773.7	728.5
South America	538.8	464.7
Asia-Pacific (excluding Japan)	2,956.2	2,582.8
Sub-total – emerging markets	4,268.7	3,776.0
Total revenue	11,584.2	10,037.5

4.3. Reconciliation of segment assets and liabilities

The reconciliation of total segment assets and non-current segment assets with total Group assets is as follows:

<i>(in € millions)</i>	2015	2014
Goodwill	3,758.8	4,039.9
Brands and other intangible assets	11,285.5	10,748.1
Property, plant and equipment	2,073.0	1,887.2
Other non-current assets	39.9	36.2
Non-current segment assets	17,157.2	16,711.4
Inventories	2,191.2	2,234.7
Trade receivables	1,137.1	1,030.0
Other current assets	685.0	673.5
Segment assets	21,170.5	20,649.6
Investments in equity-accounted companies	20.9	23.2
Non-current financial assets	458.4	400.0
Deferred tax assets	849.6	758.0
Current tax receivables	123.8	138.4
Other current financial assets	81.2	106.3
Cash and cash equivalents	1,146.4	1,089.9
Assets classified as held for sale		88.5
Total assets	23,850.8	23,253.9

The reconciliation of total segment liabilities with total Group equity and liabilities is as follows:

<i>(in € millions)</i>	2015	2014
Deferred tax liabilities on brands	2,742.1	2,682.8
Trade payables	939.7	982.8
Other current liabilities	1,634.1	1,651.0
Segment liabilities	5,315.9	5,316.6
Total equity	11,623.1	11,262.3
Non-current borrowings	4,039.9	3,192.2
Other non-current financial liabilities	14.8	2.8
Non-current provisions for pensions and other post-employment benefits	133.4	111.9
Other non-current provisions	82.3	49.3
Other deferred tax liabilities	115.8	109.0
Current borrowings	1,785.9	2,288.4
Other current financial liabilities	238.9	346.8
Current provisions for pensions and other post-employment benefits	8.9	7.2
Other current provisions	157.3	225.6
Current tax liabilities	334.6	277.9
Liabilities associated with assets classified as held for sale		63.9
Total equity and liabilities	23,850.8	23,253.9

note 5 – revenue

<i>(in € millions)</i>	2015	2014
Net sales of goods	11,368.1	9,829.3
Net sales of services	3.9	1.9
Revenue from concessions and licences	164.0	163.5
Other revenue	48.2	42.8
Total	11,584.2	10,037.5

note 6 – payroll expenses

Payroll expenses primarily include fixed and variable remuneration, social security charges, charges relating to employee profit-sharing and other incentives, training

costs, share-based payment expenses (see Note 7) and expenses relating to employee benefits recognised in recurring operating income (see Note 26).

<i>(in € millions)</i>	2015	2014
Luxury Division	(1,169.4)	(969.6)
Sport & Lifestyle Division	(526.1)	(463.6)
Corporate and other	(125.1)	(112.0)
Total	(1,820.6)	(1,545.2)

In 2015, payroll expenses recorded under "Corporate and other" include a €0.6 million charge (€1.2 million in 2014) relating to the application of IFRS 2 to all transactions based on Kering shares and settled in equity instruments (see Note 7.1).

The average headcount of continuing operations, on a full-time equivalent basis, breaks down as follows:

	2015	2014
Luxury Division	21,576	20,122
Sport & Lifestyle Division	11,772	11,645
Corporate and other	1,349	1,123
Total	34,697	32,890

The total headcount of continuing operations is as follows:

	2015	2014
Luxury Division	23,145	22,088
Sport & Lifestyle Division	14,155	14,135
Corporate and other	1,501	1,218
Total	38,801	37,441

note 7 – share-based payment

In consideration for services rendered, the Group grants certain employees share-based plans settled in shares or cash.

The Group recognises its obligation as services are rendered by beneficiaries, over the period from the grant date to the vesting date.

- for transactions based on Kering shares, the grant date is the date at which plans were individually approved by the Executive Board, in the case of plans prior to May 19, 2005, or by the Board of Directors of Kering for plans after this date;
- for transactions based on Kering Holland NV and PUMA shares, the grant date is the date at which plans were individually approved by the Boards of Kering Holland NV and PUMA AG, respectively;

- the vesting date is the date at which all vesting conditions are satisfied.

Vested rights may only be exercised by beneficiaries at the end of a lock-in period, the length of which varies depending on the type of plan.

7.1. Share-based payment transactions settled in Kering equity instruments

In accordance with the transitional provisions of IFRS 2 on equity-settled plans, only those plans issued after November 7, 2002 and not having vested as of January 1, 2005 were measured. As of December 31, 2015, there were no longer any plans falling outside the scope of IFRS 2 (i.e., plans issued prior to November 7, 2002).

The nature and key characteristics of eligible plans are presented below:

Stock option and free share plans	2005/1 Plan	2005/2 Plan	2005/3 Plan	2007/1 Plan	2007/2 Plan	2011/2 Plan	2012/2 Plan
	Subscription options	Subscription options	Subscription options	Purchase options	Purchase options	Free shares	Free shares
Grant date	01/03/2005	05/19/2005	05/19/2005	05/14/2007	09/17/2007	05/19/2011	04/27/2012
Expiry date	01/02/2015	05/18/2015	05/18/2015	05/13/2015	09/16/2015	N/A	N/A
Vesting of rights	(a)	(b)	(b)	(b)	(b)	(d)	(d)
Number of beneficiaries	13	458	22	248	14	76	88
Number initially granted	25,530	333,750	39,960	355,500	51,300	9,455	39,640
Number outstanding as of Jan. 1, 2015	250	13,496	400	126,040	2,900	8,090	38,120
Number forfeited in 2015		-32		-400			8,980
Number exercised in 2015		12,432	400	116,470	2,400	8,090	
Number of shares issued							
Number expired in 2015	250	1,096		9,970	500		
Number outstanding as of Dec. 31, 2015							29,140
Number exercisable as of Dec. 31, 2015							
Strike price (in €)	75.29	78.01	78.97	127.58	127.58	N/A	N/A
Fair value at measurement date (in €)	11.61	11.19	10.98	20.99	24.74	69.91	74.62
Weighted average price of options exercised/shares issued (in €)	129.00	128.24	131.97	138.62	131.58		

No new shares are issued on the exercise of stock purchase options or free share grants.

Under all these plans, shares are subject to a four-year lock-in period, commencing on the grant date.

- (a) Options vest at a rate of 25% per full year of presence within the Group, except in the event of retirement (when rights vest in full). If a beneficiary is dismissed for gross negligence or misconduct, all rights are lost, including after the lock-in period.
- (b) Options vest at a rate of 25% per full year of presence within the Group, except in the event of retirement (when rights vest in full) or resignation (when all rights are lost). If a beneficiary is dismissed for gross negligence or misconduct, all rights are lost, including after the lock-in period.
- (c) Shares vest two years after being granted, except in the event of resignation or dismissal for gross negligence or misconduct (when all rights are lost). The final number of shares granted is subject to stock market performance conditions. The vesting period is followed by a two-year non-transferability period.
- (d) Shares vest four years after being granted, except in the event of resignation or dismissal for gross negligence or misconduct (when all rights are lost). The final

number of shares granted is subject to stock market performance conditions. These shares are not subject to a non-transferability period.

The value of services rendered by beneficiaries is determined on the grant date of the plans:

- for stock purchase and stock subscription plans, by using a Black & Scholes model with a trinomial algorithm and exercise thresholds, which takes into account the number of potentially exercisable options at the end of the vesting period;
- for free share plans, by using a Black & Scholes model with a Monte Carlo algorithm with two underlyings.

The exercise thresholds and probability assumptions used for the stock subscription and stock purchase option plans are as follows:

Threshold as a % of the strike price	Probability of exercise
125%	15%
150%	20%
175%	20%
200%	20%

Based on these assumptions, 25% of beneficiaries do not elect to exercise their options prior to the expiry date.

The main valuation assumptions for the various plans are summarised below:

Stock option and free share plans	2005/1 Plan	2005/2 Plan	2005/3 Plan	2007/1 Plan	2007/2 Plan	2011/2 Plan	2012/2 Plan
	Subscription options	Subscription options	Subscription options	Purchase options	Purchase options	Free shares	Free shares
Volatility	23.75%	21.00%	21.00%	23.00%	24.50%	28.00%	29.00%
Risk-free interest rate	3.83%	3.49%	3.49%	4.49%	4.47%	2.32%	0.97%

The above volatilities represent the expected volatilities of each plan based on the maturities and strike prices available at the grant date. The dividends used for valuation purposes are those expected by the market at the grant date.

The risk-free interest rates correspond to the one-to-ten year interest rate curve for interbank swaps at the grant date.

The total charge recognised in 2015 in respect of stock option and free share plans was €0.6 million (€1.2 million in 2014).

7.2. Share-based payment transactions settled in equity instruments of subsidiaries

PUMA set up stock subscription option plans based on its own shares for certain employees. The characteristics of the plans still in effect as of December 31, 2015 and their movements during the year are as follows:

	2008/III Plan Subscription options	2008/IV Plan Subscription options	2008/V Plan Subscription options
Grant date	4/22/2010	4/15/2011	4/30/2012
Expiry date	4/21/2015	4/21/2016	4/21/2017
Number initially granted	126,184	151,290	145,375
Number outstanding as of Jan. 1, 2015	98,693	103,463	113,469
Number exercised in 2015			
Number forfeited/(reinstated) in 2015	98,693	2,000	6,500
Number outstanding as of Dec. 31, 2015		101,463	106,969
Number exercisable as of Dec. 31, 2015		101,463	
Weighted average price of options exercised (in €)			

Rights vest after a two-year period.

The number of shares attributed to beneficiaries is determined based on the share price at the exercise date and the number of options exercised. The exercise of options is subject to a PUMA share performance condition.

The value of services rendered by beneficiaries at the grant date is primarily determined on the basis of the following assumptions:

	2008/III Plan	2008/IV Plan	2008/V Plan
Volatility	34.50%	29.20%	26.80%
Risk-free interest rate	1.60%	2.40%	0.30%

No expense was recognised by PUMA in 2015 (an expense of €0.4 million was recognised in 2014).

7.3. Cash-settled share-based payment transactions

The Group (Kering Holland NV and Kering SA) also grants certain employees Share Appreciation Rights (SARs) and Kering Monetary Units (KMUs) that constitute systematically cash-settled share-based plans.

7.3.1. Characteristics of SARs granted by Kering Holland NV

SAR plans have a term of six to ten years from their grant date.

SARs vest at a rate of 20% per full year of presence in the Group, except in the event of dismissal (excluding dismissal for gross negligence or misconduct) when all rights vest immediately. If an employee is dismissed for gross negligence or misconduct, all rights are lost.

The SAR strike price is determined by applying financial ratios for a basket of comparable companies to the results of the Luxury Division.

The value of services rendered by beneficiaries is recalculated at the end of each reporting period by an independent expert using an option pricing model corresponding to the intrinsic value, to which a time value is added.

In 2015, a surplus expense recognised in respect of Kering Holland BV SARs was written back to recurring operating income for €0.9 million. No expense had been recognised in 2014.

The strike price of SARs outstanding as of December 31, 2015 is between €40.18 and €46.72 and the weighted average remaining contractual term is 0.3 years (1.2 years as of end-2014).

The carrying amount of the liability relating to these SARs was €0.1 million as of December 31, 2015, with an intrinsic value of €0.1 million (€0.3 million and €0.3 million, respectively, as of December 31, 2014).

Plan movements	2015	2014
SARs outstanding as of January 1	1,404	17,004
Weighted average strike price (in €)	42.25	79.84
SARs granted during the year		
Weighted average strike price (in €)		
SARs exercised during the year	1,000	15,600
Weighted average strike price (in €)	43.08	83.30
SARs forfeited during the year		
Weighted average strike price (in €)		
SARs outstanding as of December 31	404	1,404
Weighted average strike price (in €)	40.23	46.26
SARs exercisable as of December 31	400	1,400
Weighted average strike price (in €)	40.18	42.25

7.3.2. Characteristics of KMUs granted by Kering SA

Since 2013, the Group has granted Kering Monetary Units (KMUs) instead of free shares.

The unit value of the KMUs awarded (and any changes in that value) is determined based on the intrinsic value of the Kering share price and in comparison with the average increase in a basket of stocks from the Luxury and Sports industries.

On July 21, 2013, 124,126 KMUs were granted, with a unit value of €152.

On April 22, 2014, 122,643 KMUs were granted, with a unit value of €144.

On May 22, 2015, 114,997 KMUs were granted, with a unit value of €167.

Subject to the beneficiaries' continued presence within the Group, the KMUs granted will be settled in cash at the end of the three-year vesting period. The vesting period will be followed by a two-year period (January to December) during which beneficiaries may opt, in April or October, to cash out some or all of their KMUs, at their discretion, based on the most recently determined value.

In accordance with IFRS 2, the value of services rendered by beneficiaries is recalculated by an independent expert at the end of each reporting period.

In 2015, the Group recognised a €15.2 million expense in respect of KMUs within recurring operating income (€10.1 million expense in 2014).

note 8 – recurring operating income

Recurring operating income is the primary indicator of the Group's operating performance, and breaks down as follows:

(in € millions)	2015	2014
Luxury Division	1,708.0	1,665.6
Sport & Lifestyle Division	94.8	137.5
Corporate and other	(156.1)	(139.1)
Total	1,646.7	1,664.0

Charges to depreciation, amortisation and provisions on non-current operating assets included in recurring operating income amounted to €409.6 million in 2015 (€326.7 million in 2014). Other net non-cash recurring

operating income amounted to €258.2 million in 2015 compared to other net non-cash operating expense of €24.4 million in 2014.

note 9 – other non-recurring operating income and expenses

<i>(in € millions)</i>	2015	2014
Non-recurring operating expenses	(541.8)	(309.2)
Restructuring costs	(39.6)	(61.1)
Asset impairment	(501.8)	(247.5)
Capital losses on disposals		(0.6)
Other	(0.4)	
Non-recurring operating income	148.3	197.1
Capital gains on disposals	148.3	192.2
Other		4.9
Total	(393.5)	(112.1)

The Group's other non-recurring operating income and expenses consist of unusual items that could distort the assessment of each brand's economic performance. The net balance of this caption was an expense of €393.5 million in 2015 and included the following items:

- restructuring costs of €39.6 million, mainly concerning the Luxury Division;
- asset impairment totalling €501.8 million, including €123.0 million charged against PUMA goodwill, €27.0 million charged against the goodwill of one of the other Luxury Division brands, and €192.0 million charged against Gucci assets in connection with the brand's current period of transition;

- net capital gains on disposals totalling €148.3 million, mainly including the sale of a property complex.

The net balance of this caption was an expense of €112.1 million in 2014 and included the following items:

- restructuring costs of €61.1 million, mainly concerning the Luxury Division;
- asset impairment totalling €247.5 million, including €189.0 million charged against the goodwill of Other Sport & Lifestyle brands;
- net capital gains on disposals totalling €191.6 million, mainly including the sale of a property complex.

note 10 – finance costs (net)

This caption breaks down as follows:

<i>(in € millions)</i>	2015	2014
Cost of net debt	(128.8)	(151.3)
Income from cash and cash equivalents	8.9	7.9
Finance costs at amortised cost	(136.1)	(160.6)
Gains and losses on borrowings hedged by fair value hedges		1.4
Gains and losses on fair value and cash flow hedging derivatives	(1.6)	
Other financial income and expenses	(120.3)	(46.1)
Net losses on available-for-sale financial assets	0.1	(4.9)
Foreign exchange gains and losses	(14.8)	(7.7)
Ineffective portion of cash flow hedges	(95.1)	(21.8)
Gains and losses on derivative instruments not qualifying for hedge accounting (foreign exchange and interest rate hedges)	(0.3)	1.1
Impact of discounting assets and liabilities	(10.2)	(9.1)
Other finance costs		(3.7)
Total	(249.1)	(197.4)

note 11 – income taxes

11.1. Analysis of the income tax expense in respect of continuing operations

11.1.1. Income tax expense

<i>(in € millions)</i>	2015	2014
Income before tax	1,004.1	1,354.5
Taxes paid out of operating income	(378.5)	(365.7)
Other taxes payable not impacting operating cash flow	1.5	(5.2)
Income tax payable	(377.0)	(370.9)
Deferred tax income/(expense)	55.3	45.3
Total tax charge	(321.7)	(325.6)
Effective tax rate	32.0%	24.0%

Income tax expense on dividends was recognised in an amount of €15.1 million in 2015 (€14.2 million in 2014).

The maximum income tax expense on the balance of dividends to be paid in 2016 in respect of 2015 is estimated at €9.5 million.

11.1.2. Reconciliation of the tax rate

(as a % of pre-tax income)

	2015	2014
Tax rate applicable in France	38.0%	38.0%
Impact of taxation of foreign subsidiaries	-18.4%	-17.9%
Theoretical tax rate	19.6%	20.1%
Effect of items taxed at reduced rates	0.0%	0.7%
Effect of permanent differences	2.6%	-0.5%
Effect of unrecognised temporary differences	1.3%	1.5%
Effect of unrecognised tax losses carried forward	4.1%	-2.7%
Effect of changes in tax rates	0.2%	0.2%
Other	4.2%	4.8%
Effective tax rate	32.0%	24.0%

In 2015, the income tax rate applicable in France was the standard rate of 33.33%, plus the social surtax of 3.3% and a 10.7% one-off levy for French companies with revenue over €250 million, bringing the total to 38%.

The "Other" line in 2015 mainly includes the tax on dividends, the impact of tax reassessments and various foreign taxes.

11.1.3. Recurring tax rate

Excluding non-recurring items, the Group income tax rate is as follows:

(in € millions)

	2015	2014
Income before tax	1,004.1	1,354.5
Non-recurring items	(393.5)	(112.1)
Recurring income before tax	1,397.6	1,466.6
Total tax charge	(321.7)	(325.6)
Tax on non-recurring items	14.8	(57.6)
Recurring tax charge	(336.5)	(268.0)
Recurring tax rate	24.0%	18.3%

11.2. Movement in statement of financial position headings

11.2.1. Net current tax liabilities

Changes in net current tax liabilities are set out in the table below:

(in € millions)	2014	Net income	Cash outflows relating to operating activities	Cash outflows relating to investing activities	Other ⁽¹⁾	Other items recognised in equity	2015
Current tax receivables	138.4						123.8
Current tax liabilities	(277.9)						(334.6)
Net current tax liabilities	(139.5)	(378.5)	330.4	(7.9)	(13.5)	(1.8)	(210.8)

(1) "Other" includes changes in Group structure, currency effects and reclassifications of statement of financial position items.

The impact on income tax expense for the periods presented is described in Note 11.1.1.

11.2.2. Deferred tax

Changes in deferred taxes as shown in the consolidated statement of financial position are set out below:

(in € millions)	2014	Net income	Other ⁽¹⁾	Other items recognised in equity	2015
Intangible assets	(2,675.8)	12.2	(76.0)	0.5	(2,739.1)
Property, plant and equipment	17.0	38.5	0.6	(0.5)	55.6
Other non-current assets	89.0	(53.4)	(0.9)	(0.2)	34.5
Other current assets	284.4	43.0	21.2	(0.5)	348.1
Total equity	1.0		(1.4)		(0.4)
Borrowings	(0.1)	(5.0)	0.2		(4.9)
Provisions for pensions and other post-employment benefits	62.5	3.9	3.4		69.8
Other provisions	(13.4)	(24.4)	42.0		4.2
Other current liabilities	83.9	20.8	(25.5)	5.5	84.7
Recognised tax losses and tax credits	117.7	19.7	1.8		139.2
Net deferred tax assets (liabilities)	(2,033.8)	55.3	(34.6)	4.8	(2,008.3)
Deferred tax assets	758.0				849.6
Deferred tax liabilities	(2,791.8)				(2,857.9)
Deferred tax	(2,033.8)	55.3	(34.6)	4.8	(2,008.3)

(1) "Other" includes changes in Group structure, currency effects and reclassifications of different types of deferred tax items.

The impact on income tax expense for the periods presented is described in Note 11.1.1.

11.3. Unrecognised deferred tax

Tax losses and tax credits not recognised as deferred tax assets amounted to €2,274.7 million as of December 31, 2015 (€2,471.2 million as of December 31, 2014).

Changes in unused tax losses and tax credits and the associated expiry schedule are set out below:

(in € millions)

As of January 1, 2014	2,234.1
Losses generated during the year	386.5
Losses utilised and time barred during the year	(100.4)
Effect of changes in Group structure and exchange rate adjustments	(49.0)
As of December 31, 2014	2,471.2
Losses generated during the year	110.3
Losses utilised and time barred during the year	(260.0)
Effect of changes in Group structure and exchange rate adjustments	(46.8)
As of December 31, 2015	2,274.7
Ordinary tax loss carry-forwards	438.8
Less than five years	274.4
More than five years	164.4
Indefinite tax loss carry-forwards	1,835.9
Total	2,274.7

There were no unrecognised deferred taxes in respect of temporary differences relating to investments in subsidiaries, associates and joint ventures as of December 31, 2015.

note 12 – non-current assets held for sale and discontinued operations

During 2014 and January 2015, Kering completed the sale of the Redcats group by disposing of La Redoute, Relais Colis, Diam and the assets of the Movitex group.

In addition, on December 30, 2015, Kering sold Sergio Rossi to Investindustrial under the terms announced on December 9, 2015.

For all periods presented, assets held for sale and discontinued operations mainly comprise Redcats and Sergio Rossi. Assets held for sale also include the proceeds from Groupe Fnac's redemption of its undated deeply subordinated

notes (TSSDI) on December 30, 2015. The net income or loss from these activities is shown separately on the face of the income statement within "Discontinued operations", and is restated in the statement of cash flows.

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.

Impact on the financial statements

The income statement and statement of cash flows for assets held for sale and discontinued operations are as follows:

<i>(in € millions)</i>	2015	2014
Revenue	77.9	582.9
Cost of sales	(40.5)	(249.0)
Gross margin	37.4	333.9
Payroll expenses	(19.4)	(114.5)
Other recurring operating income and expenses	(34.0)	(276.1)
Recurring operating income (loss)	(16.0)	(56.7)
Other non-recurring operating income and expenses	(1.8)	(381.5)
Operating income (loss)	(17.8)	(438.2)
Finance costs, net	(0.7)	(10.8)
Income (loss) before tax	(18.5)	(449.0)
Corporate income tax	1.9	13.8
Share in earnings (losses) of equity-accounted companies		
Net income (loss) on disposal of discontinued operations	57.6	(43.6)
Net income (loss)	41.0	(478.8)
o/w attributable to owners of the parent	41.0	(478.8)
o/w attributable to non-controlling interests		

<i>(in € millions)</i>	2015	2014
Net cash used in operating activities	(52.9)	(141.6)
Net cash from investing activities	21.0	19.4
Net cash from (used in) financing activities	35.4	(537.4)
Impact of exchange rate variations		3.2
Net change in cash and cash equivalents	3.5	(656.4)
Opening cash and changes in intra-Group cash flows		213.7
Net cash from (used in) discontinued operations⁽¹⁾	3.5	(442.7)

(1) Line item in the consolidated statement of cash flows.

The main cash flows related to discontinued operations concern the sale of Sergio Rossi, the discharge of vendor warranties granted in connection with the Redcats sale and Groupe Fnac's redemption of its undated deeply subordinated notes.

The impact of assets held for sale on the Group's consolidated statement of financial position was as follows:

<i>(in € millions)</i>	2015	2014
Assets classified as held for sale	-	88.5
Liabilities associated with assets classified as held for sale	-	63.9

note 13 – earnings per share

Basic earnings per share are calculated on the basis of the weighted average number of shares outstanding, after deduction of the weighted average number of shares held by consolidated companies.

Fully diluted earnings per share are based on the weighted average number of shares as defined above for the calculation of basic earnings per share, plus the weighted

average number of potentially dilutive ordinary shares. Potentially dilutive shares correspond to shares granted to employees as part of equity-settled share-based payment plans (see Note 7).

Earnings are adjusted for the theoretical interest charge, net of tax, on convertible and exchangeable instruments.

13.1. Earnings per share

Earnings per share as of December 31, 2015

<i>(in € millions)</i>	Consolidated Group	Continuing operations	Discontinued operations
Net income attributable to ordinary shareholders	696.0	655.0	41.0
Weighted average number of ordinary shares outstanding	126,332,226	126,332,226	126,335,226
Weighted average number of treasury shares	(335,899)	(335,899)	(335,899)
Weighted average number of ordinary shares	125,996,327	125,996,327	125,999,327
Basic earnings per share (in €)	5.52	5.20	0.33
Net income attributable to ordinary shareholders	696.0	655.0	41.0
Convertible and exchangeable instruments			
Diluted net income attributable to owners of the parent	696.0	655.0	41.0
Weighted average number of ordinary shares	125,996,327	125,996,327	125,999,327
Potentially dilutive ordinary shares			
Weighted average number of diluted ordinary shares	125,996,327	125,996,327	125,999,327
Fully diluted earnings per share (in €)	5.52	5.20	0.33

Earnings per share as of December 31, 2014

<i>(in € millions)</i>	Consolidated Group	Continuing operations	Discontinued operations
Net income (loss) attributable to ordinary shareholders	528.9	1,007.7	(478.8)
Weighted average number of ordinary shares outstanding	126,264,178	126,264,178	126,264,178
Weighted average number of treasury shares	(342,549)	(342,549)	(342,549)
Weighted average number of ordinary shares	125,921,629	125,921,629	125,921,629
Basic earnings (loss) per share (in €)	4.20	8.00	(3.80)
Net income (loss) attributable to ordinary shareholders	528.9	1,007.7	(478.8)
Convertible and exchangeable instruments			
Diluted net income (loss) attributable to owners of the parent	528.9	1,007.7	(478.8)
Weighted average number of ordinary shares	125,921,629	125,921,629	125,921,629
Potentially dilutive ordinary shares	23,049	23,049	23,049
Weighted average number of diluted ordinary shares	125,944,678	125,944,678	125,944,678
Fully diluted earnings (loss) per share (in €)	4.20	8.00	(3.80)

13.2. Earnings per share from continuing operations excluding non-recurring items

Non-recurring items consist of the income statement line "Other non-recurring operating income and expenses" reported net of tax and non-controlling interests.

<i>(in € millions)</i>	2015	2014
Net income attributable to ordinary shareholders	655.0	1,007.7
Other non-recurring operating income and expenses	(393.5)	(112.1)
Income tax on other non-recurring operating income and expenses	14.8	(57.6)
Non-controlling interests in other non-recurring operating income and expenses	16.4	
Net income excluding non-recurring items	1,017.3	1,177.4
Weighted average number of ordinary shares outstanding	126,332,226	126,264,178
Weighted average number of treasury shares	(335,899)	(342,549)
Weighted average number of ordinary shares	125,996,327	125,921,629
Basic earnings per share excluding non-recurring items (in €)	8.07	9.35
Net income excluding non-recurring items	1,017.3	1,177.4
Convertible and exchangeable instruments		
Diluted net income attributable to owners of the parent	1,017.3	1,177.4
Weighted average number of ordinary shares	125,996,327	125,921,629
Potentially dilutive ordinary shares		23,049
Weighted average number of diluted ordinary shares	125,996,327	125,944,678
Fully diluted earnings per share (in €)	8.07	9.35

note 14 – other comprehensive income

The components of other comprehensive income include:

- gains and losses arising from translating the financial statements of foreign operations;
- the effective portion of gains and losses on cash flow hedging instruments;
- gains and losses on remeasuring available-for-sale financial assets and other financial instruments;
- components relating to the measurement of employee benefit obligations: unrecognised surplus of pension plan assets and actuarial gains and losses on defined benefit plans.

The amounts of these components before and after the related tax effects, together with reclassification adjustments taken to income, are shown in the table below:

<i>(in € millions)</i>	Gross	Income tax	Net
Foreign exchange gains and losses	74.7		74.7
Cash flow hedges	(147.1)	(4.0)	(151.1)
– change in fair value	(137.1)		
– gains and losses reclassified to income	(10.0)		
Available-for-sale financial assets	(1.1)	0.4	(0.7)
– change in fair value	(1.1)		
– gains and losses reclassified to income			
Unrecognised surplus of pension plan assets	10.0		10.0
Actuarial gains and losses	(9.4)	4.1	(5.3)
Share in other comprehensive income (expense) of associates			
Other comprehensive income (expense) as of December 31, 2014	(72.9)	0.5	(72.4)

<i>(in € millions)</i>	Gross	Income tax	Net
Foreign exchange gains and losses	125.6		125.6
Cash flow hedges	71.2	3.7	74.9
– change in fair value	(184.1)		
– gains and losses reclassified to income	255.3		
Available-for-sale financial assets	0.6	(0.2)	0.4
– change in fair value	0.6		
– gains and losses reclassified to income			
Unrecognised surplus of pension plan assets			
Actuarial gains and losses	(31.2)	1.5	(29.7)
Share in other comprehensive income (expense) of associates			
Other comprehensive income as of December 31, 2015	166.2	5.0	171.2

A negative amount on the "Gains and losses reclassified to income" line item corresponds to a gain recognised in the income statement.

Gains and losses on available-for-sale financial assets reclassified to income are recognised under net finance costs.

Gains and losses on cash flow hedging instruments reclassified to income are recognised under gross margin.

note 15 – non-controlling interests

The Group performed quantitative and qualitative analyses of its non-controlling interests as of December 31, 2015. No individual non-controlling interest is material with regard to the Group's consolidated financial statements. Materiality was determined on a case-by-case basis using two methods: (i) a gross method based on the assets and

liabilities of non-controlling interests as a percentage of the Group's total consolidated balance sheet and (ii) a net method based on the percentage of non-controlling interests in consolidated equity. A materiality threshold of 5% was set for these two methods.

note 16 – goodwill

<i>(in € millions)</i>	Gross	Impairment losses	Net
Goodwill as of January 1, 2014	4,107.4	(337.3)	3,770.1
Acquisitions	392.9		392.9
Assets classified as held for sale and discontinued operations	(17.8)	17.8	
Impairment losses (see Note 19)		(194.5)	(194.5)
Put options granted to non-controlling shareholders	2.0		2.0
Translation adjustments	39.6	(17.6)	22.0
Other movements	47.4		47.4
Goodwill as of December 31, 2014	4,571.5	(531.6)	4,039.9
Acquisitions	17.2		17.2
Assets classified as held for sale and discontinued operations			
Impairment losses (see Note 19)		(150.0)	(150.0)
Put options granted to non-controlling shareholders	2.5		2.5
Translation adjustments	60.5	(24.3)	36.2
Other movements	(187.0)		(187.0)
Goodwill as of December 31, 2015	4,464.7	(705.9)	3,758.8

In 2015, the negative €187 million in other movements relates to the adjustment of the carrying amount of Ulysse Nardin goodwill following the completion of the purchase price accounting and in particular the allocation of a brand value.

All goodwill recognised in 2015 was allocated to CGUs at the end of the reporting period.

The breakdown of the net amount of goodwill by division is as follows:

<i>(in € millions)</i>	2015	2014
Luxury Division	2,788.3	2,943.5
Sport & Lifestyle Division	970.5	1,096.4
Total	3,758.8	4,039.9

note 17 – brands and other intangible assets

<i>(in € millions)</i>	Brands	Other intangible assets	Total
Gross amount as of December 31, 2014	10,486.3	727.1	11,213.4
Changes in Group structure	319.4	1.6	321.0
Acquisitions		210.9	210.9
Assets classified as held for sale and discontinued operations			
Other disposals		(11.5)	(11.5)
Translation adjustments	91.3	23.7	115.0
Other movements		(2.9)	(2.9)
Gross amount as of December 31, 2015	10,897.0	948.9	11,845.9
Accumulated amortisation and impairment as of December 31, 2014	(21.5)	(443.8)	(465.3)
Changes in Group structure			
Assets classified as held for sale and discontinued operations			
Other disposals		9.7	9.7
Amortisation		(65.6)	(65.6)
Impairment losses (see Note 19)	(24.5)		(24.5)
Translation adjustments	(0.5)	(14.9)	(15.4)
Other movements		0.7	0.7
Accumulated amortisation and impairment as of December 31, 2015	(46.5)	(513.9)	(560.4)
Carrying amount as of December 31, 2014	10,464.8	283.3	10,748.1
Changes in Group structure	319.4	1.6	321.0
Acquisitions		210.9	210.9
Assets classified as held for sale and discontinued operations			
Other disposals		(1.8)	(1.8)
Amortisation		(65.6)	(65.6)
Impairment losses (see Note 19)	(24.5)		(24.5)
Translation adjustments	90.8	8.8	99.6
Other movements		(2.2)	(2.2)
Carrying amount as of December 31, 2015	10,850.5	435.0	11,285.5

<i>(in € millions)</i>	Brands	Other intangible assets	Total
Gross amount as of December 31, 2013	10,556.0	659.7	11,215.7
Changes in Group structure			
Acquisitions		107.0	107.0
Assets classified as held for sale and discontinued operations	(129.9)	(15.3)	(145.2)
Other disposals		(25.4)	(25.4)
Translation adjustments	51.4	2.8	54.2
Other movements	8.8	(1.7)	7.1
Gross amount as of December 31, 2014	10,486.3	727.1	11,213.4
Accumulated amortisation and impairment as of December 31, 2013	(86.0)	(426.9)	(512.9)
Changes in Group structure			
Assets classified as held for sale and discontinued operations	64.6	11.0	75.6
Other disposals		23.9	23.9
Amortisation	(0.2)	(54.3)	(54.5)
Impairment losses (see Note 19)			
Translation adjustments		2.6	2.6
Other movements	0.1	(0.1)	
Accumulated amortisation and impairment as of December 31, 2014	(21.5)	(443.8)	(465.3)
Carrying amount as of December 31, 2013	10,470.0	232.8	10,702.8
Changes in Group structure			
Acquisitions		107.0	107.0
Assets classified as held for sale and discontinued operations	(65.3)	(4.3)	(69.6)
Other disposals		(1.5)	(1.5)
Amortisation	(0.2)	(54.3)	(54.5)
Impairment losses (see Note 19)			
Translation adjustments	51.4	5.4	56.8
Other movements	8.9	(1.8)	7.1
Carrying amount as of December 31, 2014	10,464.8	283.3	10,748.1

The breakdown of net brand value by Division is as follows:

<i>(in € millions)</i>	2015	2014
Luxury Division	6,943.4	6,577.5
Sport & Lifestyle Division	3,907.1	3,887.3
Total	10,850.5	10,464.8

note 18 – property, plant and equipment

<i>(in € millions)</i>	Land and buildings	Plant and equipment	Other PP&E	Total
Gross amount as of December 31, 2014	953.1	2,369.8	277.8	3,600.7
Changes in Group structure	(6.4)	2.9	(0.1)	(3.6)
Acquisitions	6.1	307.8	166.4	480.3
Assets classified as held for sale and discontinued operations				
Disposals	(11.4)	(207.9)	(24.0)	(243.3)
Translation adjustments	43.7	135.5	7.1	186.3
Other movements	16.2	54.0	(53.4)	16.8
Gross amount as of December 31, 2015	1,001.3	2,662.1	373.8	4,037.2
Accumulated depreciation and impairment as of December 31, 2014	(235.0)	(1,344.5)	(134.0)	(1,713.5)
Changes in Group structure	10.6	4.8	0.1	15.5
Assets classified as held for sale and discontinued operations				
Disposals	5.1	198.6	22.4	226.1
Depreciation	(17.0)	(371.2)	(18.7)	(406.9)
Impairment losses (see Note 19)				
Translation adjustments	(8.0)	(76.6)	(4.2)	(88.8)
Other movements	0.1	(5.7)	9.0	3.4
Accumulated depreciation and impairment as of December 31, 2015	(244.2)	(1,594.6)	(125.4)	(1,964.2)
Carrying amount as of December 31, 2014	718.1	1,025.3	143.8	1,887.2
Changes in Group structure	4.2	7.7		11.9
Acquisitions	6.1	307.8	166.4	480.3
Assets classified as held for sale and discontinued operations				
Disposals	(6.3)	(9.3)	(1.6)	(17.2)
Depreciation	(17.0)	(371.2)	(18.7)	(406.9)
Impairment losses (see Note 19)				
Translation adjustments	35.7	58.9	2.9	97.5
Other movements	16.3	48.3	(44.4)	20.2
Carrying amount as of December 31, 2015	757.1	1,067.5	248.4	2,073.0
o/w assets owned outright	704.6	1,067.5	69.4	1,841.5
o/w assets held under finance leases	52.5		179.0	231.5

<i>(in € millions)</i>	Land and buildings	Plant and equipment	Other PP&E	Total
Gross amount as of December 31, 2013	967.2	1,943.1	248.3	3,158.6
Changes in Group structure	25.4	26.8	0.3	52.5
Acquisitions	9.2	339.0	110.5	458.7
Assets classified as held for sale and discontinued operations	(15.9)	(26.9)	(0.5)	(43.3)
Disposals	(51.7)	(111.5)	(19.6)	(182.8)
Translation adjustments	18.4	127.9	8.4	154.7
Other movements	0.5	71.4	(69.6)	2.3
Gross amount as of December 31, 2014	953.1	2,369.8	277.8	3,600.7
Accumulated depreciation and impairment as of December 31, 2013	(217.5)	(1,136.8)	(127.4)	(1,481.7)
Changes in Group structure	(10.3)	(22.0)	(0.2)	(32.5)
Assets classified as held for sale and discontinued operations	2.7	19.8	0.1	22.6
Disposals	20.2	104.6	14.5	139.3
Depreciation	(23.0)	(238.4)	(19.4)	(280.8)
Impairment losses (see Note 19)				
Translation adjustments	(6.4)	(73.7)	(4.7)	(84.8)
Other movements	(0.7)	2.0	3.1	4.4
Accumulated depreciation and impairment as of December 31, 2014	(235.0)	(1,344.5)	(134.0)	(1,713.5)
Carrying amount as of December 31, 2013	749.7	806.3	120.9	1,676.9
Changes in Group structure	15.1	4.8	0.1	20.0
Acquisitions	9.2	339.0	110.5	458.7
Assets classified as held for sale and discontinued operations	(13.2)	(7.1)	(0.4)	(20.7)
Disposals	(31.5)	(6.9)	(5.1)	(43.5)
Depreciation	(23.0)	(238.4)	(19.4)	(280.8)
Impairment losses (see Note 19)				
Translation adjustments	12.0	54.2	3.7	69.9
Other movements	(0.2)	73.4	(66.5)	6.7
Carrying amount as of December 31, 2014	718.1	1,025.3	143.8	1,887.2
o/w assets owned outright	662.4	1,025.3	143.4	1,831.1
o/w assets held under finance leases	55.7		0.4	56.1

Charges to depreciation are recognised under "Cost of sales" and "Other recurring operating income and expenses" in the income statement.

note 19 – impairment tests on non-financial assets

The principles governing the impairment of non-financial assets are set out in Note 2.10.

The main items of goodwill, brands and other intangible assets are broken down by division in Notes 16 and 17.

19.1. Assumptions underlying impairment tests

The pre-tax discount and perpetual growth rates applied to expected cash flows in connection with the economic assumptions and forecast operating conditions retained by the Group are as follows:

	Discount rate		Perpetual growth rate	
	2015	2014	2015	2014
Luxury Division	8.3% -10.5%	8.3% -11.0%	3.0%	3.0%
Sport & Lifestyle Division	9.8% -11.0%	9.8% -11.7%	2.25%	2.25%

The growth rates are appropriate in view of the country mix (the Group now operates in regions whose markets are enjoying faster-paced growth than in Europe), the rise in the cost of raw materials and inflation.

As discussed in Note 2.10, the business plans for certain CGUs are drawn up over longer periods of 10 years. These CGUs currently being repositioned are Boucheron, Volcom, Brioni, Sowind, Pomellato, Christopher Kane and Qeelin.

19.2. Impairment tests on major items

In the case of the Gucci CGU, which accounts for a significant portion of the goodwill in the Luxury Division, the CGU's recoverable amount was determined on the basis of its value in use. Value in use is determined with respect to projected future cash flows, taking into account the time value and specific risks associated with the CGU. Future cash flow projections were prepared during the second half of the year on the basis of budgets and medium-term plans with a four-year timescale. To calculate value in use, a terminal value equal to the perpetual capitalisation of a normative annual cash flow is added to the estimated future cash flows.

The growth rate used to extrapolate projected cash flows to perpetuity is 3.0%.

The pre-tax discount rate applied to projected cash flows is 9.0%.

In the case of the Gucci brand, which is the highest-valued brand in the Luxury Division, the value based on future royalty revenue receivable on the assumption that the brand will be operated under licence by a third party was calculated using a royalty rate of 15.0%, a 3.0% perpetual growth rate and an 8.3% pre-tax discount rate.

In the case of the PUMA CGU, which accounts for a significant portion of the goodwill in the Sport & Lifestyle Division, the CGU's recoverable amount was determined on the basis of its value in use. Value in use is determined with respect to projected future cash flows, taking into account the time value and specific risks associated with the CGU. Future cash flow projections were prepared during the second half of the year on the basis of budgets and medium-term plans with a four-year timescale. To calculate value

in use, a terminal value equal to the perpetual capitalisation of a normative annual cash flow is added to the estimated future cash flows.

The growth rate used to extrapolate projected cash flows to perpetuity is 2.25%.

The pre-tax discount rate applied to projected cash flows is 10.0%.

For information purposes, PUMA's market capitalisation was €3.0 billion as of December 31, 2015. This valuation does not represent a relevant indication of impairment given the limited free float and resulting lack of liquidity of the PUMA share. As of December 31, 2015, Kering holds an 85.81% controlling interest in PUMA.

In the case of the PUMA brand, which is the highest-valued brand in the Sport & Lifestyle Division, the value based on future royalty revenue receivable on the assumption that the brand will be operated under licence by a third party was calculated using a royalty rate of 8.0%, a 2.25% perpetual growth rate and a 9.8% pre-tax discount rate.

The impairment tests carried out by the Group in 2015 gave rise to the recognition of an impairment loss against the goodwill of the PUMA CGU (€123.0 million – see Note 19.3.), against the goodwill of one of the Other Luxury brands CGU (€27.0 million), and against one of the Other Sport & Lifestyle brands (€24.0 million). Besides impairment losses recognised against the goodwill of these two CGUs and against one of the Other Sport & Lifestyle brands, the Group considers that, based on events that are foreseeable within reason, any changes impacting the key assumptions described below would not give rise to the recognition of a significant impairment loss against other CGUs.

The sensitivity to changes in key assumptions is shown below:

(in € millions)	Value of net assets concerned as of Dec. 31, 2015	Impairment loss due to:		
		10 basis point increase in post-tax discount rate	10 basis point decrease in perpetual growth rate	10 basis point decrease in normative cash flows
Luxury Division	11,912	(11)	(7)	-
Sport & Lifestyle Division	4,914	(89)	(73)	(5)
Gucci brand	4,800	-	-	-
PUMA brand	3,500	-	-	-

The PUMA and one of the Other Luxury brands CGUs are sensitive to a rise of 0.1 basis point in the post-tax discount rate and a decrease of 0.1 basis point in the perpetual growth rate and in normative cash flows.

19.3. Impairment losses recognised during the period

The impairment tests carried out by the Group in 2015 gave rise to the recognition of an impairment loss against the goodwill of the PUMA CGU (€123.0 million), against the goodwill of one of the Other Luxury brands CGU (€27.0 million), and against one of the Other Sport & Lifestyle brands (€24.0 million). The impairment losses recognised against the goodwill of PUMA and the goodwill of one of the Other Luxury brands result from the difference

between the carrying amount of these CGUs and their recoverable amounts. For PUMA, this difference chiefly reflects strong currency volatility in 2015.

The expense is recognised in the income statement under "Other non-recurring operating income and expenses" (see Note 9).

The impairment tests carried out by the Group in 2014 gave rise to the recognition of an impairment loss against the goodwill of the CGU of Other Sport & Lifestyle brands amounting to €189.0 million. This loss reflected the difference between the carrying amount of the Other Sport & Lifestyle brands CGU and its recoverable amount against a backdrop of a squeeze on margins in the Action Sport segment.

note 20 – investments in equity-accounted companies

(in € millions)	2015	2014
Investments in equity-accounted companies	20.9	23.2

As of December 31, 2015, investments in equity-accounted companies essentially included Wilderness, Tomas Maier and Altuzarra shares.

The market value of the Group's interest in Wilderness amounts to €19.0 million. Wilderness' consolidated financial statements are available on its website, at <http://www.wilderness-holdings.com>.

note 21 – non-current financial assets

Non-current financial assets break down as follows:

<i>(in € millions)</i>	2015	2014
Non-consolidated investments	156.6	140.3
Derivative financial instruments		0.4
Available-for-sale financial assets	20.7	20.0
Loans and receivables due from non-consolidated investments	37.3	17.9
Deposits and guarantees	157.8	141.7
Other	86.0	79.7
Total	458.4	400.0

note 22 – inventories

<i>(in € millions)</i>	2015	2014
Commercial inventories	2,508.4	2,399.1
Industrial inventories	460.3	445.4
Gross amount	2,968.7	2,844.5
Allowances	(777.5)	(609.8)
Carrying amount	2,191.2	2,234.7
Movements in allowances	2015	2014
As of January 1	(609.8)	(568.7)
Additions	(241.1)	(40.2)
Reversals	196.6	22.1
Changes in Group structure	(87.9)	
Assets classified as held for sale and discontinued operations		(5.5)
Translation adjustments	(35.3)	(17.5)
As of December 31	(777.5)	(609.8)

No inventories were pledged to secure liabilities as of December 31, 2015 or December 31, 2014.

The amount of inventories recognised during the period under “Cost of sales” is €30.7 million (€263.7 million in 2014).

note 23 – trade receivables

<i>(in € millions)</i>	2015	2014
Trade receivables	1,211.2	1,103.9
Allowances	(74.1)	(73.9)
Carrying amount	1,137.1	1,030.0
Movements in allowances	2015	2014
As of January 1	(73.9)	(86.5)
Net reversals	3.0	16.1
Changes in Group structure	0.1	(3.1)
Assets classified as held for sale and discontinued operations	(1.1)	0.8
Translation adjustments	(2.2)	(1.2)
As of December 31	(74.1)	(73.9)

Provisions are calculated on the basis of the probability of recovering the receivables concerned. Trade receivables break down by age as follows:

<i>(in € millions)</i>	2015	2014
Not past due	915.5	848.8
Less than one month past due	147.4	121.1
One to six months past due	93.0	75.1
More than six months past due	55.3	58.9
Allowance for doubtful receivables	(74.1)	(73.9)
Carrying amount	1,137.1	1,030.0

No trade receivables were pledged to secure liabilities as of December 31, 2015 or December 31, 2014.

note 24 – other current assets and liabilities

<i>(in € millions)</i>	2014	Working capital cash flows	Other cash flows	Changes in Group structure	Translation adjustments and other	2015
Inventories	2,234.7	70.1		(72.1)	(41.5)	2,191.2
Trade receivables	1,030.0	71.9		(3.1)	38.3	1,137.1
Other current financial assets and liabilities	(240.5)	0.6	17.5	(0.2)	64.9	(157.7)
Current tax receivables/payables	(139.5)		(56.0)	(13.5)	(1.8)	(210.8)
Trade payables	(982.8)	74.4		1.5	(32.8)	(939.7)
Other	(977.5)	2.3		(10.2)	36.3	(949.1)
Other current assets and liabilities	924.4	219.3	(38.5)	(97.6)	63.4	1,071.0

Other current financial assets and liabilities primarily comprise derivative financial instruments (see Note 31).

Given the nature of its activities, the Group's exposure to customer default would not have a material impact on its business, financial position or net assets.

note 25 – equity

As of December 31, 2015, the share capital amounted to €505,117,288, comprising 126,279,322 fully paid-up shares with a par value of €4 each (126,226,490 shares with a par value of €4 each as of December 31, 2014).

25.1. Kering treasury shares and options on Kering shares

In 2015, the Group made a net acquisition of 6,061 treasury shares, resulting from the following transactions:

- the acquisition of 1,683,029 shares under the liquidity agreement;
- the disposal of 1,683,029 shares under the liquidity agreement;
- the acquisition of 8,021 Kering shares to be allotted to employees under the 2011 and 2012 free share plans;
- the allotment of 8,090 shares which mature in 2011 to employees under the May 2015 free share plan;
- the acquisition of 125,000 Kering shares to be allotted to employees under the 2007 stock purchase option plan;
- the disposal of 116,470 shares to employees under the May 2007 stock purchase option plan and 2,400 shares under the September 2007 stock purchase option plan.

As a result of the various stock subscription options exercised in 2015, the share capital increased by 12,832 shares.

As of December 31, 2015, Kering's share capital therefore comprises 126,279,322 shares with a par value of €4 each.

On May 26, 2004, Kering signed an agreement with a financial broker in order to improve the liquidity of the Group's shares and ensure share price stability. This agreement complies with the Professional Code of Conduct drawn

up by the French association of financial and investment firms (*Association française des marchés financiers* – AMAFI) and approved by the French financial markets authority (*Autorité des marchés financiers* – AMF). The agreement was initially endowed with €40.0 million, half of which was provided in cash and half in Kering shares. An additional €20.0 million in cash was allocated to the agreement on September 3, 2004, and a further €30.0 million on December 18, 2007.

As of December 31, 2015, Kering did not hold any treasury shares in connection with the liquidity agreement (no treasury shares were held under the agreement as of December 31, 2014). Outside the scope of the liquidity agreement, Kering holds 27,598 treasury shares to be granted to employees under the 2012 free share plans which mature in 2016. Kering no longer holds any shares pending allocation to stock purchase option plans (21,537 shares as of December 31, 2014).

25.2. Appropriation of 2015 net income

At its February 18, 2016 meeting, the Board decided that, at the Annual General Meeting to be held to approve the financial statements for the year ended December 31, 2015, it will ask shareholders to approve a €4.00 per-share cash dividend for 2015.

An interim dividend amounting to €1.50 per share was paid on January 25, 2016 pursuant to a decision by the Board of Directors on December 16, 2015.

If the final dividend is approved, the total cash dividend payout in 2016 will amount to €505.1 million.

The cash dividend paid for 2014 amounted to €4.00 per share, representing a total payout of €505.0 million (no dividends are paid on treasury shares).

note 26 – employee benefits

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

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

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

- **Retirement termination payments and long-service bonuses – France**

In France, retirement termination payments are fixed and paid by the company to the employee on retirement. The amount paid depends on the years of service on retirement and is defined in the relevant collective bargaining agreements.

Payments under retirement plans do not confer any vested entitlement to employees until they reach retirement age (unvested rights).

Termination payments are not related to other statutory retirement benefits such as pensions paid by social security bodies or top-up pension funds such as ARRCO and AGIRC in France.

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

- **Final salary type supplementary pension plans – UK**

In the UK, the Group operates two pension plans: a standard plan and a special plan for managerial-grade employees (*cadres*).

These plans are subject to the minimum funding requirement introduced in the UK by the Pensions Act 2004. The value of the plans is assessed at least once every three years to determine if the minimum funding requirement is satisfied.

The plans are managed by a Board of Trustees appointed by plan participants. The Board is responsible for obtaining plan valuations, fixing the desired funding threshold and the contributions payable by the Company, managing benefit payments, investing plan assets, and determining the plan's investment strategy after consulting with the Company.

- **Statutory dismissal compensation (TFR) – Italy**

The TFR (*Trattamento di Fine Rapporto*) plans in Italy were created by Act no. 297 adopted on May 29, 1982.

They offer a deferred benefit and are applicable to all workers in the private sector.

Payments are due under these plans on termination of employment. The benefits paid are the same regardless of the reason for departure (resignation, termination at the employer's initiative, death, incapacity, retirement).

Since 2007, companies with at least 50 employees must transfer their TFR funding to an external fund manager. This concerns the large majority of plans operated by Kering group companies.

- **Mandatory supplementary pension plans (LPP) – Switzerland**

In Switzerland, pension plans are defined contribution plans which guarantee a minimum yield and provide for a fixed salary conversion rate on retirement.

The pension plan operated by each entity in Switzerland offers benefits over and above those stipulated in the LPP/BVG pension law, which contains a minimum requirement for Swiss companies to sponsor pension plans.

Most of the Group's pension plans in Switzerland are operated as separate legal entities in the form of a foundation. The Board of Trustees of the foundation, comprising an equal number of employer and employee representatives, is responsible for administering the plan. The foundation bears any investment and longevity risks.

Other plans operated by the Group's Swiss entities are affiliated to two different plans, or collective foundations. The pensions committee is responsible for supervising the plan, and comprises an equal number of employer and employee representatives. The foundation bears any investment and longevity risks and insures some of its risk with an insurance company.

The large majority of plans operated by Kering group companies in Switzerland are currently over-funded compared to local practices and no additional funding is therefore required.

26.1. Changes during the year

Changes in the present value of the defined benefit obligation and the fair value of plan assets in the year are shown below:

(in € millions)

	Dec. 31, 2015					
	Present value of obligation	Fair value of plan assets	Financial position	Change	Provision	Other comprehensive income
						Expense recognised
As of January 1	227.3	106.6	120.7		120.7	
Current service cost	16.0		16.0		16.0	(16.0)
Curtailments and settlements	(3.2)	(3.2)				
Interest cost	5.4		5.4		5.4	(5.4)
Interest income on plan assets		3.0	(3.0)		(3.0)	3.0
Past service cost	(1.1)		(1.1)		(1.1)	1.1
Actuarial gains and losses						
<i>Impact of changes in demographic assumptions</i>	(1.7)		(1.7)		(1.7)	1.7
<i>Impact of changes in financial assumptions</i>	9.3		9.3		9.3	(9.3)
<i>Impact of experience adjustments</i>	(0.5)		(0.5)		(0.5)	0.5
<i>Return on plan assets (excluding interest income)</i>		3.2	(3.2)		(3.2)	3.2
<i>Effect of asset ceiling</i>						
Benefits paid	(14.5)	(8.3)	(6.2)		(6.2)	
Contributions paid by beneficiaries	5.0	5.0				
Contributions paid by employer		7.3	(7.3)		(7.3)	
Changes in Group structure	32.7	20.3	12.4		12.4	
Assets classified as held for sale and discontinued operations	(1.6)		(1.6)		(1.6)	(27.3)
Insurance premium for risk benefits	(1.2)	(1.2)				
Administrative expense		(0.7)	0.7		0.7	(0.7)
Exchange differences	10.6	8.2	2.4		2.4	
As of December 31	282.5	140.2	142.3		142.3	(31.2)
<i>o/w continuing operations</i>					142.3	(18.1)
<i>o/w discontinued operations</i>						

(in € millions)

Dec. 31, 2014

	Present value of obligation	Fair value of plan assets	Financial position	Change	Provision	Other comprehensive income	Expense recognised
As of January 1	328.9	214.7	114.2	9.3	123.5		
Current service cost	9.0		9.0		9.0		(9.0)
Curtailments and settlements	(3.1)	(1.4)	(1.7)		(1.7)		3.1
Interest cost	5.6		5.6		5.6		(5.6)
Interest income on plan assets		2.8	(2.8)		(2.8)		2.8
Past service cost	(1.5)		(1.5)		(1.5)		1.5
Actuarial gains and losses							
<i>Impact of changes in demographic assumptions</i>	(0.2)		(0.2)		(0.2)	0.2	
<i>Impact of changes in financial assumptions</i>	25.0		25.0		25.0	(25.0)	
<i>Impact of experience adjustments</i>	4.4		4.4		4.4	(4.4)	
<i>Return on plan assets (excluding interest income)</i>		2.5	(2.5)		(2.5)	2.5	
<i>Effect of asset ceiling</i>							
Benefits paid	(12.8)	1.1	(13.9)		(13.9)		
Contributions paid by beneficiaries	4.8		4.8		4.8		
Contributions paid by employer		6.8	(6.8)		(6.8)		
Changes in Group structure	(25.5)	(0.3)	(25.2)		(25.2)		
Assets classified as held for sale and discontinued operations	(110.4)	(121.3)	10.9	(9.3)	1.6	27.3	(27.3)
Insurance premium for risk benefits	(0.9)	(0.9)					
Administrative expense		(0.6)	0.6		0.6		(0.5)
Exchange differences	4.0	3.2	0.8		0.8		
As of December 31	227.3	106.6	120.7		120.7	0.6	(35.0)
<i>o/w continuing operations</i>					119.1		(7.7)
<i>o/w discontinued operations</i>					1.6		(27.3)

As of December 31, 2015, the present value of the benefit obligation amounted to €282.5 million, breaking down as:

- €225.2 million in respect of fully or partially funded plans (€166.6 million as of end-2014).
- €57.3 million in respect of wholly unfunded plans (€60.7 million as of end-2014);

The breakdown of the present value of the benefit obligation by type of plan and country as of December 31, 2015 was as follows:

(in € millions)	2015	2014
Retirement gratuities – France	19.9	22.2
Long-service awards – France		0.1
Statutory dismissal compensation (TFR) – Italy	33.5	35.9
Supplementary pension plans – United Kingdom	37.9	35.2
Supplementary pension plans (LPP) – Switzerland	157.6	100.6
Other	33.6	33.3
Present value of benefit obligation as of December 31	282.5	227.3

The Group expects to pay an estimated €7.3 million in contributions in 2016.

(in € millions)	Total 2015	France	Switzerland	Italy	Other
Employer contributions in respect of 2016	7.3		5.4		1.9
Benefits					
2016	9.0	0.2	5.4	1.5	1.9
2017	8.4	0.3	4.8	1.4	1.9
2018	9.0	0.5	5.4	1.2	1.9
2019	8.4	0.3	4.7	1.4	2.0
2020	89.4	81.3	4.6	1.5	2.0
2021/ 2024	429.8	389.9	21	8.9	10.0

Funded defined benefit plan assets break down as follows:

- debt instruments account for 34.3%, or €48.2 million (31.6%, or €33.6 million as of end-2014);
- equity instruments account for 18.1%, or €25.4 million (19.7%, or €21.0 million as of end-2014);
- insurance policies account for 11.4%, or €16.0 million, and investment funds 14.0%, or €19.6 million (30.2% of the total fair value of plan assets, or €32.2 million as of end-2014);
- property accounts for 12.1%, or €16.9 million (11.0%, or €11.7 million as of end-2014);

- other assets account for 10.1%, or €14.2 million (7.5%, or €8.0 million as of end-2014).

In accordance with the option provided under IAS 19 as revised in December 2004 and the obligation set out in IAS 19R effective as of January 1, 2013, the Group recognises actuarial gains and losses on defined benefit plans in other comprehensive income for the period.

In 2015, actuarial gains were recognised for a total of €31.2 million (see Note 14).

Cumulative actuarial gains and losses recognised in other comprehensive income since January 1, 2004 amounted to €71.1 million as of December 31, 2015.

26.2. Actuarial assumptions

The main actuarial assumptions used to estimate the Group's obligations are as follows:

	France		Switzerland		Italy		UK	
	2015	2014	2015	2014	2015	2014	2015	2014
Average maturity of plans	12.0	12.0	17.0	17.0	11.0	11.0	24.0	24.0
Discount rate	2.00%	2.00%	0.90%	1.50%	2.00%	2.00%	4.00%	4.10%
Expected rate of increase in salaries	3.27%	3.15%	1.17%	1.91%	2.86%	3.00%	4.20%	4.20%
Inflation rate	1.75%	2.00%	0.60%	0.80%	1.75%	2.00%	2.50%	2.50%

Based on the actuarial assumptions in the table above, the sensitivity tests carried out show that the impact of a 50 basis-point increase or decrease in the discount rate would not be material and would represent less than 0.4% of consolidated equity.

The Group's discount rate is determined by reference to the yield on corporate bonds rated AA with a maturity similar to the plans in question.

note 27 – provisions

<i>(in € millions)</i>	2014	Charge	Reversal (utilised provision)	Reversal (surplus provision)	Translation adjustments	Other	2015
Provisions for restructuring costs							
Provisions for claims and litigation	8.0	1.3	(1.5)	(0.4)	(0.2)	(0.6)	6.6
Other provisions	41.3	32.4	(0.6)	(0.5)	3.1		75.7
Other non-current provisions	49.3	33.7	(2.1)	(0.9)	2.9	(0.6)	82.3
Provisions for restructuring costs	28.4	20.0	(19.6)	0.1	0.3	(4.0)	25.2
Provisions for claims and litigation	78.0	4.8	(5.9)	(7.3)	0.1	(19.8)	49.9
Other provisions	119.2	17.9	(77.5)	(9.2)	0.6	31.2	82.2
Other current provisions	225.6	42.7	(103.0)	(16.4)	1.0	7.4	157.3
Total	274.9	76.4	(105.1)	(17.3)	3.9	6.8	239.6
Impact on income	(99.1)	(76.4)		17.3			(59.1)
– on recurring operating income	(10.3)	(21.1)		1.5			(19.6)
– on other non-recurring operating income and expenses	(8.6)	(45.2)		7.1			(38.1)
– on net finance costs		(0.1)					(0.1)
– on income taxes							
– on net income (loss) from discontinued operations	(80.2)	(10.0)		8.7			(1.3)

Provisions for claims and litigation mainly relate to claims brought by third parties and litigation with tax authorities in various countries.

“Other provisions” mainly correspond to vendor warranties granted as part of prior disposals.

Other provisions decreased in 2015 compared with end-2014 due mainly to the discharge of vendor warranties granted in connection with the sale of Redcats and to the write-back of a provision for tax risks as the corresponding risks were extinguished during the period.

note 28 – cash and cash equivalents

28.1. Breakdown by category

Cash and cash equivalents break down as follows:

<i>(in € millions)</i>	2015	2014
Cash	943.5	1,033.3
Cash equivalents	202.9	56.6
Total	1,146.4	1,089.9

As of December 31, 2015, cash equivalents include mutual funds, certificates of deposit and term deposits and accounts with a maturity of less than three months.

The items classified by the Group as cash and cash equivalents strictly comply with the AMF's position published in 2008 and updated in 2011 and 2013. In

particular, cash investments are reviewed on a regular basis in accordance with Group procedures and in strict compliance with the eligibility criteria set out in IAS 7 and the AMF's recommendations. As of December 31, 2015, no reclassifications were made as a result of these reviews.

28.2. Breakdown by currency

<i>(in € millions)</i>	2015	%	2014	%
EUR	528.9	46.1%	446.3	41.0%
USD	114.1	10.0%	159.3	14.6%
CNY	86.3	7.5%	40.5	3.7%
KRW	62.9	5.5%	38.7	3.6%
GBP	54.4	4.8%	42.6	3.9%
CHF	44.7	3.9%	74.2	6.8%
HKD	41.4	3.6%	73.6	6.7%
Other currencies	213.7	18.6%	214.7	19.7%
Total	1,146.4		1,089.9	

note 29 – borrowings

29.1. Breakdown of borrowings by maturity

<i>(in € millions)</i>	2015	Y+1	Y+2	Y+3	Y+4	Y+5	Beyond
Non-current borrowings	4,039.9		447.8	593.0	536.6	692.7	1,769.8
Bonds	3,674.5		349.4	498.2	497.0	635.8	1,694.1
Confirmed lines of credit							
Other bank borrowings	234.4		84.4	82.2	3.9	42.1	21.8
Obligations under finance leases	63.5		4.8	5.4	3.5	3.9	45.9
Other borrowings	67.5		9.2	7.2	32.2	10.9	8.0
Current borrowings	1,785.9	1,785.9					
Bonds							
Confirmed lines of credit							
Drawdowns on unconfirmed lines of credit	105.4	105.4					
Other bank borrowings	79.0	79.0					
Obligations under finance leases	7.6	7.6					
Bank overdrafts	243.5	243.5					
Commercial paper	1,299.7	1,299.7					
Other borrowings	50.7	50.7					
Total	5,825.8	1,785.9	447.8	593.0	536.6	692.7	1,769.8
%		30.6%	7.7%	10.2%	9.2%	11.9%	30.4%

<i>(in € millions)</i>	2014	Y+1	Y+2	Y+3	Y+4	Y+5	Beyond
Non-current borrowings	3,192.2		184.1	442.5	540.5	535.8	1,489.3
Bonds	2,640.4			349.1	497.6	496.2	1,297.5
Confirmed lines of credit							
Other bank borrowings	188.2		58.5	70.3	31.3	3.8	24.3
Obligations under finance leases	64.7		4.3	4.6	4.9	5.1	45.8
Other borrowings	298.9		121.3	18.5	6.7	30.7	121.7
Current borrowings	2,288.4	2,288.4					
Bonds	750.0	750.0					
Confirmed lines of credit							
Drawdowns on unconfirmed lines of credit	133.9	133.9					
Other bank borrowings	75.8	75.8					
Obligations under finance leases	6.9	6.9					
Bank overdrafts	284.5	284.5					
Commercial paper	969.8	969.8					
Other borrowings	67.5	67.5					
Total	5,480.6	2,288.4	184.1	442.5	540.5	535.8	1,489.3
%		41.7%	3.4%	8.1%	9.9%	9.8%	27.1%

All gross borrowings as of December 31, 2015 are recognised at amortised cost based on an effective interest rate determined after taking into account any identified issue costs and redemption or issue premiums relating to each liability.

Bond issues represented 63.1% of gross borrowings as of December 31, 2015 and 61.9% as of end-2014.

Borrowings with a maturity of more than one year represented 69.4% of total gross borrowings as of December 31, 2015 and 58.3% as of December 31, 2014.

The total amount of confirmed lines of credit was €4,152.7 million at the end of the reporting period, including €20.9 million available in the form of short-term loans.

Short-term drawdowns on facilities backed by confirmed lines of credit maturing in more than one year are included in non-current borrowings.

Accrued interest is recorded in "Other borrowings".

29.2. Breakdown by repayment currency

(in € millions)	2015	Non-current borrowings	Current borrowings	%	2014	%
EUR	4,936.5	3,493.0	1,443.5	84.7%	4,738.5	86.5%
JPY	377.0	189.1	187.9	6.5%	374.0	6.8%
USD	341.5	320.5	21.0	5.9%	60.1	1.1%
CNY	84.0		84.0	1.4%	84.8	1.5%
CHF	26.8	22.2	4.6	0.5%	163.0	3.0%
HKD	8.1	8.0	0.1	0.1%	12.9	0.2%
Other currencies	51.9	7.1	44.8	0.9%	47.3	0.9%
Total	5,825.8	4,039.9	1,785.9		5,480.6	

Borrowings denominated in currencies other than the euro are distributed to Group subsidiaries for local financing purposes.

29.3. Breakdown of gross borrowings by category

The Kering group's gross borrowings break down as follows:

(in € millions)	2015	2014
Bonds	3,674.5	3,390.4
Other bank borrowings	313.4	264.0
Confirmed lines of credit		
Drawdowns on unconfirmed lines of credit	105.4	133.9
Commercial paper	1,299.7	969.8
Obligations under finance leases	71.1	71.6
Bank overdrafts	243.5	284.5
Other borrowings	118.2	366.4
Total	5,825.8	5,480.6

Group borrowings primarily consist of bonds, bank borrowings and commercial paper issues, which account for 92.8% of gross borrowings as of December 31, 2015 (91.1% as of December 31, 2014).

As of December 31, 2015, the Group's other borrowings included €75.7 million concerning put options granted to non-controlling shareholders (see Note 2.3.2).

29.4. Description of the main bond issues

Kering bond issues

The Group has a Euro Medium Term Notes (EMTN) programme capped at €5,000 million as of December 31, 2015.

This programme was signed and approved by Luxembourg's financial sector supervisory commission (*Conseil de Surveillance du Secteur Financier – CSSF*) on December 2, 2015. The programme existing as of December 31, 2015 expires on December 2, 2016.

As of December 31, 2015, the bonds issued under this programme totalled €3,675.6 million, of which €275.6 million were issued in US dollars.

All borrowings benefit from the rating awarded to the Kering group by Standard & Poor's ("BBB" with a stable outlook) and are not subject to any financial covenants.

(in € millions)

Par value	Issue interest rate	Effective interest rate	Issue date	Documented/ non-documented hedge	Maturity	2015	2014
150.0 ⁽¹⁾	6.50% fixed	6.57%	06/29/2009	-	06/29/2017	149.7	149.6
200.0 ⁽²⁾	6.50% fixed	6.57%	11/06/2009	-	11/06/2017	199.7	199.5
750.0 ⁽³⁾	3.75% fixed	3.87% & 3.24%	04/08/2010 & 01/26/2012	-	04/08/2015		750.0
500.0 ⁽⁴⁾	3.125% fixed	3.31%	04/23/2012	-	04/23/2019	497.0	496.2
500.0 ⁽⁵⁾	2.50% fixed	2.58%	07/15/2013	-	07/15/2020	498.3	497.9
500.0 ⁽⁶⁾	1.875% fixed	2.01%	10/08/2013	-	10/08/2018	498.2	497.6
500.0 ⁽⁷⁾	2.75% fixed	2.81% & 2.57% & 2.50% & 2.01% & 1.87%	04/08/2014 & 05/30/2014 & 06/26/2014 & 09/22/2015 & 11/05/2015	-	04/08/2024	514.3	302.8
500.0 ⁽⁸⁾	1.375% fixed	1.47%	10/01/2014	-	10/01/2021	497.2	496.8
500.0 ⁽⁹⁾	0.875% fixed	1.02%	03/27/2015	-	03/28/2022	495.6	
50.0 ⁽¹⁰⁾	1.60% fixed	1.66%	04/16/2015	-	04/16/2035	49.5	

(1) Issue price: bond issue on June 29, 2009, comprising 3,000 bonds with a par value of €50,000 each under the EMTN programme.
Redemption: in full on June 29, 2017.

(2) Issue price: bond issue on November 6, 2009, comprising 4,000 bonds with a par value of €50,000 each under the EMTN programme.
Redemption: in full on November 6, 2017.

(3) Issue price: bond issue on April 8, 2010, comprising 500,000 bonds with a par value of €1,000 each under the EMTN programme, and 250,000 additional bonds issued on January 26, 2012, thereby raising the issue to 750,000 bonds.
Redemption: in full on April 8, 2015.

(4) Issue price: bond issue on April 23, 2012, comprising 500,000 bonds with a par value of €1,000 each under the EMTN programme.
Redemption: in full on April 23, 2019.

(5) Issue price: bond issue on July 15, 2013, comprising 5,000 bonds with a par value of €100,000 each under the EMTN programme.
Redemption: in full on July 15, 2020.

(6) Issue price: bond issue on October 8, 2013, comprising 5,000 bonds with a par value of €100,000 each under the EMTN programme.
Redemption: in full on October 8, 2018.

(7) Issue price: bond issue on April 8, 2014, comprising 1,000 bonds with a par value of €100,000 each under the EMTN programme, 1,000 additional bonds issued on May 30, 2014, 1,000 additional bonds issued on June 26, 2014, 1,500 additional bonds issued on September 22, 2015 and 500 additional bonds issued on November 5, 2015, thereby raising the issue to 5,000 bonds.
Redemption: in full on April 8, 2024.

(8) Issue price: bond issue on October 1, 2014, comprising 5,000 bonds with a par value of €100,000 each under the EMTN programme.
Redemption: in full on October 1, 2021.

(9) Issue price: bond issue on March 27, 2015, comprising 5,000 bonds with a par value of €100,000 each under the EMTN programme.
Redemption: in full on March 28, 2022.

(10) Issue price: bond issue on April 16, 2015, comprising 500 bonds with a par value of €100,000 each under the EMTN programme.
Redemption: in full on April 16, 2035.

Kering USD bond issues*(in € millions)*

Par value	Issue interest rate	Effective interest rate	Issue date	Documented/ non-documented hedge	Maturity	2015	2014
137.8 ⁽¹⁾	Floating 3-month USD Libor +0.73%	1.30%	03/09/2015	2.589% fixed-rate swap for the full amount <i>Documented under IFRS</i>	03/09/2020	137.5	
137.8 ⁽²⁾	2.887% fixed	2.94%	06/09/2015	-	06/09/2021	137.5	

(1) Issue price: bond issue on March 9, 2015 in the form of floating-rate notes, comprising 150 notes with a par value of USD 1,000,000 under the EMTN programme, i.e., representing a total of USD 150 million.
Redemption: in full on March 9, 2020.

(2) Issue price: bond issue on June 9, 2015, comprising 150 bonds with a par value of USD 1,000,000 each under the EMTN programme, i.e., representing a total of USD 150 million.
Redemption: in full on June 9, 2021.

The bonds issued between 2009 and 2015 within the scope of the EMTN programme are all subject to change-of-control clauses entitling bondholders to request early redemption at par if Kering's rating is downgraded to non-investment grade following a change of control.

In addition, the bonds issued in 2009 and 2010 include a step-up coupon clause that applies in the event that Kering's rating is downgraded to non-investment grade.

The corresponding amounts are recognised in the statement of financial position at amortised cost based on the effective interest rate, taking account of the fair value adjustment resulting from the hedging relationship documented in accordance with IAS 39.

Accrued interest is recorded in "Other borrowings".

29.5. Main bank borrowings and confirmed lines of credit

29.5.1. Breakdown of main bank borrowings

The Group has the following bank borrowings:

Long- and medium-term borrowings contracted by the Luxury Division

(in € millions)

Par value	Issue interest rate	Effective interest rate	Issue date	Documented/ non-documented hedge	Maturity	2015	2014
30.5 ⁽¹⁾	Floating JPY Tibor +0.35%	-	03/31/2011	-	03/31/2016	3.1	8.3
32.4 ⁽²⁾	Floating JPY Tibor +0.45%	-	12/14/2011	-	09/15/2016		11.7
35.9 ⁽³⁾	Floating JPY Tibor +0.50%	-	09/27/2012	-	09/28/2015		10.9
43.9 ⁽⁴⁾	Floating JPY Tibor +0.45%	-	09/30/2013	-	09/30/2016	32.2	33.8
34.8 ⁽⁵⁾	Floating JPY Tibor +0.38%	-	04/15/2014	-	04/15/2017	28.7	29.2
30.5 ⁽⁶⁾	Floating JPY Tibor +0.40%	-	12/14/2014	-	12/14/2018	30.5	27.5
38.1 ⁽⁷⁾	Floating JPY Tibor +0.40%	-	04/15/2015	-	04/15/2020	38.1	

(1) Redeemable loan contracted in March 2011 for JPY 4,000 million (€30.5 million). The outstanding balance on this loan was JPY 400 million (€3.1 million) as of December 31, 2015.

(2) Redeemable loan contracted in December 2011 for JPY 4,250 million (€32.4 million), repaid ahead of maturity in April 2015.

(3) Redeemable loan contracted in September 2012 for JPY 4,700 million (€35.9 million).

(4) Redeemable loan contracted in September 2013 for JPY 5,756 million (€43.9 million). The outstanding balance on this loan was JPY 4,225 million (€32.2 million) as of December 31, 2015.

(5) Redeemable loan contracted in April 2014 for JPY 4,560 million (€34.8 million). The outstanding balance on this loan was JPY 3,760 million (€28.7 million) as of December 31, 2015.

(6) Loan contracted in December 2014 for JPY 4,000 million (€30.5 million).

(7) Loan contracted in April 2015 for JPY 5,000 million (€38.1 million).

29.5.2. Confirmed lines of credit available to the Group

As of December 31, 2015, the Group had access to €4,152.7 million in confirmed lines of credit versus €4,144.2 million as of December 31, 2014.

29.5.3. Breakdown of confirmed lines of credit

Kering and Kering Finance SNC: €3,901.0 million breaking down by maturity as follows:

(in € millions)	2015	Less than one year	One to five years	More than five years	2014
Confirmed lines of credit	3,901.0		3,901.0		3,901.0

The confirmed lines of credit include a syndicated facility for €2.5 billion signed on June 27, 2014 and initially maturing in June 2019. This facility provides for two one-year loan extension options. In June 2015 the Group confirmed that it would exercise one extension option. As a result, €2,442.5 million of this syndicated facility now matures in June 2020 and the remaining €57.5 million in June 2019.

As of December 31, 2015, the Group still has a one-year extension option.

This June 2014 syndicated loan had not been drawn by the Group as of December 31, 2015. Total confirmed undrawn credit lines available to Kering and Kering Finance SNC amounted to €3,901.0 million as of December 31, 2015.

Other confirmed lines of credit: €251.7 million breaking down by maturity as follows:

(in € millions)	2015	Less than one year	One to five years	More than five years	2014
PUMA ⁽¹⁾	251.7	244.7	7.0		243.2

(1) PUMA: including €20.9 million drawn down in the form of bank borrowings as of the end of December 2015.

The Group's confirmed bank lines of credit are governed by the standard commitment and default clauses customarily included in this type of agreement: *pari passu* ranking, a negative-pledge clause that limits the security that can be granted to other lenders, and a cross-default obligation.

Kering and Kering Finance SNC confirmed lines of credit include a default clause (early repayment) in the event of failure to comply with the following financial covenant: Consolidated net debt/Consolidated EBITDA less than or equal to 3.75. This ratio is calculated based on pro forma data.

As of December 31, 2015, Kering and Kering Finance SNC had not drawn down any of the €3,901.0 million available under confirmed lines of credit subject to this covenant.

The Group was in compliance with all these covenants as of December 31, 2015 and there is no foreseeable risk of breach.

The undrawn balance on these confirmed lines of credit as of December 31, 2015 was €4,131.8 million (€4,125.5 million as of December 31, 2014).

The undrawn confirmed lines of credit guarantee the Group's liquidity and back the commercial paper issue programme, on which a total of €1,299.7 million remained outstanding as of December 31, 2015 (€969.8 million as of December 31, 2014).

note 30 – exposure to interest rate, foreign exchange and equity risk

The Group uses derivative financial instruments to manage its exposure to market risks.

Derivatives used by the Group as of December 31, 2015 are described below.

30.1. Exposure to interest rate risk

To manage interest rate risk on its financial assets and liabilities, and particularly on its borrowings, the Kering group uses instruments with the following outstanding notional amounts:

<i>(in € millions)</i>	2015	Y+1	Y+2	Y+3	Y+4	Y+5	Beyond	2014
Swaps: fixed-rate lender	500.0	400.0		100.0				400.0
Swaps: fixed-rate borrower	149.6					137.8	11.8	13.1
Other interest rate instruments	100.0			100.0				200.0
Total	749.6	400.0		200.0		137.8	11.8	613.1

In accordance with the interest rate risk hedging policy, these instruments are chiefly designed to convert fixed interest rates on negotiable debt securities, fixed-rate borrowings and credit line drawdowns into floating rates.

The Group has also entered into fixed-rate lender swaps in an amount of €600 million.

These instruments also convert floating-rate bonds into fixed-rate debt.

As of December 31, 2015, fixed-rate borrower swaps for a notional amount of USD 150 million convert all USD bond debt initially issued at floating rates into fixed-rate debt.

In accordance with IAS 39, these financial instruments were analysed with respect to hedge accounting eligibility criteria.

As of December 31, 2015, documented and non-documented financial instruments can be analysed as follows:

<i>(in € millions)</i>	2015	Fair value hedges	Cash flow hedges	Non-documented hedges
Swaps: fixed-rate lender	500.0			500.0
Swaps: fixed-rate borrower	149.6		149.6	
Other interest rate instruments	100.0			100.0
Total	749.6		149.6	600.0

These interest rate derivatives are recognised in the statement of financial position at their market value at the end of the reporting period.

The accounting treatment of fair value movements depends on the purpose of the derivative instrument and the resulting accounting classification.

In the case of interest rate derivatives designated as fair value hedges, fair value movements are recognised in net income for the period, fully or partly offsetting symmetrical changes in the fair value of the hedged debt. The ineffective portion impacts net finance costs for the period.

In the case of interest rate derivatives designated as cash flow hedges, the effective portion of changes in fair value is initially recognised in other comprehensive income and subsequently taken to income when the hedged position itself affects income. The ineffective portion impacts net finance costs for the period.

Movements in the fair value of non-documented derivative instruments are recognised directly in income, with an impact on net finance costs for the period.

As of December 31, 2015, derivative instruments that did not qualify for hedge accounting under IAS 39 primarily comprised options in the form of interest rate swaps intended to hedge revolving financing issued at fixed rates.

The Group's exposure to interest rate risk before the impact of hedging is presented below, with a distinction made between:

- fixed-rate financial assets and liabilities, exposed to a price risk before hedging:

(in € millions)	2015	2015 maturities			2014
		Less than one year	One to five years	More than five years	
Fixed-rate financial assets	58.1	14.3	43.8		60.1
Bonds	3,537.0		1,842.9	1,694.1	3,390.4
Commercial paper	1,299.7	1,299.7			929.8
Other borrowings	28.4	3.1	25.0	0.3	28.1
Fixed-rate financial liabilities	4,865.1	1,302.8	1,867.9	1,694.4	4,348.3

- floating-rate financial assets and liabilities, exposed to a cash flow risk before hedging:

(in € millions)	2015	2015 maturities			2014
		Less than one year	One to five years	More than five years	
Floating-rate financial assets	1,271.2	1,140.7	25.5	105.0	1,125.2
Bonds	137.5		137.5		
Commercial paper					40.0
Other borrowings	823.2	483.1	264.7	75.4	1,092.3
Floating-rate financial liabilities	960.7	483.1	402.2	75.4	1,132.3

The Group's exposure to interest rate risk after the impact of hedging is presented below, with a distinction made between:

- fixed-rate financial assets and liabilities, exposed to a price risk after hedging:

(in € millions)	2015	2015 maturities			2014
		Less than one year	One to five years	More than five years	
Fixed-rate financial assets	58.1	14.3	43.8		60.1
Bonds	3,474.5		1,780.4	1,694.1	3,190.4
Commercial paper	899.7	899.7			529.8
Other borrowings	40.3	4.4	30.6	5.3	41.2
Fixed-rate financial liabilities	4,414.5	904.1	1,811.0	1,699.4	3,761.4

- floating-rate financial assets and liabilities, exposed to a cash flow risk after hedging:

(in € millions)	2015	2015 maturities			2014
		Less than one year	One to five years	More than five years	
Floating-rate financial assets	1,271.2	1,140.7	25.5	105.0	1,125.2
Bonds	200.0		200.0		200.0
Commercial paper	400.0	400.0			440.0
Other borrowings	811.3	481.8	259.1	70.4	1,079.2
Floating-rate financial liabilities	1,411.3	881.8	459.1	70.4	1,719.2

Financial assets and liabilities consist of interest-bearing items recorded in the statement of financial position.

The breakdown of gross borrowings by type of interest rate before and after hedging transactions is as follows:

(in € millions)	2015	Before hedging		After hedging	
		Fixed-rate	Floating-rate	Fixed-rate	Floating-rate
Gross borrowings	5,825.8	4,865.1	960.7	4,414.5	1,411.3
%		83.5%	16.5%	75.8%	24.2%

(in € millions)	2014	Before hedging		After hedging	
		Fixed-rate	Floating-rate	Fixed-rate	Floating-rate
Gross borrowings	5,480.6	4,348.3	1,132.3	3,761.4	1,719.2
%		79.3%	20.7%	68.6%	31.4%

Analysis of sensitivity to interest rate risk

Based on the fixed/floating rate mix after hedging, a sudden 50 basis-point increase or decrease in interest rates would have a full-year impact of €5.2 million on pre-tax consolidated net income. As of December 31, 2014, the impact of a sudden 50 basis-point increase or decrease in interest rates was estimated at €8.4 million (assumption consistent with relative interest rate levels observed at the end of the reporting period).

Based on market data at the end of the reporting period, and the particularly low benchmark interest rates for the Group, the impact of interest rate derivatives and financial liabilities carried at fair value through income was determined assuming a sudden increase or decrease of 50 basis points in the euro and US dollar yield curve as of December 31, 2015.

(in € millions)	Impact on reserves	Impact on income
As of December 31, 2015		
Increase of 50 basis points	2.9	(2.6)
Decrease of 50 basis points	(2.9)	2.3
As of December 31, 2014		
Increase of 50 basis points		(2.8)
Decrease of 50 basis points		2.0

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

The impact on equity is generated by interest rate instruments eligible for cash flow hedge accounting.

The impact on net finance costs is generated by interest rate instruments eligible for cash flow hedge accounting.

These amounts are shown before tax.

30.2. Exposure to foreign exchange risk

The outstanding notional amounts of instruments used by the Kering group to manage its foreign exchange risk are shown below:

(in € millions)	2015	2014
Currency forwards	(3,332.9)	(2,916.5)
Cross currency swaps	(101.5)	(91.6)
Currency options – export tunnels	(55.3)	(267.7)
Currency options – purchases	(137.2)	(22.7)
Currency options – sales		22.7
Total	(3,626.9)	(3,275.8)

The Group primarily uses forward currency contracts and/or currency/cross-currency swaps to hedge commercial import/export risks and to hedge the financial risks stemming in particular from inter-company refinancing transactions in foreign currencies.

The Group may also implement plain vanilla option strategies (purchases of options or tunnels) to hedge future exposures.

These derivative financial instruments were analysed with respect to IAS 39 hedge accounting eligibility criteria. The Group has no derivatives eligible for net investment hedge accounting.

As of December 31, 2015, documented and non-documented derivative instruments were as follows:

(in € millions)

	2015	USD	JPY	GBP
Cash flow hedges				
Forward purchases and forward purchase swaps	929.2	887.1	0.4	40.9
Forward sales and forward sale swaps	(2,815.7)	(937.2)	(392.6)	(280.3)
Currency options – purchases of export tunnels	(55.3)		(55.3)	
Currency options – purchases	(137.2)	(86.3)	(50.9)	
Fair value hedges				
Forward purchases and forward purchase swaps	444.1	233.9	70.1	21.1
Forward sales and forward sale swaps	(1,203.2)	(227.6)	(87.4)	(177.0)
Not documented				
Forward purchases and forward purchase swaps	193.6	187.8	0.1	
Forward sales and forward sale swaps	(880.9)	(557.8)		(27.3)
Cross currency swaps	(101.5)		(101.5)	
Currency options – purchases				
Currency options – sales				
Maturity				
Less than one year				
Forward purchases and forward purchase swaps	1,402.0	1,143.9	70.6	62.0
Forward sales and forward sale swaps	(4,794.9)	(1,718.5)	(451.0)	(470.3)
Currency options – purchases of export tunnels	(55.3)		(55.3)	
Currency options – purchases	(137.2)	(86.3)	(50.9)	
Currency options – sales				
More than one year				
Forward purchases and forward purchase swaps	164.9	164.9		
Forward sales and forward sale swaps	(104.9)	(4.1)	(29.0)	(14.3)
Cross currency swaps	(101.5)		(101.5)	
Currency options – purchases of export tunnels				
Currency options – purchases				
Currency options – sales				

Foreign exchange derivatives are recognised in the statement of financial position at their market value at the end of the reporting period.

Derivatives qualifying as cash flow hedges are used to hedge highly probable future cash flows (not yet recognised) based on a budget for the current budget period (season or catalogue, quarter, half-year, etc.) or certain future cash flows not yet recognised (firm orders).

As of December 31, 2015, the majority of foreign exchange derivatives qualifying as cash flow hedges had a residual maturity of less than one year and are used to hedge cash flows expected to be realised and recognised in the coming reporting period.

Derivatives qualifying as fair value hedges are used to hedge items recognised in the consolidated statement of financial position at the end of the reporting period, or certain future cash flows not yet recognised (firm orders). Hedges of items recognised in the statement of financial position chiefly concern brands in the Luxury Division.

Certain foreign exchange derivatives treated as hedges for management purposes are not documented in accordance with IAS 39 hedge accounting and are therefore recorded as derivatives, with any changes in their fair value impacting net finance costs.

These derivatives mainly hedge items recorded in the statement of financial position and future cash flows which do not satisfy the “highly probable” criteria required by IAS 39.

CHF	HKD	CNY	SGD	TWD	KRW	Other	2014
					0.8		716.4
	(384.3)	(297.6)	(41.2)	(51.2)	(150.5)	(280.8)	(2,112.4) (267.7)
20.8	34.7	22.7	1.0	3.5	11.2	25.1	276.1
(48.8)	(143.2)	(207.3)	(23.8)	(17.6)	(50.0)	(220.5)	(1,024.4)
					2.6	3.1	316.8
(270.2)	(10.1)				(8.5)	(7.0)	(1,089.0) (91.6) (22.7) 22.7
20.8	34.7	22.7	1.0	3.5	14.6	28.2	1,280.1
(319.0)	(536.8)	(498.4)	(65.0)	(65.4)	(199.9)	(470.6)	(4,161.3) (253.2) (22.7) 22.7
							29.2
	(0.8)	(6.5)		(3.4)	(9.1)	(37.7)	(64.5) (91.6) (14.5)

As of December 31, 2015, the exposure to foreign exchange risk on the statement of financial position was as follows:

(in € millions)	2015	USD	JPY	GBP
Monetary assets	3,206.7	1,159.8	218.5	236.1
Monetary liabilities	1,427.3	742.2	409.6	28.9
Gross exposure in the statement of financial position	1,779.4	417.6	(191.1)	207.2
Forecast exposure	2,092.2	132.0	498.4	239.5
Gross exposure before hedging	3,871.6	549.6	307.3	446.7
Hedging instruments	(3,626.8)	(507.8)	(617.1)	(422.6)
Gross exposure after hedging	244.8	41.8	(309.8)	24.1

Monetary assets comprise loans and receivables, bank balances, investments and cash equivalents maturing within three months of the acquisition date.

Monetary liabilities comprise borrowings, operating payables and other payables.

Most of these monetary items are denominated in the functional currency in which the subsidiary operates or are converted into the Group's functional currency using foreign exchange derivatives in accordance with applicable procedures.

Analysis of sensitivity to foreign exchange risk

This analysis excludes the impact of translating the financial statements of each Group entity into the presentation currency (euro) and the measurement of the foreign exchange position of the statement of financial position, not considered material as of the end of the reporting period.

Based on market data as of December 31, 2015, the impact of foreign exchange derivative instruments in the event of a sudden 10% increase or decrease in the euro exchange rate against the principal currencies to which the Group is exposed (USD, JPY and CNY) would be as follows:

As of December 31, 2015 (in € millions)	Impact on reserves		Impact on income	
	10% increase	10% decrease	10% increase	10% decrease
USD	10.2	(5.6)	0.7	(3.4)
JPY	43.5	(49.9)	(0.2)	(0.5)
CNY	27.1	(33.1)	(1.2)	1.4

As of December 31, 2014 (in € millions)	Impact on reserves		Impact on income	
	10% increase	10% decrease	10% increase	10% decrease
USD	32.6	(39.8)	0.7	(0.8)
JPY	24.6	(29.3)	(0.1)	(0.3)
CNY	28.3	(34.6)	(0.5)	0.6

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

The impact on equity is generated by foreign exchange instruments qualifying for cash flow hedge accounting.

The impact on net finance costs arises from foreign exchange instruments not qualifying for cash flow hedge accounting and from the change in the ineffective portion of cash flow hedges.

These amounts are shown before tax.

30.3. Exposure to equity risk

In the normal course of its business, the Group enters into transactions involving shares in consolidated companies or shares issued by Kering.

Shares held in connection with non-consolidated investments represent a low exposure risk for the Group and are not hedged.

As of December 31, 2015, no equity risk hedging transaction had been recognised as a derivative instrument in accordance with IAS 39.

CHF	HKD	CNY	SGD	TWD	KRW	Other	2014
361.6	159.7	290.8	42.2	36.1	111.8	590.1	2,817.8
58.9	12.4	101.4	2.7	10.7	0.6	59.9	1,266.2
302.7	147.3	189.4	39.5	25.4	111.2	530.2	1,551.6
	384.3	297.6	41.2	51.2	149.7	298.3	1,631.8
302.7	531.6	487.0	80.7	76.6	260.9	828.5	3,183.4
(298.2)	(502.9)	(482.2)	(64.0)	(65.3)	(188.5)	(478.2)	(3,275.8)
4.5	28.7	4.8	16.7	11.3	72.4	350.3	(92.4)

30.4. Other market risks – Credit risk

The Group uses derivative instruments solely to reduce its overall exposure to foreign exchange, interest rate and equity risk arising in the normal course of business. All transactions involving derivatives are carried out on organised markets or over the counter with leading firms.

All bonds issued in 2009 and 2010 within the scope of the EMTN programme are subject to a step-up coupon clause in the event that Kering's rating is downgraded to non-investment grade. This would increase the coupon payable on each issue by 1.25%, and could lead to an increase of €4.4 million in finance costs over a full year.

The Group has a large number of customers in a wide range of business segments and is therefore not exposed to any concentration of credit risk on its receivables. Generally, the Group considers that it is not exposed to any specific credit risk on these financial assets.

30.5. Derivative instruments at market value

As of December 31, 2015, and in accordance with IAS 39, the market value of derivative financial instruments is recognised in assets under the headings "Non-current financial assets" and "Other current financial assets", and in liabilities under the headings "Other non-current financial liabilities" and "Other current financial liabilities".

The fair value of derivatives hedging interest rate risk is recognised in non-current or current assets or liabilities depending on the maturity of the underlying debt.

The fair value of derivatives hedging the foreign exchange risk on commercial transactions is recognised in other current financial assets or liabilities.

The fair value of derivatives hedging the foreign exchange risk on financial transactions is recognised in non-current financial assets or liabilities if their term exceeds one year.

<i>(in € millions)</i>	2015	Interest rate risk	Foreign exchange risk	Other market risks	2014
Derivative assets	72.0		72.0		96.5
Non-current					0.4
At fair value through income					0.4
Cash flow hedges					
Fair value hedges					
Current	72.0		72.0		96.1
At fair value through income	2.7		2.7		18.8
Cash flow hedges	53.1		53.1		70.6
Fair value hedges	16.2		16.2		6.7
Derivative liabilities	62.5	2.9	59.6		157.7
Non-current	14.8	2.9	11.9		2.8
At fair value through income	12.3	0.4	11.9		1.5
Cash flow hedges	2.5	2.5			1.3
Fair value hedges					
Current	47.7		47.7		154.9
At fair value through income	2.3		2.3		24.5
Cash flow hedges	34.9		34.9		113.5
Fair value hedges	10.5		10.5		16.9
TOTAL	9.5	(2.9)	12.4		(61.2)

The effective portion of derivatives hedging future cash flows is recorded against equity.

Changes in the cash flow hedging reserve in 2015 are presented in Note 14.

In accordance with IFRS 13, derivatives were measured as of December 31, 2015 taking into account credit and debit value adjustments (CVA/DVA). The probability of default used is based on market data where this is available for the counterparty. The impact of this revised measurement was not material for the Group as of the end of the reporting period.

30.6. Liquidity risk

Liquidity risk management for the Group and each of its subsidiaries is closely monitored and periodically assessed by Kering within the scope of Group financial reporting procedures.

In order to guarantee its liquidity, the Group holds confirmed lines of credit totalling €4,152.7 million. As of December 31, 2015, this includes an amount of €4,131.8 million not yet drawn and available cash of €1,146.4 million.

The table below shows contractual commitments relating to borrowings and trade payables. It includes accrued interest payable and excludes the impact of netting agreements. The table also includes Group commitments relating to derivative instruments recorded in assets or liabilities.

Forecast cash flows relating to accrued interest payable are included in "Other borrowings" and calculated up to the maturity of the borrowings to which they relate. Future floating-rate interest is set based on the last coupon for the current period, based on fixings applicable at the end of the reporting period for flows associated with subsequent maturities.

The future cash flows presented have not been discounted.

Based on data available as of the end of the reporting period, the Group does not expect that the cash flows indicated will materialise before the scheduled date or that the amounts concerned will differ significantly from those set out in the maturity schedule.

This analysis excludes non-derivative financial assets in the statement of financial position and in particular, the cash and cash equivalents and trade receivables captions, which amounted to €1,146.4 million and €1,137.1 million, respectively, as of December 31, 2015.

	2015				
(in € millions)	Carrying amount	Cash flow	Less than one year	One to five years	More than five years
Non-derivative financial instruments					
Bonds	3,674.5	(3,675.6)		(1,987.8)	(1,687.8)
Commercial paper	1,299.7	(1,299.8)	(1,299.8)		
Other borrowings	851.6	(1,267.2)	(541.2)	(587.7)	(138.3)
Trade payables	939.7	(939.7)	(939.7)		
Other non-derivative financial instruments associated with assets classified as held for sale					
Derivative financial instruments					
Interest rate hedges			2.9		
Interest rate swaps		(7.2)	(1.6)	(5.4)	(0.2)
Other interest rate instruments					
Foreign exchange hedges			(12.4)		
Currency forwards and currency swaps					
Outflows		(5,596.9)	(5,346.2)	(250.7)	
Inflows		5,597.3	5,341.8	255.5	
Other foreign exchange instruments					
Outflows		(169.6)	(67.4)	(102.2)	
Inflows		156.1	65.3	90.8	
Total	6,756.0	(7,202.6)	(2,788.8)	(2,587.5)	(1,826.3)
	2014				
(in € millions)	Carrying amount	Cash flow	Less than one year	One to five years	More than five years
Non-derivative financial instruments					
Bonds	3,390.4	(3,400.0)	(750.0)	(1,350.0)	(1,300.0)
Commercial paper	969.8	(970.0)	(970.0)		
Other borrowings	1,120.3	(1,508.9)	(623.2)	(627.1)	(258.6)
Trade payables	982.8	(982.8)	(982.8)		
Other non-derivative financial instruments associated with assets classified as held for sale	26.6	(26.6)	(24.0)	(2.6)	
Derivative financial instruments					
Interest rate hedges			0.6		
Interest rate swaps		0.5	0.5	0.3	(0.3)
Other interest rate instruments					
Foreign exchange hedges			60.6		
Currency forwards and currency swaps					
Outflows		(4,703.3)	(4,645.5)	(57.8)	
Inflows		4,624.5	4,568.7	55.8	
Other foreign exchange instruments					
Outflows		(392.8)	(286.4)	(106.4)	
Inflows		402.3	296.2	106.1	
Total	6,551.1	(6,957.1)	(3,416.5)	(1,981.7)	(1,558.9)

note 31 – accounting classification and market value of financial instruments

The basis of measurement for financial instruments and the market value of these instruments as of December 31, 2015 are presented below:

	2015		Breakdown by accounting classification					
	Carrying amount	Market value	Fair value through income	Available-for-sale financial assets	Loans and receivables	Amortised cost	Derivatives qualifying for hedge accounting	Derivatives not qualifying for hedge accounting
<i>(in € millions)</i>								
Non-current assets								
Non-current financial assets	458.4	458.4		177.3	281.1			
Current assets								
Trade receivables	1,137.1	1,137.1				1,137.1		
Other current financial assets	81.2	81.2			9.2		69.3	2.7
Cash and cash equivalents	1,146.4	1,146.4	202.9			943.5		
Non-current liabilities								
Non-current borrowings	4,039.9	3,970.5				4,039.9		
Other non-current financial liabilities	14.8	14.8					2.5	12.3
Current liabilities								
Current borrowings	1,785.9	1,785.9				1,785.9		
Other current financial liabilities	238.9	238.9				191.2	45.4	2.3
Trade payables	939.7	939.7				939.7		

	2014		Breakdown by accounting classification					
	Carrying amount	Market value	Fair value through income	Available-for-sale financial assets	Loans and receivables	Amortised cost	Derivatives qualifying for hedge accounting	Derivatives not qualifying for hedge accounting
<i>(in € millions)</i>								
Non-current assets								
Non-current financial assets	400.0	400.0		160.3	239.3			0.4
Current assets								
Trade receivables	1,030.0	1,030.0				1,030.0		
Other current financial assets	106.3	106.3			10.2		77.3	18.8
Cash and cash equivalents	1,089.9	1,089.9	56.6			1,033.3		
Non-current liabilities								
Non-current borrowings	3,192.2	3,424.9				3,192.2		
Other non-current financial liabilities	2.8	2.8					1.3	1.5
Current liabilities								
Current borrowings	2,288.4	2,292.2				2,288.4		
Other current financial liabilities	346.8	346.8				191.9	130.4	24.5
Trade payables	982.8	982.8				982.8		

As of December 31, 2015, the following methods were used to price financial instruments:

- Financial instruments other than derivatives recorded in assets

Carrying amounts are based on reasonable estimates of market value, with the exception of marketable securities and investments in non-consolidated companies, whose market value was determined based on the last known stock market price as of December 31, 2015 for listed securities.

- Financial instruments other than derivatives recorded in liabilities

The market value of listed bonds was determined on the basis of the last market price at the end of the reporting period.

The market value of other borrowings was calculated using other valuation techniques such as discounted future cash flows, taking into account the Group's credit risk and interest rate conditions as of the end of the reporting period.

- Derivative financial instruments

The market value of derivative financial instruments was provided by the financial institutions involved in the transactions or calculated using standard valuation methods that factor in market conditions as of the end of the reporting period.

The Group has identified three financial instrument categories based on the two valuation methods used (listed prices and valuation techniques). In accordance with international accounting standards, this classification is used as a basis for presenting the characteristics of financial instruments recognised in the statement of financial position at fair value through income as of the end of the reporting period:

Level 1 category: financial instruments quoted on an active market;

Level 2 category: financial instruments whose fair value is determined using valuation techniques drawing on observable market inputs;

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

The table below shows the fair value hierarchy by financial instrument category as of December 31, 2015:

(in € millions)

	Fair value hierarchy			2015
	Market price = Level 1	Models based on observable inputs = Level 2	Models based on non-observable inputs = Level 3	
Non-current assets				
Non-current financial assets	20.7		437.7	458.4
Current assets				
Trade receivables			1,137.1	1,137.1
Other current financial assets		72.0	9.2	81.2
Cash and cash equivalents	56.8	146.1	943.5	1,146.4
Non-current liabilities				
Non-current borrowings			4,039.9	4,039.9
Other non-current financial liabilities		14.8		14.8
Current liabilities				
Current borrowings			1,785.9	1,785.9
Other current financial liabilities		47.7	191.2	238.9
Trade payables			939.7	939.7

(in € millions)

	Fair value hierarchy			2014
	Market price = Level 1	Models based on observable inputs = Level 2	Models based on non-observable inputs = Level 3	
Non-current assets				
Non-current financial assets	20.0	0.4	379.6	400.0
Current assets				
Trade receivables			1,030.0	1,030.0
Other current financial assets		96.1	10.2	106.3
Cash and cash equivalents	56.3	0.3	1,033.3	1,089.9
Non-current liabilities				
Non-current borrowings			3,192.2	3,192.2
Other non-current financial liabilities		2.8		2.8
Current liabilities				
Current borrowings			2,288.4	2,288.4
Other current financial liabilities		154.9	191.9	346.8
Trade payables			982.8	982.8

note 32 – net debt

Group net debt breaks down as follows:

<i>(in € millions)</i>	2015	2014
Gross borrowings	5,825.8	5,480.6
Fair value hedges (interest rate)		
Cash and cash equivalents	(1,146.4)	(1,089.9)
Net debt	4,679.4	4,390.7

note 33 – statement of cash flows

Cash and cash equivalents net of bank overdrafts amounted to €902.9 million as of December 31, 2015, reflecting total cash and cash equivalents presented in the statement of cash flows.

<i>(in € millions)</i>	2015	2014
Cash and cash equivalents as reported in the statement of financial position	1,146.4	1,089.9
Bank overdrafts	(243.5)	(284.5)
Cash and cash equivalents as reported in the statement of cash flows	902.9	805.4

33.1. Cash flow from operating activities

Cash flow from operating activities breaks down as follows:

<i>(in € millions)</i>	2015	2014
Net income from continuing operations	680.2	1,028.1
Net recurring charges to depreciation, amortisation and provisions on non-current operating assets	409.6	326.7
Income/expenses relating to share-based payment	0.6	(1.9)
Impairment losses on non-current operating assets	501.8	247.5
Gains/losses on asset disposals, net of tax	(148.3)	(191.6)
Income/expenses in respect of fair value movements	39.5	30.1
Deferred tax	(55.3)	(45.3)
Share in earnings (losses) of equity-accounted companies	2.2	0.8
Other non-cash income and expenses	(130.9)	(134.6)
Cash flow from operating activities	1,299.4	1,259.8

33.2. Purchases of property, plant and equipment and intangible assets

Purchases of property, plant and equipment and intangible assets totalled €672.1 million in 2015 and €551.4 million in 2014 (see section 1.5 of the Activity Report).

33.3. Acquisitions and disposals of subsidiaries

<i>(in € millions)</i>	2015	2014
Acquisitions of subsidiaries, net of cash acquired	(20.2)	(593.8)
Proceeds from disposals of subsidiaries and associates, net of cash transferred	(5.4)	3.6
Total	(25.6)	(590.2)

In 2015, acquisitions and disposals of subsidiaries were not material. In 2014, acquisitions of subsidiaries mainly concerned the Ulysse Nardin group.

The cash flow relating to businesses sold that were restated in accordance with IFRS 5 is shown on the line "Net cash from (used in) discontinued operations".

33.4. Increase/decrease in share capital and other transactions with owners

Transactions with owners were not material in either 2015 or 2014.

33.5. Treasury share transactions

In 2015, the impact of acquisitions and disposals of treasury shares resulted from (see Note 25.1):

- the acquisition of 1,683,029 shares and the disposal of 1,683,029 shares held under the liquidity agreement, resulting in a net inflow of €0.4 million;

- the disposal of 118,870 shares following the exercise of stock purchase options under the 2007 stock purchase option plans for €15.2 million;
- the acquisition of 125,000 shares in connection with future subscriptions under the 2007 stock purchase option plans for €21.6 million;
- the acquisition of 8,021 shares in connection with the 2011 and 2012 free share plans for €1.3 million.

In 2014, the impact of acquisitions and disposals of treasury shares resulted from (see Note 25.1):

- the acquisition of 1,726,437 shares and the disposal of 1,726,437 shares held under the liquidity agreement, resulting in a net inflow of €0.5 million;
- the disposal of 134,838 shares following the exercise of stock purchase options under the 2006 and 2007 stock purchase option plans for €14.8 million;
- the acquisition of 100,000 shares in connection with future subscriptions under the 2006 and 2007 stock purchase option plans for €15.6 million;
- the acquisition of 55,000 shares in connection with the 2010 and 2012 free share plans for €8.3 million.

33.6. Debt issues and redemptions

(in € millions)

	2015	2014
Bond issues	1,070.4	862.7
Bond redemptions	(756.7)	(948.1)
Increase/decrease in other borrowings	87.3	546.7
Total	401.0	461.3

New borrowings during the period included the new bond financing put in place in 2015 for a total of €1,026 million.

This mainly comprises two fixed-rate bonds issued in euros: a €500 million issue of seven-year bonds in March 2015 with an annual coupon of 0.875% and a €50 million issue of 20-year bonds in April 2015 with an annual coupon of 1.60%. The Group also carried out two foreign currency issues during the year: a USD 150 million issue in March 2015 of five-year floating-rate notes and a USD 150 million issue in June 2015 of six-year fixed-rate notes with an annual coupon of 2.887%. In September and November 2015,

the Group topped up by €150 million and €50 million respectively the €300 million issue carried out in 2014 of 2.75% bonds maturing in 2024, which therefore increased the total nominal amount of the bond issue to €500 million.

Kering redeemed the €750 million worth of bonds that matured in April 2015. These bonds comprised a first tranche issued in 2010 for €500 million, which was topped up in 2012 by a €250 million tranche when the overall coupon was raised to 3.75%.

Changes in other borrowings chiefly comprise issues and redemptions of Kering Finance commercial paper.

note 34 – contingent liabilities, contractual commitments not recognised and other contingencies

34.1. Commitments given and received following asset disposals

Vendor warranties given by the Group on the sale of companies are summarised below:

Disposals	Vendor warranties
December 2010 Sale of Conforama	Vendor warranties covering tax-related or similar claims expiring when the period becomes time-barred, capped at €120 million. This disposal is related to the commitment by Kering to continue commercial relations between Conforama and the BNP Paribas group as regards customer loans.
December 2012 Sale of The Sportsman's Guide and The Golf Warehouse	Vendor warranties covering (i) tax-related or similar claims expiring when the period becomes time-barred, (ii) certain fundamental representations (including with respect to organisation, capitalisation and authority) which survive indefinitely and (iii) representations with respect to employment and benefit plans which terminate six months after the applicable statute of limitations. The warranty is capped at USD 21.5 million.
February 2013 Sale of OneStopPlus	Vendor warranty covering (i) tax-related or similar claims expiring when the period becomes time-barred, (ii) certain fundamental representations (including with respect to organisation, capitalisation and authority) which survive indefinitely and (iii) certain environmental obligations. The warranty is capped at USD 52.5 million.
March 2013 Sale of Redcats' Children and Family division	Vendor warranty concerning (i) tax-related or similar claims which expire when the period becomes time-barred; and (ii) representations with respect to employment and benefit plans, trademark and title ownership, which expires five years after the sale transaction date. The warranty is capped at €10 million.
June 2013 Sale of Ellos	Customary vendor warranty expiring after December 31, 2014, except for certain fundamental representations (including with respect to organisation, capitalisation and authority), which survive indefinitely. The warranty is capped at €29 million. Specific vendor warranty covering tax-related or similar claims which expires on June 2, 2019 and is capped at €40 million. This was accompanied by a commitment received as regards the continuation of commercial relations with Finaref, covered by a €70 million bank guarantee expiring in 2023.

Disposals	Vendor warranties
June 2014 Sale of La Redoute and Relais Colis	Customary vendor warranty covering certain fundamental representations (in particular as regards the existence of the companies sold, the availability of the shares sold and the power to complete the sale), which expire as applicable when the period becomes time-barred, or on December 31, 2017. This general warranty is capped at €10 million. Vendor warranties covering tax-related claims capped at €10 million, expiring when the period becomes time-barred. Specific vendor warranties for an indefinite amount covering the Group's restructuring operations prior to its sale, commercial litigation and environmental risks, expiring on December 31, 2021.
December 2015 Sale of Sergio Rossi	Vendor warranties concerning (i) tax-related or similar claims expiring when the period becomes time-barred in each jurisdiction concerned; (ii) certain fundamental representations (including with respect to organisation, capitalisation, securities and authority) which survive indefinitely; (iii) employment and employee benefit plans, and (iv) certain environmental obligations, guarantees relating to intellectual property rights and other customary business warranties; with (iii) and (iv) expiring 18 months after the date of the sale. These general warranties are capped at €15 million with the exception of (ii), which is capped at the sale price. Specific vendor warranties concerning (i) tax audits in progress for the years 2010 and 2012; (ii) the tax impact of the group's restructuring operations prior to its sale; and (iii) certain intellectual property claims and personnel disputes, which survive indefinitely. These warranties are not capped.

In addition to the vendor warranties described above, minor vendor warranty agreements with standard terms were set up for the purchasers of the other companies sold by the Group.

34.2. Other commitments given

34.2.1. Contractual obligations

The table below shows all the Group's contractual commitments and obligations, excluding employee benefit obligations presented in the previous notes.

(in € millions)	Payments due by period			2015	2014
	Less than one year	One to five years	More than five years		
Gross borrowings (Note 29)	1,785.9	2,270.1	1,769.8	5,825.8	5,480.6
Operating lease agreements	642.3	1,593.6	1,081.7	3,317.6	2,612.8
Binding purchase commitments	47.1	264.2		311.3	72.3
Total commitments given	2,475.3	4,127.9	2,851.5	9,454.7	8,165.7

Operating leases

The amount of contractual obligations presented on the line "Operating lease agreements" represents future minimum lease payments under operating lease agreements for the period, which cannot be cancelled by the lessee. These mainly include non-cancellable rental payments in respect of stores, logistics hubs and other buildings (head offices and administrative offices).

As of December 31, 2015, total future minimum lease payments which the Group expects to receive under non-cancellable sub-lease agreements amounted to €8.0 million (€2.3 million as of December 31, 2014).

The 2015 rental charge in respect of minimum lease payments amounted to €669.1 million (€566.0 million in 2014), and the charge for contingent payments was €393.1 million (€364.6 million in 2014), based on actual revenue.

Sub-lease revenue totalled €2.7 million in 2015 (€0.5 million in 2014).

Finance leases

The present value of future lease payments included in "Borrowings" and relating to capitalised assets meeting the definition of a finance lease set out in IAS 17 is as follows:

(in € millions)	2015	2014
Less than one year	10.3	14.9
One to five years	49.6	37.7
More than five years	23.4	43.9
	83.3	96.5
Finance costs included	(12.2)	(24.9)
Present value of future minimum lease payments	71.1	71.6

As of December 31, 2015, the Group does not expect to receive future minimum lease payments under non-cancellable sub-lease agreements.

34.2.2. Guarantees and other collateral

Guarantees and other collateral granted by the Group break down as follows:

(in € millions)	Pledge start date	Pledge expiry date	Amount of assets pledged as of Dec. 31, 2015	Statement of financial position total (carrying amount)	Corresponding %	Amount of assets pledged as of Dec. 31, 2014
Intangible assets				11,285.5		
Property, plant and equipment	04/14/2004	12/06/2022	101.6	2,073.0	4.9%	162.4
Non-current financial assets				458.4		0.0
Total non-current assets pledged as collateral			101.6	13,816.9	0.7%	162.4

34.2.3. Other commitments

Other commitments break down as follows:

(in € millions)	Payments due by period			2015	2014
	Less than one year	One to five years	More than five years		
Confirmed lines of credit (see Note 29)	244.7	3,908.0		4,152.7	4,144.2
Letters of credit	20.4			20.4	22.4
Other guarantees received	18.7	10.1	0.7	29.5	17.7
Total commitments received	283.8	3,918.1	0.7	4,202.6	4,184.3
Guarantees given to banks responsible for cash pooling arrangements	2.0	1.9	23.4	27.3	24.9
Rent guarantees, property guarantees	10.6	2.0	1.2	13.8	14.7
Sponsoring and advertising commitments	161.6	366.7	68.4	596.7	622.7
Other commitments	34.6	13.1	7.4	55.1	51.8
Total commitments given	208.8	383.7	100.4	692.9	714.1

Other commitments given primarily include customs warranties and operating guarantees.

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

34.3. Dependence on patents, licences and supply contracts

The Group is not significantly dependent on any patents, licences or supply contracts.

34.4. Litigation

Group companies are involved in a number of lawsuits or disputes arising in the normal course of business, including litigation with tax, social security and customs authorities. Provisions have been set aside for the probable costs, as estimated by the Group's entities and their counsel.

According to the Group's legal counsel, no litigation currently in progress is likely to have a material impact on normal or foreseeable operations or the planned development of the Group or any of its subsidiaries.

The Group believes there is no known litigation likely to have a potential material impact on its net assets, earnings or financial position that is not adequately covered by provisions recorded at the end of the reporting period. No individual claim is material to the Company or the Group.

The Group is not aware of any other dispute or arbitration, which has had in the recent past, or is likely to have in the future, a significant impact on the financial position, activity or earnings of the Company or Group.

note 35 – transactions with related parties

35.1. Related party controlling the Group

Kering is controlled by Artémis, which in turn is wholly owned by Société Financière Pinault. As of December 31, 2015, the Artémis group held 40.9% of Kering's share capital and 57.4% of its voting rights.

The main transactions carried out between Kering's consolidated companies and Artémis in 2015 are described below:

- payment of an interim dividend in respect of 2015 totalling €77.5 million in January 2016;
- balancing payment of the dividend for 2014 of €130.1 million, further to the payment of an interim dividend of €77.5 million in January 2015 (€193.6 million for 2013);

- recognition of fees totalling €3.0 million (€2.5 million in 2014) for (i) business development consulting services and complex transaction support, and (ii) the supply of development opportunities, new business and cost reduction solutions. These fees are governed by an agreement reviewed by the Audit Committee and approved by the Board of Directors.

35.2. Associates

In the normal course of business, the Group enters into transactions with associates on an arm's length basis.

The main transactions with associates are not material.

35.3. Senior executive remuneration

The table below shows remuneration paid to members of the Board of Directors and the Group's Executive Committee:

<i>(in € millions)</i>	2015	2014
Short-term benefits	24.5	18.9
Payroll taxes	5.2	3.6
High-income tax		1.8
Post-employment benefits	1.0	1.1
Other long-term benefits	2.0	2.9
Termination indemnities	16.6	2.5
Share-based payment	7.2	5.9
Total	56.5	36.7

Short-term benefits, long-term benefits and termination benefits correspond to amounts paid during the year; post-employment benefits and share-based payment correspond to the amounts recognised as expenses.

A list of the members of the Board of Directors and Executive Committee is provided in the "Corporate Governance" section of the Reference Document.

note 36 – subsequent events

On March 16, 2016, Volcom, part of Kering's Sport & Lifestyle activities, has sold the Electric brand via a management buyout (MBO) to a group led by Eric Crane, Electric's Chief Executive Officer.

The transaction includes all the assets of Electric and the rights attached to the brand.

Electric, a Californian premium sports and Lifestyle brand that sells accessories including sunglasses, goggles and watches, was acquired by Volcom in 2008.

note 37 – list of consolidated subsidiaries as of december 31, 2015

Details of Group subsidiaries are provided below.

Consolidation method: Full consolidation: C

Equity method: E

Company	% interest		
	Dec. 31, 2015	Dec. 31, 2014	
KERING	Parent company		
LUXURY DIVISION			
France			
ALEXANDER MCQUEEN FRANCE SAS	C	100.00	C 100.00
ARCADES PONTTHIEU	C	95.00	C 95.00
BALENCIAGA SA	C	100.00	C 100.00
BOTTEGA VENETA FRANCE SAS	C	100.00	C 100.00
BOUCHERON HOLDING SAS	C	100.00	C 100.00
BOUCHERON PARFUM SAS	C	100.00	C 100.00
BOUCHERON SAS	C	100.00	C 100.00
BRIONI FRANCE SA	C	100.00	C 100.00
C. MENDES SAS	C	100.00	C 100.00
DODO PARIS SAS	C	81.00	C 81.00
FRANCE CROCO SAS	C	85.00	C 85.00
GG FRANCE SERVICES SAS	C	100.00	C 100.00
GPO HOLDING SAS	C	100.00	C 100.00
GUCCI FRANCE SAS	C	100.00	C 100.00
GUCCI GROUP WATCHES FRANCE SAS	C	100.00	C 100.00
LES BOUTIQUES BOUCHERON SAS	C	100.00	C 100.00
POMELLATO PARIS SA	C	81.00	C 81.00
QEELIN FRANCE SARL	C	100.00	C 100.00
SOWIND FRANCE SAS	C	100.00	C 50.00
STELLA MCCARTNEY FRANCE SAS	C	50.00	C 50.00
TANNERIE DE PERIERS SAS	C	85.00	C 85.00
YSL VENTES PRIVEES FRANCE SAS	C	100.00	C 100.00
YVES SAINT LAURENT BOUTIQUE FRANCE SAS	C	100.00	C 100.00
YVES SAINT LAURENT PARFUMS SAS	C	100.00	C 100.00
YVES SAINT LAURENT SAS	C	100.00	C 100.00
Germany			
BOTTEGA VENETA GERMANY GmbH	C	100.00	C 100.00
DODO DEUTSCHLAND GmbH	C	81.00	C 81.00
GG LUXURY GOODS GmbH	C	100.00	C 100.00
POMELLATO DEUTSCHLAND GmbH	C	81.00	C 81.00

Company	% interest		
	Dec. 31, 2015	Dec. 31, 2014	
TRADEMA GmbH	C	100.00	C 50.00
ULYSSE NARDIN EUROPA GmbH	C	100.00	C 100.00
YVES SAINT LAURENT GERMANY GmbH	C	100.00	C 100.00
Austria			
ALEXANDER MCQUEEN GmbH	C	100.00	C 100.00
BOTTEGA VENETA AUSTRIA GmbH	C	100.00	C 100.00
BRIONI AUSTRIA GmbH	C	100.00	Creation
GUCCI AUSTRIA GmbH	C	100.00	C 100.00
YVES SAINT LAURENT AUSTRIA GmbH	C	100.00	C 100.00
Belgium			
LA MERIDIANA FASHION SA	C	100.00	C 100.00
SERGIO ROSSI BELGIUM SPRL	Disposal		C 100.00
Spain			
BALENCIAGA SPAIN SL	C	100.00	C 100.00
BOTTEGA VENETA ESPAÑA SL	C	100.00	C 100.00
BRIONI RETAIL ESPAÑA SL	C	100.00	C 100.00
DODO SPAIN SA	C	81.00	C 81.00
LUXURY GOODS SPAIN SL	C	100.00	C 100.00
LUXURY TIMEPIECES ESPAÑA SL	C	100.00	C 100.00
SERGIO ROSSI ESPAÑA SL	Disposal		C 100.00
STELLA MCCARTNEY SPAIN SL	C	50.00	C 50.00
YVES SAINT LAURENT SPAIN SA	C	100.00	C 100.00
United Kingdom			
ALEXANDER MCQUEEN TRADING Ltd	C	100.00	C 100.00
AUTUMNPAPER Ltd	C	100.00	C 100.00
BALENCIAGA UK Ltd	C	100.00	C 100.00
BIRDSWAN SOLUTIONS Ltd	C	100.00	C 100.00
BOTTEGA VENETA UK CO, Limited	C	100.00	C 100.00
BOUCHERON UK Ltd	C	100.00	C 100.00
BRIONI UK Ltd	C	100.00	C 100.00
CHRISTOPHER KANE Ltd ⁽¹⁾	C	80.00	C 80.00
DODO UK Ltd	C	81.00	C 81.00
GUCCI Limited	C	100.00	C 100.00
LUXURY TIMEPIECES (UK) Ltd	C	100.00	C 100.00

Company	% interest			
		Dec. 31, 2015	Dec. 31, 2014	
PAINTGATE Limited	C	100.00	C	100.00
POMELLATO UK Ltd	C	81.00	C	81.00
QEELIN UK Limited	C	100.00	C	100.00
SERGIO ROSSI UK Limited	Disposal		C	100.00
STELLA MCCARTNEY Limited	C	50.00	C	50.00
YVES SAINT LAURENT UK Ltd	C	100.00	C	100.00
Greece				
LUXURY GOODS GREECE AE	C	94.75	C	94.75
Hungary				
GUCCI HUNGARY KFT	C	100.00	C	100.00
Ireland				
GUCCI IRELAND Limited	C	100.00	C	100.00
Italy				
ALEXANDER MCQUEEN ITALIA SRL	C	100.00	C	100.00
ALTO VICENTINO PELLETERIE SRL	Merger		C	100.00
ARDORA SRL	C	100.00	C	100.00
BALENCIAGA LOGISTICA SRL	C	100.00	C	100.00
BRIONI RETAIL ITALIA SRL	C	100.00	Creation	
BRIONI SpA	C	100.00	C	100.00
BRIONI OUTLET SRL	C	100.00	C	100.00
BRIONI RETAIL SRL	C	100.00	C	100.00
BRIONI RETAIL ITALIA SRL	C	100.00	C	100.00
BV CALZATURE SRL	C	100.00	C	100.00
BV ITALIA SRL	C	100.00	C	100.00
BV OUTLETS SRL	C	100.00	C	100.00
BV SERVIZI SRL	C	100.00	C	100.00
BOTTEGA VENETA SRL	C	100.00	C	100.00
CALZATURIFICIO CREST SRL ⁽¹⁾	C	100.00	C	100.00
CALZATURIFICIO FLORA SRL	C	100.00	C	100.00
CAPRI GROUP SRL	C	100.00	C	100.00
CARAVEL PELLI PREGIATE SpA	C	100.00	C	100.00
CHRISTOPHER KANE SRL ⁽¹⁾	C	80.00	Creation	
CONCERIA BLU TONIC SpA	C	51.00	C	51.00
DESIGN MANAGEMENT SRL	C	100.00	C	100.00
E_LITE SpA ⁽¹⁾	C	51.00	C	51.00
GARPE SRL ⁽¹⁾	C	100.00	C	100.00
GAUGUIN SRL	C	100.00	C	100.00
G COMMERCE EUROPE SpA	C	100.00	C	100.00
GF LOGISTICA SRL	C	100.00	C	100.00
GF SERVICES SRL	C	100.00	C	100.00
GGW ITALIA SRL	C	100.00	C	100.00
GJP SRL	C	100.00	C	100.00

Company	% interest			
		Dec. 31, 2015	Dec. 31, 2014	
GPA SRL	C	100.00	C	100.00
GT SRL ⁽¹⁾	C	100.00	C	100.00
GUCCI IMMOBILIARE LECCIO SRL	C	100.00	C	100.00
GUCCI LOGISTICA SpA	C	100.00	C	100.00
GUCCIO GUCCI SpA	C	100.00	C	100.00
LGM SRL	C	51.00	C	51.00
LUXURY GOODS ITALIA SpA	C	100.00	C	100.00
LUXURY GOODS OUTLET SRL	C	100.00	C	100.00
MANIFATTURA VENETA				
PELLETERIE SRL	C	100.00	C	51.00
PIGINI SRL ⁽¹⁾	C	100.00	C	100.00
POMELLATO SpA	C	81.00	C	81.00
POMELLATO EUROPA SpA	C	81.00	C	81.00
ROMAN STYLE SpA	C	100.00	C	100.00
SERGIO ROSSI MANUFACTURING SRL	Disposal		C	100.00
SERGIO ROSSI RETAIL SRL	Disposal		C	100.00
SERGIO ROSSI SpA	Disposal		C	100.00
SFORZA SRL	C	100.00	C	100.00
SOWIND ITALIA SRL	C	100.00	C	50.00
STELLA MCCARTNEY ITALIA SRL	C	50.00	C	50.00
SL LUXURY RETAIL SRL	C	100.00	Creation	
THE MALL SRL	C	100.00	C	100.00
TIGER FLEX SRL ⁽¹⁾	C	100.00	C	100.00
ULYSSE NARDIN ITALIA SRL	C	100.00	C	100.00
Luxembourg				
BOTTEGA VENETA INTERNATIONAL SARL	C	100.00	C	100.00
CASTERA SARL	C	100.00	C	100.00
GUCCI GULF INVESTMENT SARL	C	100.00	Creation	
LUXURY FASHION LUXEMBOURG SA	C	50.00	C	50.00
QEELIN HOLDING LUXEMBOURG SA	C	100.00	C	100.00
SERGIO ROSSI INTERNATIONAL SARL	Disposal		C	100.00
Monaco				
BOUCHERON SAM	C	100.00	C	100.00
GUCCI SAM	C	100.00	C	100.00
KERING RETAIL MONACO SAM	C	100.00	C	100.00
SMHJ SAM	C	80.83	C	80.83
YVES SAINT LAURENT OF MONACO SAM	C	100.00	C	100.00

Company	% interest		
	Dec. 31, 2015	Dec. 31, 2014	
Netherlands			
BOTTEGA VENETA HOLDING BV	C 100.00	C 100.00	
GEMINI ARUBA NV	C 100.00	C 100.00	
G DISTRIBUTION BV	C 100.00	C 100.00	
G OPERATIONS BV	C 100.00	C 100.00	
GG MIDDLE EAST BV	C 100.00	C 100.00	
GG OTHER TERRITORIES BV	C 100.00	C 100.00	
KERING ASIAN HOLDING BV	C 100.00	C 100.00	
GUCCI NETHERLANDS BV	C 100.00	C 100.00	
OLIMA BV	C 100.00	C 100.00	
Czech Republic			
BRIONI CZECH REPUBLIC SRO	C 100.00	C 100.00	
LUXURY GOODS CZECH REPUBLIC SRO	C 100.00	C 100.00	
Russia			
GUCCI RUS OOO	C 100.00	C 100.00	
ULYSSE NARDIN LLC	C 100.00	C 100.00	
Serbia			
GUCCI LUXURY TANNERY DOO	C 51.00	C 51.00	
Switzerland			
BOUCHERON (SUISSE) SA	C 100.00	C 100.00	
BOTTEGA VENETA SA	C 100.00	C 100.00	
BRIONI SWITZERLAND SA	C 100.00	C 100.00	
DONZE CADRANS SA	C 100.00	C 100.00	
FABBRICA QUADRANTI SA	C 51.00	C 51.00	
GT SILK SA	C 76.00	C 76.00	
LUXURY FASHION SWITZERLAND SA	C 50.00	C 50.00	
LUXURY GOODS INTERNATIONAL SA	C 100.00	C 100.00	
LUXURY GOODS LOGISTIC SA	C 51.00	C 51.00	
LUXURY GOODS OPERATIONS SA	C 51.00	C 51.00	
LUXURY GOODS OUTLET EUROPE SAGL	C 100.00	C 100.00	
OCHS & JUNIOR SA	E 32.80	E 32.80	
SIGATEC SA	E 50.00	E 50.00	
SOWIND GROUP SA	C 100.00	C 50.00	
SOWIND SA	C 100.00	C 50.00	
ULYSSE NARDIN LLC	C 100.00	C 100.00	
UNCA SA	E 50.00	E 50.00	
Sweden			
GUCCI SWEDEN AB	C 100.00	C 100.00	
Brazil			
BOTTEGA VENETA HOLDING Ltda	C 100.00	C 100.00	
GUCCI BRAZIL IMPORTACAO E EXPORTACAO Ltda	C 100.00	C 100.00	

Company	% interest		
	Dec. 31, 2015	Dec. 31, 2014	
SAINT LAURENT BRASIL IMPORTACAO E EXPORTACAO Ltda			
	C 100.00	Creation	
Canada			
G. BOUTIQUES Inc.	C 100.00	C 100.00	
Chile			
LUXURY GOODS CHILE SpA	C 51.00	Creation	
United States			
ALEXANDER MCQUEEN US Inc.	C 100.00	Creation	
741 MADISON avenue Corp.	C 81.00	C 81.00	
BALENCIAGA AMERICA Inc.	C 100.00	C 100.00	
BOTTEGA VENETA Inc.	C 100.00	C 100.00	
BOUCHERON JOAILLERIE (USA) Inc.	C 100.00	C 100.00	
BRIONI RETAIL ASPEN Inc.	Merger	C 100.00	
BRIONI RETAIL BAL HARBOUR LLC	Merger	C 100.00	
BRIONI RETAIL BEVERLY HILLS Inc.	Merger	C 100.00	
BRIONI RETAIL HOLDING Inc.	Merger	C 100.00	
BRIONI RETAIL NEW YORK Inc.	C 100.00	C 100.00	
BRIONI ROMAN STYLE USA CORPORATION Ltd	C 100.00	C 100.00	
BRIONI STORE LLC	Liquidation	C 100.00	
B/W CLOTHIERS LLC	Liquidation	C 50.00	
CHRISTOPHER KANE US Inc. ⁽¹⁾	C 80.00	Creation	
DODO RETAIL Inc.	Dissolved	C 81.00	
E_LITE US Inc. ⁽¹⁾	C 51.00	C 51.00	
G GATOR USA LLC	C 100.00	C 100.00	
GUCCI AMERICA Inc.	C 100.00	C 100.00	
GUCCI CARIBBEAN Inc.	C 100.00	C 100.00	
GUCCI GROUP WATCHES Inc.	C 100.00	C 100.00	
JOSEPH ALTUZARRA	E 38.50	E 38.50	
LUXURY HOLDINGS Inc.	C 100.00	C 100.00	
POMELLATO USA Inc.	C 81.00	C 81.00	
ROMAN LOOK Ltd	Merger	C 100.00	
SERGIO ROSSI USA Inc.	Disposal	C 100.00	
STELLA MCCARTNEY AMERICA Inc.	C 50.00	C 50.00	
TOMAS MAIER	E 51.00	E 51.00	
TRADEMA OF AMERICA Inc.	C 100.00	C 50.00	
ULYSSE NARDIN Inc.	C 100.00	C 100.00	
YVES SAINT LAURENT AMERICA HOLDING Inc.			
	C 100.00	C 100.00	
YVES SAINT LAURENT AMERICA Inc.			
	C 100.00	C 100.00	
Mexico			
BOTTEGA VENETA MEXICO, S DE RL DE CV	C 100.00	C 100.00	

Company	% interest		
	Dec. 31, 2015	Dec. 31, 2014	
BOTTEGA VENETA SERVICIOS S DE RL DE CV	C 100.00	C 100.00	
D ITALIAN CHARMS SA DE CV	C 81.00	C 81.00	
GUCCI IMPORTACIONES SA DE CV	C 100.00	C 100.00	
GUCCI MEXICO SA DE CV	C 100.00	C 100.00	
RETAIL LUXURY SERVICIOS SA DE CV	C 100.00	C 100.00	
SAINT LAURENT MEXICO, S DE RL DE CV	C 100.00	Creation	
SAINT LAURENT SERVICIOS S DE RL DE CV	C 100.00	Creation	
Panama			
LUXURY GOODS PANAMA S DE RL	C 51.00	C 51.00	
Australia			
BOTTEGA VENETA AUSTRALIA PTY Ltd	C 100.00	C 100.00	
GUCCI AUSTRALIA PTY Limited	C 100.00	C 100.00	
New Zealand			
GUCCI NEW ZEALAND Ltd	C 100.00	C 100.00	
China			
ALEXANDER MCQUEEN (HONG KONG) Limited	C 100.00	C 100.00	
ALEXANDER MCQUEEN (MACAU) Limited	C 100.00	C 100.00	
ALEXANDER MCQUEEN (SHANGHAI) TRADING Limited	C 100.00	C 100.00	
ASTRO SWISS TIME Ltd	C 100.00	C 100.00	
BALENCIAGA ASIA PACIFIC Limited	C 100.00	C 100.00	
BALENCIAGA FASHION SHANGHAI CO. Ltd	C 100.00	C 100.00	
BALENCIAGA MACAU Limited	C 100.00	C 100.00	
BOTTEGA VENETA (CHINA) TRADING Ltd	C 100.00	C 100.00	
BOTTEGA VENETA HONG KONG Limited	C 100.00	C 100.00	
BOTTEGA VENETA MACAU Ltd	C 100.00	C 100.00	
BRIONI MACAU Ltd	C 100.00	Creation	
BRIONI (SHANGHAI) TRADING Ltd	C 100.00	C 100.00	
BRIONI (HONG KONG) TRADING Ltd	C 100.00	C 100.00	
BOUCHERON HONG KONG Limited	C 100.00	C 100.00	
GUCCI ASIA COMPANY Ltd	C 100.00	C 100.00	
GUCCI (CHINA) TRADING Ltd	C 100.00	C 100.00	
GUCCI HONG KONG Limited	C 100.00	C 100.00	
GUCCI MACAU Limited	C 100.00	C 100.00	
GUCCI WATCHES MARKETING CONSULTING (SHANGHAI) Ltd	C 100.00	C 100.00	
LGI (SHANGHAI) ENTERPRISE MANAGEMENT Ltd	C 100.00	C 100.00	

Company	% interest		
	Dec. 31, 2015	Dec. 31, 2014	
LUXURY TIMEPIECES (HONG KONG) Limited	C 100.00	C 100.00	
MOVEN INTERNATIONAL Ltd	C 100.00	C 100.00	
POMELLATO CHINA Ltd	C 81.00	C 81.00	
POMELLATO SHANGHAI CO. Ltd	C 81.00	C 81.00	
POMELLATO PACIFIC Ltd	C 81.00	C 81.00	
QEELIN Limited	C 100.00	C 100.00	
QEELIN TRADING (SHANGHAI) CO. Limited	C 100.00	C 100.00	
QEELIN MACAU Limited	C 100.00	Creation	
SERGIO ROSSI HONG KONG Limited	Disposal	C 100.00	
SERGIO ROSSI (SHANGHAI) TRADING Ltd	Disposal	C 100.00	
SERGIO ROSSI MACAU Ltd	Disposal	C 100.00	
STELLA MCCARTNEY (SHANGHAI) TRADING Ltd	C 50.00	C 50.00	
SOWIND ASIA Ltd	C 100.00	C 50.00	
YVES SAINT LAURENT MACAU Limited	C 100.00	C 100.00	
YVES SAINT LAURENT (SHANGHAI) TRADING Limited	C 100.00	C 100.00	
YVES SAINT LAURENT (HONG KONG) Ltd	C 100.00	C 100.00	
Korea			
BALENCIAGA KOREA Ltd	C 100.00	C 100.00	
BOTTEGA VENETA KOREA Ltd	C 100.00	C 100.00	
BOUCHERON KOREA Ltd	C 100.00	C 100.00	
GUCCI KOREA Limited	C 100.00	C 100.00	
YVES SAINT LAURENT KOREA Ltd	C 100.00	C 100.00	
Guam			
BOTTEGA VENETA GUAM Inc.	C 100.00	C 100.00	
GUCCI GROUP GUAM Inc.	C 100.00	C 100.00	
India			
GUCCI INDIA PRIVATE Ltd	C 100.00	C 100.00	
LUXURY GOODS RETAIL PRIVATE LGR	C 51.00	C 51.00	
Japan			
BALENCIAGA JAPAN Ltd	C 100.00	C 100.00	
BOTTEGA VENETA JAPAN Limited	C 100.00	C 100.00	
BOUCHERON JAPAN Limited	C 100.00	Creation	
BRIONI JAPAN & CO. Limited	C 100.00	C 100.00	
E_LITE JAPAN Ltd ⁽¹⁾	C 51.00	C 51.00	
GUCCI YUGEN KAISHA	C 100.00	C 100.00	
LUXURY TIMEPIECES JAPAN Limited	C 100.00	C 100.00	
POMELLATO JAPAN CO. Ltd	C 81.00	C 81.00	
SERGIO ROSSI JAPAN Ltd	Disposal	Creation	

Company	% interest			
		Dec. 31, 2015	Dec. 31, 2014	
STELLA MCCARTNEY JAPAN Limited	C	50.00	C	50.00
SOWIND JAPAN KK	C	100.00	C	50.00
Vietnam				
GUCCI VIETNAM CO. Ltd	C	100.00	C	100.00
Bahrain				
FLORENCE 1921 WII	C	49.00	C	49.00
United Arab Emirates				
ATELIER LUXURY GULF	C	49.00	Creation	
LUXURY GOODS GULF LLC	C	49.00	C	49.00
LUXURY FASHION GULF LLC	C	49.00	C	49.00
Kazakhstan				
ULYSSE NARDIN KAZAKHSTAN LLP	E	50.00	E	50.00
Kuwait				
LUXURY GOODS KUWAIT WII	C	49.00	C	49.00
Qatar				
LUXURY FASHION DOHA LLC	C	24.00	Creation	
LUXURY GOODS QATAR LLC	C	49.00	C	49.00
Malaysia				
BOTTEGA VENETA MALAYSIA SDN BHD	C	100.00	C	100.00
GUCCI (MALAYSIA) SDN BHD	C	100.00	C	100.00
Mongolia				
ULYSSE NARDIN LLC	E	50.00	E	50.00
Singapore				
ALEXANDER MCQUEEN (SINGAPORE) PTE Limited	C	100.00	C	100.00
BOTTEGA VENETA SINGAPORE PRIVATE Limited	C	100.00	C	100.00
GUCCI SINGAPORE PTE Limited	C	100.00	C	100.00
SAINT LAURENT (SINGAPORE) PTE Limited	C	100.00	C	100.00
Taiwan				
BOUCHERON TAIWAN CO. Ltd ⁽¹⁾	C	100.00	C	100.00
GUCCI GROUP WATCHES TAIWAN Limited	C	100.00	C	100.00
ULYSSE NARDIN TAIPEI	C	100.00	C	100.00
Turkey				
POMELLATO MUCEVHERAT VE AKSESUAR DAGITIM VE TIKARET Limited SIRKETI	C	81.00	C	81.00
Thailand				
CLOSED-CYCLE BREEDING INTERNATIONAL Ltd	C	48.00	C	48.00
G-OPERATIONS FRASEC Ltd	C	49.00	C	49.00

Company	% interest			
		Dec. 31, 2015	Dec. 31, 2014	
GUCCI THAILAND CO. Ltd	C	100.00	C	100.00
YSL THAILAND Ltd	C	100.00	C	100.00
South Africa				
GG LUXURY RETAIL SOUTH AFRICA PTY Ltd	C	62.00	C	62.00
PUMA				
PUMA SE (GERMANY)	C	85.81	C	85.81
France				
DOBOTEX FRANCE SAS	C	100.00	C	100.00
PUMA FRANCE SAS	C	100.00	C	100.00
PUMA SPEEDCAT SAS	Merger		C	100.00
Germany				
DOBOTEX DEUTSCHLAND GmbH	C	100.00	C	100.00
BRANDON GERMANY GmbH	Liquidation		C	100.00
PUMA EUROPE GmbH	C	100.00	C	100.00
PUMA INTERNATIONAL TRADING GmbH	C	100.00	C	100.00
PUMA MOSTRO GmbH	C	100.00	C	100.00
PUMA SPRINT GmbH	C	100.00	C	100.00
PUMA VERTRIEB GmbH	C	100.00	C	100.00
Austria				
AUSTRIA PUMA DASSLER GES M BH	C	100.00	C	100.00
DOBOTEX AUSTRIA GmbH	C	100.00	C	100.00
Cyprus				
SPORT EQUIPMENT TI CYPRUS Ltd	C	100.00	C	100.00
Croatia				
PUMA SPORT HRVATSKA D OO	C	100.00	C	100.00
Denmark				
PUMA DENMARK A/S	C	100.00	C	100.00
Spain				
DOBOTEX SPAIN SL	C	100.00	C	100.00
PUMA IBERIA SLU	C	100.00	C	100.00
Estonia				
PUMA ESTONIA OU	C	100.00	C	100.00
Finland				
BRANDON OY	C	100.00	C	100.00
PUMA FINLAND OY	C	100.00	C	100.00
TRETORN FINLAND OY	Disposal		C	100.00
United Kingdom				
DOBOTEX UK Ltd	C	100.00	C	100.00
BRANDED SPORTS MERCHANDISING UK Ltd	C	100.00	C	100.00

Company	% interest		
	Dec. 31, 2015	Dec. 31, 2014	
PUMA PREMIER Ltd	C 100.00	C 100.00	
PUMA UNITED KINGDOM Ltd	C 100.00	C 100.00	
Greece			
PUMA HELLAS SA	C 100.00	C 100.00	
Hungary			
PUMA HUNGARY KFT	Liquidation	C 100.00	
Ireland			
TRETORN R&D Ltd	Disposal	C 100.00	
Israel			
PUMA SPORT ISRAEL Ltd	C 100.00	C 100.00	
Italy			
DOBOTEX ITALIA SRL	C 100.00	C 100.00	
PUMA ITALIA SRL	C 100.00	C 100.00	
Lithuania			
PUMA BALTIC UAB	C 100.00	C 100.00	
Malta			
PUMA BLUE SEA Ltd	Merger	C 100.00	
PUMA MALTA Ltd	C 100.00	C 100.00	
PUMA RACING Ltd	C 100.00	C 100.00	
Norway			
PUMA NORWAY AS	C 100.00	C 100.00	
TRETORN NORWAY AS	Disposal	C 100.00	
Netherlands			
BRANDED SPORTS MERCHANDISING BV	C 100.00	Creation	
BRANDED PLUS LICENSING BV	C 100.00	Creation	
DOBO LOGIC BV	C 100.00	C 100.00	
DOBOTEX LICENSING HOLDING BV	C 100.00	C 100.00	
DOBOTEX BV	C 100.00	C 100.00	
BRAND PLUS LICENSING BV	C 100.00	C 100.00	
PUMA INTERNATIONAL SPORTS MARKETING BV	C 100.00	C 100.00	
PUMA BENELUX BV	C 100.00	C 100.00	
Poland			
PUMA POLSKA SPOLKA ZOO	C 100.00	C 100.00	
Czech Republic			
PUMA CZECH REPUBLIC SRO	C 100.00	C 100.00	
Romania			
PUMA SPORT ROMANIA SRL	C 100.00	C 100.00	
Russia			
PUMA-RUS Ltd	C 100.00	C 100.00	
Serbia			
PUMA SERBIA D OO	Liquidation	C 100.00	

Company	% interest		
	Dec. 31, 2015	Dec. 31, 2014	
Slovakia			
PUMA SLOVAKIA SRO	C 100.00	C 100.00	
Sweden			
BRANDON AB	C 100.00	C 100.00	
BRANDON COMPANY AB	C 100.00	C 100.00	
HUNT SPORT AB	Disposal	C 100.00	
PUMA NORDIC AB	C 100.00	C 100.00	
NROTERT AB	C 100.00	C 100.00	
NROTERT SWEDEN AB	C 100.00	C 100.00	
Switzerland			
DOBOTEX SWITZERLAND AG	C 100.00	C 100.00	
MOUNT PUMA AG (SWITZERLAND)	C 100.00	C 100.00	
PUMA RETAIL AG	C 100.00	C 100.00	
PUMA SCHWEIZ AG	Merger	C 100.00	
Ukraine			
PUMA UKRAINE Ltd	C 100.00	C 100.00	
Argentina			
UNISOL SA	C 100.00	C 100.00	
Brazil			
PUMA SPORTS Ltda	C 100.00	C 100.00	
Canada			
PUMA CANADA Inc.	C 100.00	C 100.00	
Chile			
PUMA CHILE SA	C 100.00	C 100.00	
PUMA SERVICIOS Spa	C 100.00	C 100.00	
United States			
BRANDON USA Inc.	C 100.00	C 100.00	
COBRA GOLF Inc.	C 100.00	C 100.00	
JANED LLC	C 51.00	C 51.00	
PUMA KIDS APPAREL NORTH AMERICA LLC	C 51.00	C 51.00	
PUMA NORTH AMERICA Inc.	C 100.00	C 100.00	
PUMA SUEDE HOLDING Inc.	C 100.00	C 100.00	
PUMA WHEAT ACCESSORIES Ltd	C 85.00	C 85.00	
British Virgin Islands			
LIBERTY CHINA HOLDING Ltd ⁽¹⁾	C 100.00	C 100.00	
Mexico			
DOBOTEX DE MEXICO SA DE CV	C 100.00	C 100.00	
IMPORTACIONES BRAND PLUS LICENSIN SA DE CV	C 100.00	Creation	
IMPORTACIONES RDS SA DE CV	C 100.00	C 100.00	
PUMA MEXICO SPORT SA DE CV	C 100.00	C 100.00	

Company	% interest			
		Dec. 31, 2015	Dec. 31, 2014	
SERVICIOS PROFESIONALES				
RDS SA DE CV	C	100.00	C	100.00
Peru				
DISTRIBUIDORA				
DEPORTIVA PUMA SAC	C	100.00	C	100.00
DISTRIBUIDORA DEPORTIVA				
PUMA TACNA SAC	C	100.00	C	100.00
PUMA RETAIL PERU SAC	C	100.00	C	100.00
Uruguay				
PUMA SPORTS LA SA	C	100.00	C	100.00
Botswana				
WILDERNESS HOLDINGS Ltd	E	25.00	E	25.10
South Africa				
PUMA SPORTS DISTRIBUTORS				
PTY Limited	C	100.00	C	100.00
PUMA SPORTS SA	C	100.00	C	100.00
Australia				
KALOLA PTY Ltd	C	100.00	C	100.00
PUMA AUSTRALIA PTY Ltd	C	100.00	C	100.00
WHITE DIAMOND AUSTRALIA PTY Ltd	C	100.00	C	100.00
WHITE DIAMOND PROPERTIES PTY Ltd	C	100.00	C	100.00
New Zealand				
PUMA NEW ZEALAND Ltd	C	100.00	C	100.00
United Arab Emirates				
PUMA MIDDLE EAST FZ LLC	C	100.00	C	100.00
PUMA UAE LLC	C	100.00	C	100.00
Turkey				
PUMA SPOR GIYIM SANAYI				
VE TICARET AS	C	100.00	C	100.00
China				
BRANDON TRADING (SHANGHAI) Ltd	C	100.00	C	100.00
DOBOTEX CHINA Ltd	C	100.00	C	100.00
GUANGZHOU WORLD CAT				
INFORMATION CONSULTING				
SERVICES CO. Ltd	C	100.00	C	100.00
PUMA CHINA Ltd	C	100.00	C	100.00
Hong Kong				
BRANDON HONG KONG Ltd	C	100.00	C	100.00
DEVELOPMENT SERVICES Ltd	C	100.00	C	100.00
DOBOTEX Ltd	C	100.00	C	100.00
PUMA ASIA PACIFIC Ltd	C	100.00	C	100.00
PUMA HONG KONG Ltd	C	100.00	C	100.00
PUMA INTERNATIONAL				
TRADING SERVICES Limited	C	100.00	C	100.00

Company	% interest			
		Dec. 31, 2015	Dec. 31, 2014	
WORLD CAT Ltd	C	100.00	C	100.00
India				
PUMA SPORTS INDIA PVT Ltd	C	100.00	C	100.00
PUMA INDIA RETAIL PVT Ltd	C	100.00	C	100.00
WORLD CAT SOURCING INDIA Ltd	C	100.00	C	100.00
Indonesia				
PT PUMA CAT INDONESIA	C	100.00	C	100.00
Japan				
PUMA JAPAN KK	C	100.00	C	100.00
Korea				
DOBOTEX KOREA Ltd	C	100.00	C	100.00
PUMA KOREA Ltd	C	100.00	C	100.00
Malaysia				
PUMA SPORTS GOODS SDN BHD	C	100.00	C	100.00
Singapore				
PUMA SPORTS SEA				
TRADING PTE Ltd	C	100.00	C	100.00
PUMA SEA HOLDING PTE Ltd	C	100.00	C	100.00
Taiwan				
PUMA TAIWAN SPORTS Ltd	C	100.00	C	100.00
Vietnam				
WORLD CAT VIETNAM CO. Ltd	C	100.00	C	100.00
WORLD CAT VIETNAM SOURCING				
& DEVELOPMENT SERVICES CO. Ltd	C	100.00	C	100.00
VOLCOM				
VOLCOM LLC	C	100.00	C	100.00
United States				
LS&S RETAIL LLC	C	100.00	C	100.00
VOLCOM RETAIL LLC	C	100.00	C	100.00
VOLCOM RETAIL OUTLET LLC	C	100.00	C	100.00
ELECTRIC VISUAL EVOLUTION LLC	C	100.00	C	100.00
Luxembourg				
VOLCOM LUXEMBOURG HOLDING SA	C	100.00	C	100.00
Switzerland				
VOLCOM INTERNATIONAL SARL	C	100.00	C	100.00
WELCOM DISTRIBUTION SARL	C	100.00	C	100.00
Spain				
VOLCOM DISTRIBUTION SPAIN SL	C	100.00	C	100.00
France				
VOLCOM SAS	C	100.00	C	100.00
VOLCOM RETAIL FRANCE	C	100.00	C	100.00
SARL ELECTRIC EUROPE	C	100.00	C	100.00

Company	% interest	
	Dec. 31, 2015	Dec. 31, 2014
United Kingdom		
VOLCOM DISTRIBUTION (UK) Limited	C 100.00	C 100.00
VOLCOM RETAIL (UK) Limited	C 100.00	C 100.00
Australia		
VOLCOM AUSTRALIA HOLDING COMPANY PTY Ltd	C 100.00	C 100.00
VOLCOM AUSTRALIA PTY Ltd	C 100.00	C 100.00
ELECTRIC VISUAL EVOLUTION AUSTRALIA PTY Ltd	C 100.00	C 100.00
Canada		
VOLCOM CANADA Inc.	C 100.00	Creation
New Zealand		
VOLCOM NEW ZEALAND Limited	C 100.00	C 100.00
Japan		
VOLCOM JAPAN GODOGAISHIYA	C 100.00	C 100.00
China		
VOLCOM ASIA PACIFIC Limited	C 100.00	C 100.00
HOLDING COMPANIES AND OTHER		
France		
CONSEIL ET ASSISTANCE	C 100.00	C 100.00
DISCODIS	C 100.00	C 100.00
GG FRANCE 13 SAS	C 100.00	C 100.00
GG FRANCE 14	C 100.00	C 100.00
GG FRANCE HOLDING SAS	C 100.00	C 100.00
KERING EYEWEAR FRANCE SASU	C 80.00	Creation
KERING FINANCE	C 100.00	C 100.00
SAPARDIS	C 100.00	C 100.00
SAPRODIS SERVICES SAS	C 100.00	C 100.00
Germany		
KERING EYEWEAR DACH GmbH	C 80.00	Creation
SAPARDIS DEUTSCHLAND SE	C 100.00	C 100.00
Spain		
KERING EYEWEAR ESPANA SL	C 80.00	Creation
NOGA LUXE SL	C 100.00	C 100.00
United Kingdom		
KERING EYEWEAR UK Ltd	C 80.00	Creation
KERING INTERNATIONAL Limited	C 100.00	C 100.00
KERING UK SERVICES Limited	C 100.00	C 100.00
Italy		
KERING EYEWEAR SpA	C 80.00	Creation
KERING ITALIA SpA	C 100.00	C 100.00

Company	% interest	
	Dec. 31, 2015	Dec. 31, 2014
KERING SERVICE ITALIA SpA	C 100.00	C 100.00
Luxembourg		
BOUCHERON LUXEMBOURG SARL	C 100.00	C 100.00
KERING RE	C 100.00	C 100.00
KERING LUXEMBOURG SA	C 100.00	C 100.00
E-KERING LUX SA	C 100.00	C 100.00
PPR DISTRI LUX SA	C 100.00	C 100.00
PPR INTERNATIONAL	C 100.00	C 100.00
Netherlands		
GUCCI INTERNATIONAL NV	C 100.00	C 100.00
GUCCI PARTICIPATION BV	C 100.00	C 100.00
KERING HOLLAND NV	C 100.00	C 100.00
KERING NETHERLANDS BV	C 100.00	C 100.00
KERING INVESTMENTS EUROPE BV	C 100.00	C 100.00
Switzerland		
LUXURY GOODS SERVICES SA	C 100.00	C 100.00
THE MALL LUXURY OUTLET SA	C 100.00	C 100.00
China		
GUANGZHOU KGS CORPORATE MANAGEMENT & CONSULTANCY Limited	C 100.00	C 100.00
KERING ASIA PACIFIC Ltd	C 100.00	C 100.00
KERING (CHINA) ENTERPRISE MANAGEMENT Ltd	C 100.00	C 100.00
KERING EYEWEAR APAC Ltd	C 80.00	Creation
KERING EYEWEAR SHANGHAI TRADING ENTERPRISES Ltd	C 80.00	Creation
KERING EYEWEAR SINGAPORE PTE Ltd	C 80.00	Creation
KERING HOLDING Limited	C 100.00	C 100.00
KERING SOUTH EAST ASIA PTE Ltd	C 100.00	C 100.00
KGS GLOBAL MANAGEMENT SERVICES Ltd	C 100.00	C 100.00
KGS SOURCING Limited	C 100.00	C 100.00
REDCATS COMMERCE ET TRADING (SHANGHAI) CO. Ltd	C 100.00	C 100.00
REDCATS SOURCING (SHANGHAI) Ltd	C 100.00	C 100.00
Korea		
KERING KOREA Limited	C 100.00	C 100.00
India		
KGS SOURCING INDIA PRIVATE Limited	C 100.00	C 100.00

Company	% interest			
		Dec. 31, 2015	Dec. 31, 2014	
Turkey				
KGS SOURCING TURKEY Limited	C	100.00	C	100.00
Japan				
KERING EYEWEAR JAPAN KK	C	80.00	Creation	
KERING JAPAN Limited	C	100.00	C	100.00
KERING TOKYO INVESTMENTS	C	100.00	C	100.00

Company	% interest			
		Dec. 31, 2015	Dec. 31, 2014	
United States				
KERING AMERICAS	C	100.00	C	100.00
KERING EYEWEAR USA Inc.	C	80.00	Creation	
Mexico				
BOTTEGA VENETA MEXICO, S DE RL DE CV	C	100.00	Creation	

(1) The results of these companies are consolidated based on the Group's contractual share in their operations, which may differ from its percentage interest.

5. *statutory auditors' report* *on the consolidated financial statements* *for the year ended december 31, 2015*

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the consolidated financial statements and includes an explanatory paragraph discussing the Auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the consolidated financial statements. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In accordance with our appointment as Statutory Auditors at your Annual General Meetings, we hereby report to you for the year ended December 31, 2015 on:

- the audit of the accompanying consolidated financial statements of Kering S.A.;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

1. **Opinion on the consolidated financial statements**

We conducted our audit in accordance with professional standards applicable in France. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position and assets and liabilities of the Group as of December 31, 2015 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

2. **Justification of our assessments**

Pursuant to Article L. 823-9 of the French Commercial Code (*Code de commerce*) governing the justification of our assessments, we hereby report on the following:

- During the second half of the year, your Company systematically tests goodwill and assets with an indefinite useful life for impairment, and also assesses whether there is indication of impairment of long-term assets, in accordance with the methods described in Note 2.10 to the consolidated financial statements. We examined the methods used to implement these impairment tests, the cash flow forecasts and assumptions used and verified that Note 19 to the consolidated financial statements provides the appropriate disclosure.
- Your Company recognizes provisions, as described in Note 2.16 to the consolidated financial statements. Our procedures mainly consisted in assessing the data and assumptions underlying such estimates, verifying, on a test basis, the Company's calculations and examining the Management approval procedures for these estimates. We have assessed the reasonableness of those estimates based on this work.
- Note 2.17 to the consolidated financial statements sets out the methods used to measure post-employment and other long-term employee benefit obligations. These obligations were measured by independent actuaries. Our procedures consisted in examining the data used, assessing the underlying assumptions and verifying that Note 26 to the consolidated financial statements provides the appropriate disclosures.

These assessments were performed as part of our audit approach for the consolidated financial statements taken as a whole and therefore contributed to the expression of our opinion in the first part of this report.

3. **Specific verification**

We have also performed the other procedures required by law on the information relating to the Group given in the Management Report, in accordance with professional standards applicable in France.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris La Défense and Neuilly-sur-Seine, March 30, 2016

The Statutory Auditors

KPMG Audit
Division of KPMG SA

Hervé Chopin

Isabelle Allen

Deloitte & Associés

Frédéric Moulin

6. *parent company financial statements*

6.1. *balance sheet – assets* *as of december 31, 2015 and 2014*

ASSETS			Dec. 31, 2015	Dec. 31, 2014		
(in € millions)	Notes	Gross	Depreciation, amortisation and provisions	Carrying amount	Carrying amount	
Non-current assets						
Investments		10,144.0	(1,377.9)	8,766.1	8,766.0	
Other long-term investments ⁽¹⁾		319.5	(0.2)	319.3	0.4	
	3	10,463.5	(1,378.1)	9,085.4	8,766.4	
Property, plant and equipment and intangible assets	4	508.3	(25.2)	483.1	362.4	
Non-current assets			10,971.8	(1,403.3)	9,568.5	9,128.8
Current assets						
Receivables ^{(2) (3)}	5	70.7		70.7	70.1	
Marketable securities	6	61.9		61.9	59.7	
Cash ⁽³⁾	6	1,733.7		1,733.7	1,861.5	
Current assets			1,866.3	0.0	1,866.3	1,991.3
TOTAL ASSETS			12,838.1	(1,403.3)	11,434.8	11,120.1
(1) o/w due in less than one year:				0.4	0.2	
(2) o/w due in more than one year:				0.0	0.0	
(3) o/w concerning associates:				1,615.9	1,873.6	

6.2. *balance sheet – shareholders' equity and liabilities*

as of december 31, 2015 and 2014

SHAREHOLDERS' EQUITY AND LIABILITIES (in € millions)

	Notes	Dec. 31, 2015	Dec. 31, 2014
Shareholders' equity			
Share capital		505.1	505.1
Additional paid-in capital		2,052.4	2,051.4
Reserves	7	1,586.3	1,587.1
Retained earnings		2,098.6	1,785.9
Net income for the year		527.4	817.6
Shareholders' equity		6,769.8	6,747.1
Provisions	8	611.4	639.6
Liabilities			
Bonds ⁽¹⁾	9.1	3,675.6	3,400.0
Other borrowings ^{(1) (3)}	9.1	41.8	54.4
Other liabilities ^{(2) (3)}	10	336.2	279.0
		4,053.6	3,733.4
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		11,434.8	11,120.1
(1) o/w due in more than one year:		3,675.6	2,650.0
(2) o/w due in more than one year:		32.7	0.0
(3) o/w concerning associates:		19.4	29.2

6.3. *income statement*

For the years ended December 31, 2015 and 2014

<i>(in € millions)</i>	Notes	2015	2014
Operating income		105.6	88.0
Operating expenses		(141.1)	(124.3)
Net operating loss	12	(35.5)	(36.3)
Dividends		657.4	1,186.9
Other financial income and expenses		(97.6)	(130.6)
Net financial income	13	559.8	1,056.3
Recurring income before tax		524.3	1,020.0
Net non-recurring expense	14	(18.3)	(222.3)
Employee profit-sharing		(2.1)	(2.4)
Income tax	15	23.5	22.3
Net income for the year		527.4	817.6

6.4. *statement of cash flows*

For the years ended December 31, 2015 and 2014

<i>(in € millions)</i>	2015	2014
Dividends received	657.4	1,186.9
Interest on borrowings	(91.4)	(114.6)
Income tax received	11.4	37.0
Other	(92.1)	(97.9)
Change in cash resulting from operating activities	485.3	1,011.4
(Acquisitions)/disposals of operating assets	(60.4)	(14.8)
Change in long-term investments	(318.1)	1.3
Change in cash resulting from investing activities	(378.5)	(13.5)
Net change in borrowings	271.5	(85.5)
Share capital increases	1.0	3.3
Dividends paid by Kering	(504.9)	(473.2)
Change in cash resulting from financing activities	(232.4)	(555.4)
Change in cash and cash equivalents	(125.6)	442.5
Cash and cash equivalents at beginning of year	1,921.2	1,478.7
Cash and cash equivalents at end of year	1,795.6	1,921.2

6.5. *statement of changes in shareholders' equity*

<i>(in € millions) (before appropriation of net income)</i>	Number of shares	Share capital	Additional paid-in capital	Reserves and retained earnings	Net income for the year	Shareholders' equity
As of December 31, 2013	126,226,761	504.9	2,048.3	3,014.2	832.9	6,400.3
Appropriation of 2013 net income				832.9	(832.9)	-
Dividends paid				(283.9)		(283.9)
Interim dividend				(189.4)		(189.4)
Exercise of stock options	39,729	0.2	3.1			3.3
Changes in tax-driven provisions				(0.8)		(0.8)
2014 net income					817.6	817.6
As of December 31, 2014	126,266,490	505.1	2,051.4	3,373.0	817.6	6,747.1
Appropriation of 2014 net income				817.6	(817.6)	-
Dividends paid				(315.5)		(315.5)
Interim dividend				(189.4)		(189.4)
Exercise of stock options	12,832		1.0			1.0
Changes in tax-driven provisions				(0.8)		(0.8)
2015 net income					527.4	527.4
As of December 31, 2015	126,279,322	505.1	2,052.4	3,684.9	527.4	6,769.8

As of December 31, 2015, Kering's share capital comprised 126,279,322 shares with a par value of €4 each.

6.6. *notes to the parent company financial statements*

Note 1. 2015 highlights

On January 12, 2015, Kering and Safilo decided to terminate the Gucci licence agreement two years in advance, which will result in compensation of €90 million to be paid to Safilo. This compensation has been recognised as an intangible asset in the statutory financial statements.

Kering issued USD 150 million worth of five-year floating rate notes paying a floating-rate coupon of 3-month USD Libor +0.73% on March 9, 2015, €500 million worth of seven-year bonds with a fixed-rate coupon of 0.875% on March 27, 2015, €50 million worth of twenty-year bonds with a fixed-rate coupon of 1.60% on April 16, 2015, and USD 150 million worth of six-year bonds with a fixed-rate coupon of 2.887% on June 9, 2015.

In addition, the April 8, 2014 bond issue was topped up by €150 million and €50 million respectively on September 22, 2015 and November 5, 2015, which therefore increased the total amount of the bond issue to €500 million.

In April 2015, Kering redeemed at maturity the €750 million bond issued in April 2010 and topped up in January 2012.

Note 2. Accounting policies and methods

The annual financial statements are prepared in accordance with the provisions of the French accounting standards setter (*Autorité des normes comptables* – ANC) regulation no. 2014-03.

2.1. Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are recorded in the balance sheet at their acquisition cost. Depreciation and amortisation are calculated using the straight-line method based on the nature and useful life of each component.

2.2. Long-term investments

Investments

Securities classified as "Investments" are those considered necessary for the Company's activities, particularly because they provide the Company with influence over, or control of, the issuer.

Pursuant to notice no. 2007-C issued by the Emerging Issues Taskforce of the French accounting standards authority (*Conseil national de la comptabilité* – CNC) on June 15, 2007, the Company elected to recognise acquisition fees as part of the cost of investments.

As of the end of the reporting period, the gross amount of investments is compared to their value in use to the Company, determined with reference to the subsidiary's estimated economic value and taking into consideration the purpose of the original transaction. Value in use is determined using a multi-criteria approach based on future cash flow projections, the revised asset value, and the share of consolidated or revalued shareholders' equity. Other methods are used where necessary.

An impairment loss is recorded when market value falls below the gross value.

Other long-term investments

Other long-term investments include other investments and certain treasury shares.

Other investments (excluding treasury shares)

Other investments are investments that the Company plans or is required to hold on a long-term basis, but which are not deemed necessary for the Company's activities.

The gross amount of such investments is equal to the acquisition cost plus any related acquisition fees.

An impairment loss is recognised based on the value in use of these securities to the Company.

Treasury shares

Treasury shares acquired under liquidity agreements are recorded under "Other long-term investments". These shares are written down where necessary to reflect the average share price over the last month of the fiscal year.

Treasury shares acquired for the express purpose of being used in a future capital reduction are also classified under "Other long-term investments". These shares are not written down to reflect the share price.

2.3. Receivables

Receivables are recorded in the balance sheet at their nominal value, and are written down where they present a risk of non-recovery.

2.4. Marketable securities and negotiable debt securities

Treasury shares

Treasury shares acquired for the express purpose of being subsequently granted to employees under stock purchase option plans and free share plans are recorded under "Marketable securities". No impairment is recognised on treasury shares to reflect the share price.

Other shares

Shares are recorded at their acquisition cost. An impairment loss is recognised when their closing price falls below their carrying amount.

Bonds

Bonds are recorded on the acquisition date at their par value adjusted by the premium or discount. Accrued interest as of the acquisition date and as of the end of the reporting period is recorded in an accrued interest account.

As of the end of the reporting period, the cost of the bonds is compared to the market value of the principal over the last month of the year, excluding accrued interest. An impairment loss is recorded when market value falls below the gross value.

Mutual funds (Sicav)

Shares in mutual funds are recorded at their acquisition cost excluding subscription fees, and their net asset value is estimated as of the end of the reporting period. A provision for impairment is recorded in respect of any unrealised capital losses. No unrealised capital gains are recognised.

Negotiable certificates of deposit, certificates of deposit and notes issued by financing companies

These negotiable debt securities are subscribed on the primary market or purchased on the secondary market. They are recorded at acquisition cost less accrued interest as of the acquisition date when purchased on the secondary market.

Prepaid interest is recognised as financial income on a proportional basis for the fiscal year.

2.5. Financial instruments

All foreign currency and interest rate positions are taken via instruments listed on exchange-traded or over-the-counter markets representing minimal counterparty risk. Any gains or losses generated on financial instruments used in hedging transactions are offset against the corresponding gain or loss on the hedged items.

Where financial instruments do not qualify as hedges, any gains or losses resulting from changes in their market value are recorded in the income statement, except for over-the-counter transactions. For these transactions, a provision is recorded for any unrealised losses, while unrealised gains are not recognised.

2.6. Foreign currency transactions

Income and expenses denominated in foreign currencies are recorded at their euro-equivalent value on the transaction date. Borrowings, receivables and liquidity positions denominated in foreign currencies are translated at the closing exchange rate. In the case of foreign currency hedging, borrowings and receivables are translated at the hedging rate.

Any translation differences resulting from the valuation of foreign currency borrowings and receivables are recorded in accrual accounts, as an asset for unrealised losses and as a liability for unrealised gains. A contingency provision is recorded to cover any unhedged unrealised losses. Where borrowings and receivables are hedged by financial instruments, any foreign currency gains or losses are immediately recorded in the income statement.

2.7. Bond issue and capital increase fees – Bond redemption premiums

Bond issue fees are recognised as of the issue date.

Costs associated with increases in capital, mergers or restructuring are charged against the additional paid-in capital arising from the merger or restructuring.

Bonds are recorded at their par value.

Any issue or redemption premiums are assigned to the relevant balance sheet item and amortised over the term of the bond.

For convertible bonds, the redemption premium is recognised over the term of the bond, in accordance with the benchmark accounting treatment.

In the case of an indexed bond issue, a contingency provision must be recorded in respect of redemption when the estimated amount required to redeem the bonds as of the end of the reporting period exceeds the amount of the issue. This provision is calculated on a proportional basis over the term of the bond.

2.8. Provisions

Provisions are recognised in accordance with CNC regulation no. 2000.06 and include pension and other employee benefit obligations pursuant to ANC recommendation no. 2013-02.

Under defined benefit plans, obligations are valued using the projected unit credit method based on agreements in effect in the Company. Under this method, each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation. The obligation is then discounted. The actuarial assumptions used to determine the obligations vary depending on economic conditions.

These benefit obligations are assessed by independent actuaries on an annual basis. The valuations take into account the level of future compensation, the probable active life of employees, life expectancy and staff turnover.

Kering applies the notice relating to CRC regulation no. 2008-15 of December 4, 2008 on the accounting treatment of stock option plans and employee free share plans.

2.9. Tax consolidation

Kering has set up a tax consolidation group in France with several sub-groups and subsidiaries.

Each subsidiary recognises a tax expense for the amount of tax it would have paid on a stand-alone basis. The tax savings generated by the Group as a result of tax consolidation are retained by Kering as parent company of the tax consolidation group.

Note 3. Net long-term investments

<i>(in € millions)</i>	As of Dec. 31, 2014	Increase	Decrease	As of Dec. 31, 2015
Gross value				
Investments	10,144.0			10,144.0
Kering Netherlands BV	4,237.2			4,237.2
Kering Holland NV	2,566.9			2,566.9
Redcats	1,171.6			1,171.6
Sapardis	1,804.0			1,804.0
Discodis	299.7			299.7
Other	64.6			64.6
Other long-term investments	0.6	595.8	(276.9)	319.5
Treasury shares (liquidity agreement) ⁽¹⁾		276.8	(276.8)	
Loans and accrued interest on loans ⁽²⁾	0.2	318.9	(0.1)	319.0
Deposits and guarantees	0.4	0.1		0.5
Gross value	10,144.6	595.8	(276.9)	10,463.5
Impairment losses				
Investments	(1,378.0)		0.1	(1,377.9)
Redcats	(1,171.6)			(1,171.6)
Sapardis	(200.0)			(200.0)
Other	(6.4)		0.1	(6.3)
Other long-term investments	(0.2)			(0.2)
Impairment losses	(1,378.2)		0.1	(1,378.1)
Carrying amount	8,766.4			9,085.4

(1) The amount corresponding to treasury shares is unavailable and recognised in tax-driven reserves.

(2) Loans mainly include a €275 million loan with Kering Finance.

Treasury share transactions

In 2015, the Group made a net acquisition of 6,061 treasury shares, resulting from the following transactions:

- the acquisition of 1,683,029 shares under the liquidity agreement;
- the disposal of 1,683,029 shares under the liquidity agreement;
- the acquisition of 8,021 shares in connection with free share plans;
- the allotment of 8,090 shares which mature in May 2015 to employees under the 2011 free share plan;
- the acquisition of 125,000 shares to be allotted under stock purchase option plans;
- the disposal of 116,470 shares to employees under the May 2007 stock purchase option plan and 2,400 shares under the September 2007 stock purchase option plan.

As a result of the various stock subscription options exercised in 2015, the share capital increased by 12,832 shares.

As of December 31, 2015, the Group held no call options on its own shares to cover stock purchase and stock subscription option plans.

On May 26, 2004, Kering signed an agreement with a financial broker in order to improve the liquidity of the Group's shares and ensure share price stability.

This agreement complies with the Professional Code of Conduct drawn up by the French association of financial and investment firms (*Association française des marchés financiers* – AMAFI) and approved by the French financial markets authority (*Autorité des marchés financiers* – AMF).

The agreement was initially endowed with €40 million, half of which was provided in cash and half in Kering shares. An additional €20 million in cash was allocated to the agreement on September 3, 2004, and a further €30 million on December 18, 2007.

As of December 31, 2015, Kering held no treasury shares in connection with the liquidity agreement.

Outside the scope of the liquidity agreement, Kering holds 27,598 treasury shares to be granted to employees under the 2012 free share plans which mature in 2016, and no longer holds any treasury shares in connection with stock purchase option plans.

As of December 31, 2014, 21,537 treasury shares were held by the Company outside the scope of this agreement.

Note 4. Property, plant and equipment and intangible assets

Movements in property, plant and equipment and intangible assets are presented below:

<i>(in € millions)</i>	Software	Other intangible assets	Property, plant and equipment	Total
Gross value				
December 31, 2014	16.6	344.1	22.8	383.5
Acquisitions	14.3	92.0	18.5	124.8
Disposals				0.0
December 31, 2015	30.9	436.1	41.3	508.3
Depreciation, amortisation and provisions				
December 31, 2014	(10.2)		(10.9)	(21.1)
Additions	(3.0)		(1.1)	(4.1)
Reversals on disposals				0.0
December 31, 2015	(13.2)	0.0	(12.0)	(25.2)
Carrying amount				
December 31, 2014	6.4	344.1	11.9	362.4
December 31, 2015	17.7	436.1	29.3	483.1

Other intangible assets mainly include the Financière Marothi merger loss generated in 2013, and the Safilo compensation for €90 million plus €2 million in related costs.

Note 5. Receivables

These line items break down as follows:

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2014
Tax consolidation current accounts	7.5	0.8
Kadéos account	9.4	9.4
Income tax benefit	13.6	13.1
Group customers	11.3	12.3
Bond issue premiums	(7.2)	1.8
Other ⁽¹⁾	33.9	30.4
Prepaid expenses	2.2	2.3
TOTAL	70.7	70.1
o/w concerning associates:	18.8	13.1

(1) O/w €4.0 million in respect of collateral (escrow).

Note 6. Marketable securities and cash

These line items break down as follows:

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2014
Treasury shares pending employee grants	5.1	-
Treasury shares pending allocation to stock purchase option plans	-	3.3
Listed securities	56.8	56.4
Marketable securities	61.9	59.7
Bank deposits and fund transfers	136.6	1.0
Cash current accounts	1,597.1	1,860.5
Cash	1,733.7	1,861.5
CASH AND CASH EQUIVALENTS	1,795.6	1,921.2
o/w concerning associates:	1,597.1	1,860.5

Listed securities mainly comprise mutual funds (Sicav) for €56.8 million (€56.3 million as of December 31, 2014).

Bank deposits include certificates of deposit and term deposits and accounts with a maturity of less than three months.

Note 7. Reserves

The Company's reserves before the appropriation of net income break down as follows:

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2014
Legal reserve	51.4	51.4
Tax-driven reserves	1,293.6	1,293.6
Other reserves	240.3	240.3
Reserves	1,585.3	1,585.3
Tax-driven provisions	1.0	1.8
TOTAL	1,586.3	1,587.1

Note 8. Provisions

<i>(in € millions)</i>	Dec. 31, 2014	Additions	Reversals (utilised provisions)	Reversals (surplus provisions)	Reclassification	Dec. 31, 2015
Disputes	33.3			0.1	(0.1)	33.1
Risks relating to subsidiaries	550.0	1.2		4.7		546.5
Pensions and other employee benefit obligations	8.2	0.5	0.3			8.4
Other contingencies	47.2		25.2		0.1	22.1
Foreign exchange risk	0.9	1.3	0.9			1.3
TOTAL	639.6	3.0	26.4	4.8		611.4
o/w:						
operating items		0.4				
financing items		1.4	1.2			
non-recurring items		1.2	25.2	4.8		

The provision for risks relating to subsidiaries mainly corresponds to the net equity of Redcats after the sale of its operating businesses (La Redoute, Relais Colis, etc.).

The reversal of provisions for other contingencies chiefly relates to the impact of the transfer of the UK pension fund to an insurance company.

The main actuarial assumptions used to determine pensions and other employee benefit obligations are:

- discount rate of 2.00% (unchanged from 2014);
- salary increase rate of 3.00% (unchanged from 2014).

Note 9. Borrowings

Bond issues

Euro-denominated bond issues

(in € millions)	Interest rate	Issue date	Hedge	Maturity	Dec. 31, 2015	Dec. 31, 2014
Bond issue ⁽¹⁾	6.50% fixed	06/29/2009	-	06/29/2017	150.0	150.0
Bond issue ⁽²⁾	6.50% fixed	11/06/2009	-	11/06/2017	200.0	200.0
Bond issue ⁽³⁾	3.75% fixed	04/08/2010 & 01/26/2012	-	04/08/2015		750.0
Bond issue ⁽⁴⁾	3.125% fixed	04/23/2012	-	04/23/2019	500.0	500.0
Bond issue ⁽⁵⁾	2.50% fixed	07/15/2013	-	07/15/2020	500.0	500.0
Bond issue ⁽⁶⁾	1.875% fixed	10/08/2013	-	10/08/2018	500.0	500.0
Bond issue ⁽⁷⁾	2.75% fixed	04/08/2014 & 05/30/2014 & 06/26/2014 & 09/22/2015 & 11/05/2015	-	04/08/2024	500.0	300.0
Bond issue ⁽⁸⁾	1.375% fixed	10/01/2014	-	10/01/2021	500.0	500.0
Bond issue ⁽⁹⁾	0.875% fixed	03/27/2015	-	03/28/2022	500.0	
Bond issue ⁽¹⁰⁾	1.60% fixed	04/16/2015	-	04/16/2035	50.0	

(1) Issue price: bond issue on June 29, 2009, comprising 3,000 bonds with a par value of €50,000 each under the EMTN programme.
Redemption: in full on June 29, 2017.

(2) Issue price: bond issue on November 6, 2009, comprising 4,000 bonds with a par value of €50,000 each under the EMTN programme.
Redemption: in full on November 6, 2017.

(3) Issue price: bond issue on April 8, 2010, comprising 500,000 bonds with a par value of €1,000 each under the EMTN programme, and 250,000 additional bonds issued on January 26, 2012, thereby raising the issue to 750,000 bonds.
Redemption: in full on April 8, 2015.

(4) Issue price: bond issue on April 23, 2012, comprising 500,000 bonds with a par value of €1,000 each under the EMTN programme.
Redemption: in full on April 23, 2019.

(5) Issue price: bond issue on July 15, 2013, comprising 5,000 bonds with a par value of €100,000 each under the EMTN programme.
Redemption: in full on July 15, 2020.

(6) Issue price: bond issue on October 8, 2013, comprising 5,000 bonds with a par value of €100,000 each under the EMTN programme.
Redemption: in full on October 8, 2018.

(7) Issue price: bond issue on April 8, 2014, comprising 1,000 bonds with a par value of €100,000 each under the EMTN programme, 1,000 additional bonds issued on May 30, 2014, 1,000 additional bonds issued on June 26, 2014, 1,500 additional bonds issued on September 22, 2015 and 500 additional bonds issued on November 5, 2015, thereby raising the issue to 5,000 bonds.
Redemption: in full on April 8, 2024.

(8) Issue price: bond issue on October 1, 2014, comprising 5,000 bonds with a par value of €100,000 each under the EMTN programme.
Redemption: in full on October 1, 2021.

(9) Issue price: bond issue on March 27, 2015, comprising 5,000 bonds with a par value of €100,000 each under the EMTN programme.
Redemption: in full on March 28, 2022.

(10) Issue price: bond issue on April 16, 2015, comprising 500 bonds with a par value of €100,000 each under the EMTN programme.
Redemption: in full on April 16, 2035.

USD-denominated bond issues

(in € millions)	Interest rate	Issue date	Hedge	Maturity	Dec. 31, 2015	Dec. 31, 2014
Bond issue ⁽¹⁾	Floating 3-month USD Libor +0.73%	03/09/2015	-	03/09/2020	137.8	
Bond issue ⁽²⁾	2.887% fixed	06/09/2015	-	06/09/2021	137.8	

(1) Issue price: bond issue on March 9, 2015 in the form of floating-rate notes, comprising 150 notes with a par value of USD 1,000,000 under the EMTN programme, i.e., representing a total of USD 150 million.
Redemption: in full on March 9, 2020.

(2) Issue price: bond issue on June 9, 2015, comprising 150 bonds with a par value of USD 1,000,000 each under the EMTN programme, i.e., representing a total of USD 150 million.
Redemption: in full on June 9, 2021.

The bonds issued between 2009 and 2015 within the scope of the EMTN programme are all subject to change-of-control clauses entitling bondholders to request early redemption at par if Kering's rating is downgraded to non-investment grade following a change of control.

In addition, the bonds issued in 2009 and 2010 include a step-up coupon clause that applies in the event that Kering's rating is downgraded to non-investment grade.

9.1. Breakdown by type

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2014
Bonds	3,675.6	3,400.0
Interest on bond issues	41.8	54.2
Outstanding bank overdrafts	-	0.1
Cash current accounts	-	0.1
Other borrowings	41.8	54.4
TOTAL	3,717.4	3,454.4
o/w concerning associates:	-	0.1

As of December 31, 2015 and 2014, no borrowings were secured by collateral.

9.2. Breakdown by maturity

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2014
Less than one year	41.8	804.4
One to five years	1,987.8	1,350.0
More than five years	1,687.8	1,300.0
TOTAL	3,717.4	3,454.4

9.3. Net debt

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2014
Borrowings	3,717.4	3,454.4
Marketable securities	(61.9)	(59.7)
Cash	(1,733.7)	(1,861.5)
TOTAL	1,921.8	1,533.2

9.4. Information on interest rates

	Dec. 31, 2015	Dec. 31, 2014
Average gross interest rate over the year	2.61%	3.54%
% average gross debt at fixed rates	96.90%	95.70%
% average gross debt at floating rates	3.10%	4.30%

Note 10. Other liabilities

These line items break down as follows:

<i>(in € millions)</i>	Dec. 31, 2015	Dec. 31, 2014
Tax consolidation current accounts	4.6	9.4
Dividends to be paid	189.4	189.4
Tax and employee-related liabilities	34.8	30.3
Other	107.4	49.9
TOTAL	336.2	279.0
o/w concerning associates:	19.4	29.1

Other debt includes €60 million in respect of Safilo, payable in December 2016 and September 2018.

Note 11. Off-balance sheet commitments

11.1. Interest rate hedges

As part of the Group's policy of hedging interest rate risk, Kering sets up interest rate swaps in connection with certain fixed-rate bond issues.

All of these hedges matured in 2014.

11.2. Stock option and free share plans

The nature and main characteristics of the plans are indicated in the table below:

	2005/1 Plan	2005/2 Plan	2005/3 Plan	2007/1 Plan	2007/2 Plan	2011/2 Plan	2012/2 Plan
Stock option and free share plans	Subscription options	Subscription options	Subscription options	Purchase options	Purchase options	Free shares	Free shares
Grant date	01/03/2005	05/19/2005	05/19/2005	05/14/2007	09/17/2007	05/19/2011	04/27/2012
Expiry date	01/02/2015	05/18/2015	05/18/2015	05/13/2015	09/16/2015	N/A	N/A
Vesting of rights	(a)	(b)	(b)	(b)	(b)	(c)	(c)
Number of beneficiaries	13	458	22	248	14	76	88
Number initially granted	25,530	333,750	39,960	355,500	51,300	9,455	39,640
Number outstanding as of Jan. 1, 2015	250	13,496	400	126,040	2,900	8,090	38,120
Number forfeited in 2015		-32		-400			8,980
Number exercised in 2015		12,432	400	116,470	2,400		
Number of shares issued (AGM)						8,090	
Number expired in 2015	250	1,096		9,970	500		
Number outstanding as of Dec. 31, 2015							29,140
Number exercisable as of Dec. 31, 2015							
Strike price (in €)	75.29	78.01	78.97	127.58	127.58	N/A	N/A

Under all these plans, shares are subject to a four-year lock-in period, commencing on the grant date.

(a) Options vest at a rate of 25% per full year of presence within the Group, except in the event of retirement (when rights vest in full). If a beneficiary is dismissed for gross negligence or misconduct, all rights are lost, including after the lock-in period.

(b) Options vest at a rate of 25% per full year of presence within the Group, except in the event of retirement (when rights vest in full) or resignation (when all rights are lost). If a beneficiary is dismissed for gross negligence or misconduct, all rights are lost, including after the lock-in period.

(c) Shares vest four years after being granted, except in the event of resignation or dismissal for gross negligence or misconduct (when all rights are lost). The final number of shares granted is subject to stock market performance conditions. These shares are not subject to a non-transferability period.

11.3. Other off-balance sheet commitments

(in € millions)	Dec. 31, 2015	Dec. 31, 2014
Endorsements and guarantees in favour of:		
associates	-	-
third parties outside the Group	29.7	29.3
Endorsements and guarantees	29.7	29.3
Collateral: in favour of subsidiaries	-	-
 in favour of third parties	-	-

Note 12. Net operating loss

Net operating loss breaks down as follows:

<i>(in € millions)</i>	2015	2014
Group management fees	80.3	70.8
Property rental income	0.2	0.2
Payroll expenses	(44.7)	(38.3)
External purchases and expenses, taxes	(82.5)	(77.4)
Depreciation, amortisation and provisions	(4.5)	(3.2)
Other income and expenses	15.7	11.6
TOTAL	(35.5)	(36.3)
o/w Directors' fees:	(0.9)	(0.9)

Note 13. Net financial income

Net financial income breaks down as follows:

<i>(in € millions)</i>	2015	2014
Net interest expense	(97.6)	(130.6)
Expenses and interest on non-Group debt	(97.6)	(131.7)
Interest on Group current accounts	-	1.1
Dividends	657.4	1,186.9
Kering Netherlands BV	275.0	600.0
Kering Holland NV	335.3	335.3
Discodis	-	201.6
Kering Finance	47.0	50.0
Other	0.1	-
TOTAL	559.8	1,056.3
o/w concerning associates:		
Interest on inter-company current accounts	-	1.1
Dividends	657.4	1,186.9

Note 14. Net non-recurring expense

Net non-recurring expense breaks down as follows:

<i>(in € millions)</i>	2015	2014
Net proceeds from disposals of securities, impairment losses and related transactions	(2.3)	(146.6)
Cost of disputes, litigation and restructuring	3.2	(41.4)
Other non-recurring income/(expense)	(19.2)	(34.3)
TOTAL	(18.3)	(222.3)

In 2014, net non-recurring expense mainly included an additional provision for residual risks relating to Redcats following the sale of its operating businesses.

Note 15. Income tax

This line item breaks down as follows:

<i>(in € millions)</i>	2015	2014
Tax consolidation benefit	39.9	34.8
Income tax on dividends	(15.1)	(14.2)
Other	(1.3)	1.7
TOTAL	23.5	22.3

Under a tax consolidation agreement that came into effect on January 1, 1988, Kering pays the tax due by members of the tax consolidation group and fulfils all relevant tax obligations.

The tax consolidation group comprised 40 companies in 2015 and 53 in 2014.

If no tax consolidation arrangement had existed, the Company would not have paid any income tax.

Note 16. Deferred tax assets and liabilities (34.433% rate)

(in € millions)

Deferred tax assets	
Retirement termination benefits	0.9
Employee profit-sharing	0.9
Other	0.4
Deferred tax liabilities	
Provision for investments	0.4

Note 17. Other information

17.1. Average headcount

The Company had an average of 240 employees in 2015 compared to 194 in 2014.

As of December 31, 2014, the number of unused training hours vested by employees under the individual training entitlement (*Droit Individuel à la Formation* – DIF) was 13,100.

In 2015, the DIF was superseded by the personal training account (*Compte personnel de formation*) and the commitment is no longer borne by the Company.

17.2. Fees paid to Statutory Auditors

Statutory Auditors' fees recorded in the income statement are shown below:

<i>(in € thousands)</i>	KPMG Audit		Deloitte & Associés	
	2015	2014	2015	2014
Statutory audit, certification, review of parent company and consolidated financial statements	328	328	300	300
Other audit-related services	42	41	222	153
Other services provided	-	-	-	-
TOTAL	370	369	522	453

17.3. Executive compensation

In 2015, total compensation of €10.6 million was awarded to members of the governance and management bodies, versus €10.5 million in 2014.

17.4. Consolidating company

Kering is controlled by Artémis, which holds 40.89% of its share capital. Artémis is wholly owned by Financière Pinault.

17.5. Transactions with related parties

The support agreement between Artémis and Kering signed on September 27, 1993 generated an expense of €3.0 million in 2015 compared with an expense of €2.5 million in 2014.

The other transactions with related parties were contracted at arm's length conditions. As a result, no additional disclosures are required pursuant to Article R. 123-198, 11° of the French Commercial Code.

Note 18. Subsequent events

On January 25, 2016, Kering paid out an interim dividend amounting to €1.50 per share.

Subsidiaries and investments as of December 31, 2015

<i>(in € thousands)</i>		Share capital	Shareholders' equity excl. share capital and net income
I – DETAILED INFORMATION			
A – Subsidiaries (more than 50%-owned and representing over 1% of the share capital)			
Conseil et Assistance	France	2,010	1,726
Discodis	France	153,567	160,412 ⁽¹⁾
Kering Netherlands BV	Netherlands	20,000 ⁽¹⁾	4,992,967 ⁽¹⁾
Christopher Kane Limited ⁽²⁾	UK	1 ⁽¹⁾	4,011 ⁽¹⁾
Kering International ⁽²⁾	UK	16,048 ⁽¹⁾	187 ⁽¹⁾
Redcats	France	401	(705,962)
Sapardis	France	1,799,936	(233,656)
Trémi 2	France	20,710	(2,090)
	Sub-total		
B – Investments (less than 50%-owned and representing over 1% of the share capital)			
Kering Holland NV	Netherlands	108,246 ⁽¹⁾	2,661,440 ⁽¹⁾
II – SUMMARY INFORMATION			
A – Subsidiaries not listed in I			
French subsidiaries			
Non-French subsidiaries			
B – Investments not listed in I			
French investments			
Non-French investments			

(1) Based on accounts as of December 31, 2014.

(2) GBP exchange rate as of December 31, 2014.

% of capital held	Carrying amount of shares		Outstanding loans granted by the Company	Endorsements and guarantees given by the Company	Last published revenue excl. VAT	Last published net income (loss)	Dividends received by the Company during the year
	Gross	Net					
90.00	7,724	3,537				194	
99.99	299,736	299,736				667 ⁽¹⁾	
100.00	4,237,240	4,237,240				664,424 ⁽¹⁾	275,000
51.00	12,174	12,174			11,882 ⁽¹⁾	(5,396) ⁽¹⁾	
100.00	14,773	14,773			6,609 ⁽¹⁾	331 ⁽¹⁾	
99.99	1,171,636	0			0	1,477	
100.00	1,804,008	1,604,008				(56,892)	
100.00	20,475	20,475				1,997	
	<u>7,567,766</u>	<u>6,191,943</u>					
33.53	<u>2,566,912</u>	<u>2,566,912</u>			<u>125,865⁽¹⁾</u>	<u>1,046,473⁽¹⁾</u>	<u>335,308</u>
	487	430					
	<u>2,004</u>	<u>31</u>					
	0	0					
	<u>3,517</u>	<u>3,517</u>					
	<u>10,140,686</u>	<u>8,762,833</u>					

6.7 five-year financial summary

	2015	2014	2013	2012	2011
Share capital at year-end					
Share capital (in €)	505,117,288	505,065,960	504,907,044	504,466,808	508,003,556
Number of ordinary shares outstanding	126,279,322	126,266,490	126,226,761	126,116,702	127,000,889
Maximum number of potential shares to be issued	0	14,146	70,795	188,160	641,571
by conversion of bonds					
by exercise of stock subscription options	0	14,146	70,795	188,160	641,571
Operations and results for the year					
(in € thousands)					
Income from operating activities	80,383	70,811	88,795	73,581	38,622
Net income before tax, employee profit-sharing, depreciation, amortisation and provisions	481,459	968,460	1,635,162	680,689	794,979
Income tax (expense)/benefit	23,500	22,320	20,139	142,124	118,722
Employee profit-sharing for the year	2,071	2,406	3,339	2,055	2,120
Net income after tax, employee profit-sharing, depreciation, amortisation and provisions	527,399	817,551	832,903	505,561	663,606
Dividend distribution	505,117 ⁽¹⁾	505,066	473,350	472,937 ⁽²⁾	444,503
Per share data (in €)					
Net income after tax, employee profit-sharing, but before depreciation, amortisation and provisions	3.98	7.83	13.09	6.51	7.18
Net income after tax, employee profit-sharing, depreciation, amortisation and provisions	4.18	6.47	6.60	4.01	5.23
Dividend:					
Net dividend per share ⁽³⁾	4.00 ⁽¹⁾	4.00	3.75	3.75	3.50
Employee data					
Average number of employees during the year	240	194	171	146	118
Total annual payroll (in € thousands)	32,114	27,124	21,602	19,794	15,667
Total employee benefits paid during the year (social security, social works, etc.) (in € thousands)	12,617	11,169	10,222	8,817	6,213

(1) Subject to approval by the Annual General Meeting, Including an interim dividend of €1.50 per share paid on January 25, 2016.

(2) At the Annual General Meeting on June 18, 2013, the shareholders authorised a dividend in the form of Groupe Fnac shares at a ratio of one Groupe Fnac share for every eight Kering shares held.

(3) Pursuant to Article 243 bis of the French Tax Code (Code général des impôts), the full amount of the dividend paid to individuals who are tax residents in France qualifies for the 40% tax credit provided under Article 158-3 2 of said Code.

7. statutory auditors' report on the financial statements for the year ended december 31, 2015

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking users. The Statutory Auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the Company financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the Company financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the Company financial statements. This report should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In accordance with our appointment as Statutory Auditors at your Annual General Meetings, we hereby report to you for the year ended December 31, 2015 on:

- the audit of the accompanying financial statements of Kering S.A.;
- the justification of our assessments;
- the specific procedures and disclosures required by law.

The financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

1. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, using sample testing techniques or other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position and the assets and liabilities of the Company as of December 31, 2015 and the results of its operations for the year then ended in accordance with accounting principles generally accepted in France.

2. Justification of our assessments

Pursuant to Article L. 823-9 of the French Commercial Code (*Code de commerce*) governing the justification of our assessments, we hereby report on the following:

Note 2.2 to the financial statements describes the accounting policies relating to the measurement of long-term investments.

As part of our assessment of the accounting policies implemented by your Company, we have verified the appropriateness of the above-mentioned accounting methods and their proper application.

These assessments were performed as part of our audit approach for the financial statements taken as a whole and therefore contributed to the expression of our opinion in the first part of this report.

3. *Specific procedures and disclosures*

We have also performed the other procedures required by law, in accordance with professional standards applicable in France.

We have no matters to report regarding the fair presentation and consistency with the financial statements of the information given in the Management Report of the Board of Directors and in the documents addressed to the shareholders in respect of the financial position and the financial statements.

Concerning the information given in accordance with the requirements of Article L. 225-102-1 of the French Commercial Code relating to remunerations and benefits received by the corporate officers and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it.

Based on these procedures, we have the following comment on the accuracy and fair presentation of this information: As indicated in the Board of Directors' Management Report, this information represents the remunerations and benefits paid by the Kering group and the companies controlling it to the corporate officers concerned with respect to the mandates, duties or tasks carried out within or on behalf of the Kering group. The information does not include the remunerations and benefits paid with respect to mandates, duties or tasks other than those carried out within or on behalf of the Kering group.

Pursuant to the law, we have verified that the Management Report contains the appropriate disclosures as to the identity of and voting rights held by shareholders.

Paris La Défense and Neuilly-sur-Seine, March 30, 2016

The Statutory Auditors

KPMG Audit
Division of KPMG SA

Hervé Chopin

Isabelle Allen

Deloitte & Associés

Frédéric Moulin

8. statutory auditors' special report on regulated agreements and commitments with third parties

shareholders' meeting held to approve the financial statements for the year ended december 31, 2015

This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments with third parties that is issued in the French language and is provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code (Code de commerce) and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report to you on regulated agreements and commitments with third parties.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, and the reasons justifying that these commitments and agreements are in the company's interest, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements, if any. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code (*Code de commerce*), to assess the interest involved in respect of the conclusion of these agreements for the purpose of approving them.

Our role is also to provide you with the information provided for in Article R. 225-31 of the French Commercial Code in respect of the performance of the agreements and commitments, already authorized by the shareholders' meeting and having continuing effect during the year, if any.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. These procedures consisted in agreeing the information provided to us with the relevant source documents.

Agreements and commitments submitted to the approval of the shareholders' meeting

Agreements and commitments authorized during the year

We have been advised of the following agreements and commitments which received the prior approval of your Board of Directors pursuant to Article L. 225-40 of the French Commercial Code.

- **Sale of an investment held by a subsidiary of Kering SA to a subsidiary of Artémis SA**

On April 23, 2015, your Board of Directors authorized the sale of an investment held by Kering Netherlands BV in Global Fashion Holding SA ("GFH") to Témariis, a subsidiary of Artémis SA.

Under the sale agreement signed on June 8, 2015, the investment's sale price totaled €12,836,980, keeping in mind that your Company's 2012 investment in GFH, then known as Bigfoot GmbH, had amounted to €9,994,466. The sale price thus authorized took into account the valuation of GFH based on recent structuring operations and a capital increase carried out in early April 2015.

Pursuant to the law, we hereby inform you that the prior approval of your Board of Directors on April 23, 2015 did not include the reasons justifying that this agreement was in the Company's interest, as stipulated in Article L. 225-38 of the French Commercial Code. However, at its meeting on February 18, 2016, the Board considered that the sale was in the Company's interest insofar as the GFH activity was not aligned with the Company's core business, and the transaction resulted in a capital gain for the Company.

Persons involved: Mrs. Patricia Barbizet and Mr. François-Henri Pinault, members of the Board of Directors of Artémis S.A., a Kering SA shareholder with more than 10% of voting rights.

Agreements and commitments previously approved by the shareholders' meeting

Agreements and commitments authorized in previous years and having continuing effect during the year

Pursuant to Article R. 225-31 of the French Commercial Code, we have been advised that the following agreements and commitments authorized in previous years by the shareholders' meeting have had continuing effect during the year.

- **Support agreement for services provided by Artémis SA**

Pursuant to the terms of a support agreement between Kering SA and Artémis SA signed on September 27, 1993, Artémis SA carries out research and advisory work for Kering SA in the following areas:

- strategy and development of the Kering group and support in carrying out complex legal, tax, financial and real estate transactions;
- sourcing of business development opportunities in France and abroad or cost-cutting measures.

At its March 10, 1999 meeting, the Kering SA Supervisory Board authorized payment for these services amounting to 0.037% of consolidated net revenue (excluding VAT).

In line with the appropriate modifications to Kering SA's corporate governance rules, your Board of Directors resolved on July 6, 2005, without amending the agreement in force since September 27, 1993, that the Kering SA Audit Committee would perform, in addition to the usual annual review of the substance of the support provided by Artémis SA to Kering SA, an annual assessment of the services and their fair price given the facilities provided and the cost savings realized in the common interest.

The methods for assessing the contractually-agreed amount were reviewed by the Audit Committee which, at its meeting of February 15, 2016, noted that Kering SA had continued to benefit, during 2015, from the advice and assistance of Artémis SA on recurring issues including communications, public and institutional relations, as well as the development strategy and its implementation.

At its February 18, 2016 meeting, your Board of Directors re-examined this agreement, and duly noted the payment of €2,836,000 (excluding VAT) under this agreement in respect of 2015, it being specified that the revenue of the PUMA group was excluded from the calculation of this fee, as was the case in previous years, together with revenue from discontinued operations.

Persons involved: Mrs. Patricia Barbizet and Mr. François-Henri Pinault, members of the Board of Directors of Artémis SA, a Kering SA shareholder with more than 10% of voting rights.

- **Retirement commitment in favor of Mr. Jean-François Palus, Deputy CEO of Kering SA**

On January 22 and April 8, 2010, the Board of Directors authorized Kering SA and the companies controlled by it within the meaning of Article L. 233-16 of the French Commercial Code to grant specific retirement benefits to Mr. Jean-François Palus, Deputy CEO of Kering SA, due to his exceptional contribution to the business development of the Luxury Goods Division. This authorization resulted in the allocation of €3,568,000 (this capital being either managed by Kering SA or a company controlled by it, or invested in a top-tier asset management company) to fund his retirement benefits (with reversion rights to his beneficiaries in the event of death) payable as from the legal retirement age. His presence in the Kering group was not a requirement at that date, provided that he had not left the Group before December 31, 2014 for personal reasons.

To receive these retirement benefits, Mr. Jean-François Palus had to satisfy the performance conditions attached to his variable compensation, for fiscal years 2009 and 2010, in his capacity as Deputy CEO of Kering SA. On April 8, 2010 and February 16, 2011, your Board of Directors duly noted that the performance conditions were met for fiscal years 2009 and 2010, respectively.

Pursuant to these Board of Directors' authorizations, the Supervisory Board of Gucci Group NV (now Kering Holland NV), wholly-owned directly and indirectly by Kering SA, decided, on December 10, 2010, to grant Mr. Jean-François Palus, in his capacity at that date as a member of the Supervisory Board of Gucci Group NV since May 30, 2006, an irrevocable pension right in respect of retirement benefits, in accordance with the terms and conditions provided for in your Board of Directors' authorization, based on a capital of €3,568,000, in so much as Kering SA acknowledged, at the given time, that this right was no longer subject to the fulfillment of any conditions.

On March 18, 2015, your Board of Directors noted that Mr. Jean-François Palus had not left the Group for personal reasons and therefore the right was no longer subject to the fulfillment of any conditions.

On February 22, 2016, the Board of Kering Holland NV approved the release of the capital by transfer to a financial institution designated by Mr. Jean-François Palus.

On March 11, 2016, your Board of Directors re-examined this agreement and approved the implementation, based on a total payment of €4,724,540 (following application of a 5% interest rate to the initial capital of €3,568,000 for the relevant period).

This payment was made on March 29, 2016 and thus the extinction of the Kering SA and Group debt with respect to the said commitment was acknowledged.

Paris La Défense and Neuilly-sur-Seine, March 30, 2016

The Statutory Auditors

KPMG Audit

Division of KPMG SA

Hervé Chopin

Isabelle Allen

Deloitte & Associés

Frédéric Moulin

9. fees paid by the group to the statutory auditors and members of their networks in 2015

(in € thousands)	KPMG AUDIT				DELOITTE & ASSOCIÉS				TOTAL FEES		
	AMOUNT (EXCL. TAXES)		%		AMOUNT (EXCL. TAXES)		%		AMOUNT (EXCL. TAXES)		%
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	
Audit											
Statutory audit, certification, review of parent company and consolidated financial statements	5,324.5	4,545.1	87%	84%	2,891.0	2,614.5	76%	75%	8,215.5	7,159.6	14.7%
<i>Issuer</i>	327.8	327.8	5%	6%	300.2	300.4	8%	9%	628.0	628.2	0.0%
<i>Fully-consolidated subsidiaries</i>	4,996.7	4,217.3	82%	78%	2,590.8	2,314.1	68%	67%	7,587.5	6,531.4	16.2%
Other audit-related services	255.7	279.0	4%	5%	330.0	157.0	9%	5%	585.7	436.0	34.3%
<i>Issuer</i>	42.5	48.0	1%	1%	222.0	153.0	6%	4%	264.5	201.0	31.6%
<i>Fully-consolidated subsidiaries</i>	213.2	231.0	3%	5%	108.0	4.0	3%	0%	321.2	235.0	36.7%
Sub-total	5,580.2	4,824.1	91%	89%	3,221.0	2,771.5	84%	80%	8,801.2	7,595.6	15.9%
Other services provided by the networks to fully- consolidated subsidiaries											
Legal, tax and employment- related services	424.1	330.0	7%	6%	480.6	527.2	13%	15%	904.7	857.2	5.5%
Other	107.9	268.0	2%	5%	115.5	175.0	3%	5%	223.5	443.0	-49.6%
Sub-total	532.0	598.0	9%	11%	596.1	702.2	16%	20%	1,128.2	1,300.2	-13.2%
TOTAL	6,112.2	5,422.1	100%	100%	3,817.1	3,473.7	100%	100%	9,929.4	8,895.8	11.6%

Data for 2014 have been restated on a pro forma basis to exclude Sergio Rossi.

chapter 6

share capital and ownership structure

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1. share capital

1.1. share capital

Share capital as of December 31, 2015

As of December 31, 2015, the share capital amounted to €505,117,288 and was divided into 126,279,322 shares with a par value of €4 each (all of the same class), all fully paid up. The number of voting rights at the same date totalled 178,973,435 (less the number of treasury shares, which do not carry voting rights).

At the same date, to the Company's knowledge:

- the Directors directly held 0.087% of the share capital, representing 0.114% of the voting rights;
- the Company directly held 27,598 treasury shares, but did not hold any under the liquidity agreement; none of the Company's shares were held by controlled companies.

Share capital movements over the past three years

Year	Description of transaction	Additional paid-in capital	Nominal amount of capital changes	Successive amounts of Company capital (as of Dec. 31)	Aggregate number of ordinary €4 shares
2015	Exercise of options	€950,080	€51,328		12,832
		€950,080	€51,328	€505,117,288	126,279,322
2014	Exercise of options	€3,106,096	€158,916		39,729
		€3,106,096	€158,916	€505,065,960	126,266,490
2013	Exercise of options	€8,147,202	€440,236		110,059
		€8,147,202	€440,236	€504,907,044	126,226,761

1.2. treasury shares held by the company and its subsidiaries

Acquisition of treasury shares by the Company

On May 26, 2004, Kering entered into an agreement with a financial broker to improve the liquidity of the Group's shares and ensure share price stability. This agreement complies with the Professional Code of Conduct drawn up by the French association of financial and investment firms (*Association française des marchés financiers* – AMAFI) and approved by the French financial markets authority (*Autorité des marchés financiers* – AMF).

The agreement was initially endowed with €40 million, half of which was provided in cash and half in Kering shares. An additional €20 million in cash was allocated to the agreement on September 3, 2004, and a further €30 million on December 18, 2007.

The Annual General Meeting on May 6, 2014 authorised the Board of Directors to trade in Company shares for a period of 18 months in accordance with the goals and terms of the share buy-back programme filed with the AMF. This programme specifies a maximum purchase price of €220 per share and states that the number of shares purchased may not exceed 10% of the share capital.

The Annual General Meeting on April 23, 2015 authorised the Board of Directors to trade in Company shares for a period of 18 months, under the same terms and conditions, with a maximum purchase price of €250 per share.

On April 29, 2016, the Annual General Meeting will be asked to approve an authorisation to trade in Company shares under a new buy-back programme under the same conditions as those stipulated for previous authorisations. The maximum purchase price would be set at €230 per share.

Buy-backs and sales of shares during 2015 – Trading costs – Number of treasury shares held as of December 31, 2015

Share buy-backs

- 752,405 shares were bought back pursuant to the authorisation given by the Annual General Meeting on May 6, 2014, at an average price of €174.78;
- 1,063,645 shares were bought back by the Company pursuant to the authorisation given by the Annual General Meeting on April 23, 2015, at an average price of €158.17.

In 2015, Kering therefore bought back a total of 1,816,050 shares at an average price of €165.05 for the following purposes:

- 8,021 shares to be granted to employees under the 2011 and 2012 free share plans;
- 125,000 shares to be granted under stock option plans, in particular the May and September 2007 plans;
- 1,683,029 shares purchased under the liquidity agreement.

Sales of treasury shares

In 2015, Kering sold 1,683,029 shares at an average price of €164.73, under the aforementioned liquidity agreement.

118,870 shares were sold to employees under the May and September 2007 stock purchase option plans.

An additional 8,090 shares were granted to employees under the 2011 free share plans, maturing in May 2015.

Trading costs

Total share trading costs for buy-backs and sales amounted to €0.5 million in 2015.

Share cancellations in 2015

No shares were cancelled during the year.

As of the end of the reporting period, the Company did not hold any treasury shares under the liquidity agreement. It directly held 27,598 shares with a par value of €4 each and a carrying amount of €5,075,824.16 representing 0.02% of the share capital.

Buy-backs and sales of Kering shares carried out between January 1 and March 17, 2016

Since January 1, 2016, the Company has acquired 673,715 shares at an average price of €151.95 and has sold 608,715 shares at an average price of €151.38, in connection with the liquidity agreement.

As of March 17, 2016, the Company held 65,000 shares under the liquidity agreement.

Outside the scope of the liquidity agreement, the Company did not acquire any Kering shares.

The number of treasury shares held by Kering as of March 17, 2016 therefore totals 92,598 shares with a par value of €4 per share and a carrying amount of €15,512,124.16.

Share cancellations in 2016

No shares were cancelled between January 1 and March 17, 2016.

Use of derivatives in 2015

Kering did not buy any call options on its own shares in 2015.

As of December 31, 2015, Kering did not hold any call options on its own shares.

1.3. *authorisations to issue securities giving access to the share capital*

Authorisations to issue shares or other securities in force as of December 31, 2015

Pursuant to the decisions of the Extraordinary General Meeting, the Board of Directors has the following authorisations:

Description of authorisation	Date of Annual General Meeting (resolution No.)	Term of validity (expiry date)	Maximum authorised nominal amount	Current use
Share capital increases with pre-emptive subscription rights				
Share capital increase via the issue, with pre-emptive subscription rights, of shares, warrants and/or securities giving access, either immediately or in the future, to shares or to debt securities ⁽¹⁾	April 23, 2015 (8th)	26 months (June 2017)	€200 million	Unused
Share capital increase via the capitalisation of reserves, profits or additional paid-in capital	April 23, 2015 (9th)	26 months (June 2017)	€200 million ⁽²⁾	Unused
Share capital increases without pre-emptive subscription rights				
Share capital increase via the issue, without pre-emptive subscription rights, by public offering, of shares, warrants and/or securities giving access, either immediately or in the future, to shares in the Company, including as consideration for shares tendered in a public exchange offer, or to debt securities	April 23, 2015 (10th)	26 months (June 2017)	€50 million ⁽²⁾	Unused
Share capital increase via the issue, without pre-emptive subscription rights, by private placement, of shares, warrants and/or securities giving access, either immediately or in the future, to shares in the Company or to debt securities	April 23, 2015 (11th)	26 months (June 2017)	€50 million ⁽¹⁾⁽³⁾	Unused
Authorisation to set the issue price for a share capital increase, without pre-emptive subscription rights, by public offering or private placement, limited to 5% of the share capital per year	April 23, 2015 (12th) (related to the 10th and 11th resolutions above)	26 months (June 2017)	€25.3 million per year	Unused
Share capital increase in consideration for in-kind contributions, limited to 10% of the share capital	April 23, 2015 (14th)	26 months (June 2017)	€50 million ⁽³⁾	Unused
Share capital increase with or without pre-emptive subscription rights				
Increase in the number of shares or securities to be issued within the scope of a share capital increase, with or without pre-emptive subscription rights, in the event of excess demand	April 23, 2015 (13th)	26 months (June 2017)	15% of the amount of the initial issue	Unused
Share capital reductions by cancelling shares				
Authorisation to reduce the share capital by cancelling shares	April 23, 2015 (7th)	24 months (April 2017)	10% of the share capital per 24-month period	Unused

(1) Limited by law to 20% of the share capital per year in all cases.

(2) This amount is deductible from the overall €200 million cap for issues of shares and/or securities giving access to the share capital set by the 8th resolution.

(3) This amount is deductible from the €200 million and €50 million caps for issues of shares and/or securities giving access to the share capital set by the 8th and 10th resolutions.

As indicated in the above table, the Extraordinary General Meeting on April 23, 2015 authorised the Board of Directors to issue, with or without pre-emptive subscription rights, securities giving access to the Company's share capital, either immediately or in the future, to increase the share capital by capitalising reserves, profits or additional paid-in capital and to grant free shares.

These delegations of authority were not used during the year.

Other securities giving access to the share capital

Special report on stock subscription and purchase options and free share grants

The policy governing stock subscription and purchase options and free share grants forms part of the Group's human resources policy and is determined each year by the Board of Directors based on preparatory work and proposals from the Remuneration Committee.

Overall, this programme aims to recognise the contribution of employees to Kering's past and future results, to

encourage long-term commitment to the Group and enable Kering group employees to benefit from increases in Kering's stock market value. Stock options are designed to foster employee loyalty, while free share grants seek to recognise an employee's contribution to Kering's results.

Eligible employees include managers holding key positions and with major responsibilities within the Group who, selected at the suggestion of each brand, play a key part in the development and implementation of the Group's strategy.

No new free shares were granted in 2014 or in 2015.

Stock option plans

Grants are, in principle, made annually. However, no stock subscription and purchase option plans have been set up since 2007.

The plans set up in 2006 and 2007 have terms of eight years (compared to terms of ten years for previous plans) and the options granted are purchase options. As they

have no impact on the number of shares comprising the share capital, they are not dilutive.

Since 2001, stock options have been granted without any discount with regard to the price and with a four-year lock-in period.

Employees, Directors and executive corporate officers who leave the Group before exercising their options lose part of their entitlement, determined on the basis of their length of service with the Group since the grant date and the nature of their departure.

Twenty-five percent of options are vested per full year of service. All rights vest upon retirement. Since 2005, if a beneficiary resigns, he or she loses all rights vested subject to exceptions made by the Company. If a beneficiary is dismissed for gross negligence or misconduct, all rights are lost, including after the lock-in period.

As of December 31, 2015, there were no stock subscription or purchase options outstanding.

Kering stock option plans as of December 31, 2015

	2005/1 Plan	2005/2 Plan	2005/3 Plan	2007/1 Plan	2007/2 Plan
	Subscription options	Subscription options	Subscription options	Purchase options	Purchase options
Date of Annual General Meeting	05/21/2002	05/19/2005	05/19/2005	05/14/2007	05/14/2007
Date of Executive Board / Board of Directors' Meeting	01/03/2005	05/19/2005	05/19/2005	05/14/2007	09/17/2007
Number of beneficiaries	13	458	22	248	14
Number of options initially granted	25,530	333,750	39,960	355,500	51,300
o/w : to members of the Executive Board ⁽¹⁾					
and executive corporate officers	-	50,000	-	60,000	-
François-Henri Pinault	-	50,000	-	60,000	-
Jean-François Palus	-	2,100	-	7,700	-
o/w to the top ten employee beneficiaries	-	23,828	-	20,780	-
Number of options exercised as of Dec. 31, 2015	23,880	248,318	33,960	219,512	37,300
Options forfeited as of Dec. 31, 2015	1,400	84,336	6,000	126,018	13,500
Options expired as of Dec. 31, 2015	250	1,096	0	9,970	500
Number of outstanding options as of Dec. 31, 2015	0	0	0	0	0
Plan start date	01/03/2005	05/19/2005	05/19/2005	05/14/2007	09/17/2007
Plan expiry date	01/02/2015	05/18/2015	05/18/2015	05/13/2015	09/16/2015
Strike price	€75.29	€78.01	€78.97	€127.58	€127.58

NB: each option confers entitlement to one share.

(1) Membership as of May 19, 2005.

Stock options granted by Kering and by associated companies to the top ten employee beneficiaries (excluding Directors and executive corporate officers) and options exercised by them

Stock options granted to the top ten employee beneficiaries (excluding Directors and executive corporate officers) and options exercised by them	Total number of options granted or subscribed	Weighted average price
Options granted during the year by the issuer or any other company within the scope of the option grant, to the ten employees of the issuer receiving the most options	0	-
Options in respect of the issuer or any of the aforementioned companies exercised during the year by the ten employees of the issuer purchasing or subscribing to the most shares	5,574	167.13

Performance share plans

No performance shares were granted in 2015.

The Group granted Kering Monetary Units (KMUs) instead of performance shares, as described on pages 149 and 244.

A free share policy was introduced in 2005 to replace the previous option grants for employees based in France.

Grants were in principle made annually at the same time of year.

Performance shares vest fully at the end of a two-year vesting period, which is followed by a two-year lock-in period during which the performance shares granted may not be sold.

Grants made before 2009 are subject to a performance condition, which states that if the Kering share price underperforms the CAC 40 index during the two-year

vesting period (four years for foreign residents), the number of shares effectively granted is reduced in proportion to this underperformance.

The grants carried out since 2009 are subject to a performance condition, which states that if the Kering share price underperforms an index of listed European stocks from the luxury and retail sectors during the two-year vesting period (four years for foreign residents for 2009 and 2010 plans), the number of shares effectively granted is reduced in proportion to this underperformance.

Unless an exception is granted by the Company, beneficiaries who are no longer employees, Directors or executive corporate officers in the Group at the end of the vesting period lose part of their entitlement, determined on the basis of the nature of their departure from the Group.

Kering free shares plan as of Dec. 31, 2015	2011-II Plan	2012-II Plan
Date of Annual General Meeting	05/19/2010	05/19/2010
Date of Board meeting	05/19/2011	04/27/2012
Number of shares initially granted	9,455	39,640
<i>to François-Henri Pinault</i> <i>to Jean-François Palus</i>		
Shares forfeited as of Dec. 31, 2015	1,365	10,500
Number of shares issued as of Dec. 31, 2015	8,090	0
Number of shares outstanding as of Dec. 31, 2015	0	29,140
Number of beneficiaries	76	88
Vesting date	05/19/2015	04/27/2016
Date on which shares may be sold	05/19/2015	04/27/2016

Performance shares granted to the top ten employee beneficiaries (excluding Directors and executive corporate officers) of the Company	Total number of free shares granted
Free shares granted during the year by the issuer or any other company within the scope of the share grant, to the ten employees (excluding Directors and executive corporate officers) of the issuer receiving the most shares	0

Changes in share capital and rights attached to shares

Any changes in the share capital and the rights attached to shares are governed by the legal requirements and the specific provisions of the Articles of Association as set out below.

Under Article 15 of the Articles of Association, in the Company's internal organisation, decisions by the Chief Executive Officer relating to the issue of securities, regardless of their nature, require the prior approval by the Board of Directors when such issues are likely to change the share capital.

1.4. employee share ownership

As of December 31, 2015, Company and Group employees held 492,059 shares, representing 0.39% of the share capital, under the provisions of Article L. 225-102 of the French Commercial Code (*Code de commerce*). Of those

shares, 29,140 were free shares that are still locked-in and represent 0.02% of the share capital. Company employees also held 18,320 shares via an employee investment fund, representing 0.01% of the share capital.

1.5. appropriation of net income – dividends paid by the company

Appropriation of net income

At its meeting on February 18, 2016, the Board of Directors acknowledged and proposed the following net income appropriation to the Annual General Meeting:

(in €)

Source	
Retained earnings	2,098,608,563.65
Net income for the year	527,398,535.74
Total for appropriation	2,626,007,099.39
Appropriation	
Legal reserve ⁽¹⁾	-
Dividend ⁽²⁾	505,117,288.00
Retained earnings	2,120,889,811.39
Total	2,626,007,099.39

(1) No further charge to the legal reserve is proposed since the reserve stood at €51,354,910 as of December 31, 2015, i.e., above the minimum amount required by law (10% of the share capital).

(2) Representing a dividend of €4.00 per share qualifying for the 40% tax allowance, payable on May 6, 2016. This amount corresponds to the interim dividend (€1.50 per share) paid on January 25, 2016 (€189,418,983.00) plus the final dividend of €315,698,305.00, equal to €2.50 per share, calculated on the basis of the maximum number of shares carrying dividend rights.

The Board of Directors will propose to the Annual General Meeting on April 29, 2016 the payment of a dividend of €4.00 per share eligible for dividends as of January 1, 2015.

An interim dividend in the amount of €1.50 per share was paid on January 25, 2016 pursuant to a decision by the Board of Directors on December 16, 2015.

If this dividend is approved, the balance of €2.50 per share will have an ex-dividend date of May 4, 2016 and will be payable as from May 6, 2016.

Dividends paid out over the past three fiscal years

Year of payment	Net dividend	Qualifying for a tax allowance of
2015	€4	40%
2014	€3.75	40%
2013	€3.75 ⁽¹⁾	40%

(1) Plus an in-kind dividend in the form of a right to the allotment of Groupe Fnac shares (one Groupe Fnac share for every eight Kering shares held) based on a value of €20.03 per Groupe Fnac share as of June 20, 2013, the day the shares were first listed.

1.6. *share pledges*

As of December 31, 2015, 9,100,000 registered shares were pledged by the Artémis group.

Name of registered shareholder	Beneficiary	Pledge start date	Pledge expiry date	Terms of release of the pledges	Number of issuer shares pledged	% of the issuer's capital pledged ⁽²⁾
Artémis	CA CIB	09/28/2012	Unspecified ⁽¹⁾		4,500,000	3.56%
Artémis	CA CIB	07/23/2015	Unspecified ⁽¹⁾		3,000,000	2.38%
Artémis	CA CIB	12/07/2015	Unspecified ⁽¹⁾		1,600,000	1.27%

(1) Full reimbursement or payment of the receivable.

(2) Based on the share capital as of December 31, 2015, comprising 126,279,322 shares with a par value of €4 each.

1.7. *exchangeable bonds issued by the majority shareholder*

In September 2010, the Artémis group issued €690 million worth of bonds exchangeable for existing Kering shares. The exchangeable bonds were issued by Misarte, a 98.8% - owned subsidiary of Artémis.

This issue was carried out as part of the Artémis group's strategy to optimise its financial structure and diversify its sources of financing. Holders of exchangeable bonds may request to exchange their bonds for Kering shares, subject to any subsequent adjustments and Misarte's right, instead of delivering the Kering shares, to pay all or part of their exchange value in cash.

In order to facilitate the exchange or redemption of bonds for Kering shares, 4,932,094 Kering shares to be delivered to bond-holders were placed in escrow at the time of the issue.

In 2015, Misarte redeemed all of its bonds exchangeable for existing Kering shares.

To the Company's knowledge, any previous issues of exchangeable bonds carried out by the Artémis group have not led to any changes in its shareholding structure.

1.8. *arrangements and agreements*

To the Company's knowledge, there are no contractual provisions involving shares or voting rights of the Company

that should have been disclosed to the AMF pursuant to Article L. 233-11 of the French Commercial Code.

2. share ownership structure

Change in share ownership and voting rights as of December 31, 2015

	As of December 31, 2015				As of December 31, 2014			
	Number of shares	% of share capital	Number of voting rights	% of voting rights ⁽¹⁾	Number of shares	% of share capital	Number of voting rights	% of voting rights ⁽¹⁾
Artémis group	51,638,516	40.89%	102,746,612	57.41%	51,675,702	40.93%	103,216,483	57.56%
Harris Associates ⁽³⁾	6,318,723	5.00%	6,318,723	3.53%	-	-	-	-
The Capital Group ⁽⁴⁾	6,348,513	5.03%	6,348,513	3.55%	-	-	-	-
Kering	27,598	0.02%	27,598 ⁽²⁾	0.00%	21,537	0.02%	21,537 ⁽²⁾	0.00%
Employees	510,379	0.41%	929,288	0.52%	542,579	0.43%	904,522	0.51%
Free float	61,435,593	48.65%	62,630,299	34.99%	74,026,672	58.62%	75,195,125	41.93%
Total	126,279,322	100.00%	179,001,033	100.00%	126,266,490	100.00%	179,337,667	100.00%

	As of December 31, 2013			
	Number of shares	% of share capital	Number of voting rights	% of voting rights ⁽¹⁾
Artémis group	51,614,762	40.89%	103,155,543	57.53%
Harris Associates	-	-	-	-
The Capital Group	-	-	-	-
Kering	60,581	0.05%	60,581 ⁽²⁾	0.00%
Employees	501,256	0.40%	800,417	0.45%
Free float	74,050,162	58.66%	75,302,913	42.02%
Total	126,226,761	100.00%	179,319,454	100.00%

(1) Shares held for more than two years in a registered account in the name of the same shareholder carry double voting rights (see the section entitled "General information – Annual General Meetings" on page 341).

(2) Theoretical voting rights, in the Annual General Meeting these shares lose their voting rights.

(3) As declared by Harris Associates on April 7, 2015.

(4) As declared by The Capital Group on November 20, 2015.

Artémis is wholly owned by Financière Pinault, itself controlled by the Pinault family. Artémis holds 57.41% of the Company's voting rights and as such has *de jure* control of the Company within the meaning of Article L. 233-3-I of the French Commercial Code.

On April 7, 2015, Harris Associates L. P.⁽³⁾, based in Chicago (United States) and acting on behalf of funds and clients for whom it provides asset management services, reported that it had crossed above the 5% threshold of Kering's share capital on March 31, 2015, and that it held, on behalf of said funds and clients, 6,318,723 Kering shares. On February 11, 2016, Harris Associates L. P., reported that it had crossed below the 5% threshold of Kering's share capital on February 9, 2016 and that it held, on behalf of said funds and clients, 6,275,730 shares representing an equal number of voting rights, i.e., 4.97% of the share capital and 3.51% of the Company's voting rights. This threshold was crossed as a result of a sale of Kering shares on the open market.

On November 20, 2015, The Capital Group Companies, Inc.⁽⁴⁾, based in Los Angeles (United States), reported that it had

crossed above the 5% threshold of Kering's share capital on November 19, 2015 and that it held 6,348,513 shares representing an equal number of voting rights, i.e., 5.03% of the share capital and 3.54% of the Company's voting rights. This threshold was crossed as a result of an acquisition of Kering shares on the open market.

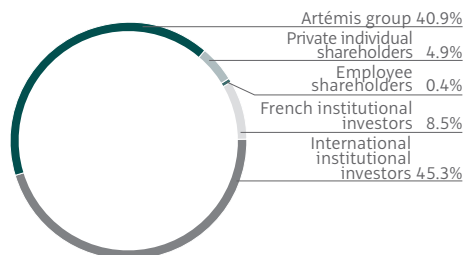
To the Company's knowledge, no other shareholder directly, indirectly, or jointly holds 5% or more of the share capital or voting rights.

Regarding the majority shareholder's control of the Company, the organisation and operating rules of the Board and of its specialised Committees, the number of independent Directors – representing (i) more than one-third of the Board members (who oversee the prevention of conflicts of interest and regularly carry out a self-assessment), (ii) two-thirds of the Audit Committee, and (iii) the majority of the Remuneration Committee, it being specified that no executive corporate officer is a member of these Committees – and general compliance with current rules, internal rules and good governance practices all contribute to maintaining balanced control (see Chapter 4 "Corporate governance").

(5) Controlled by Natixis Global Asset Management, L. P., itself controlled by Natixis. Harris Associates L. P. states that it acts independently from the person that controls it, in accordance with the conditions laid down in Article L. 233-9 II of the French Commercial Code and Articles 223-12 and 223-12-1 of the General Regulations of the French financial markets authority (Autorité des marchés financiers – AMF).

(6) Acting as an investment adviser on behalf of the funds. The Capital Group Companies, Inc. combines the positions held by Capital Research and Management Company (CRMC) and Capital Group International (CGI).

BREAKDOWN OF SHARE CAPITAL AS OF DECEMBER 31, 2015 (ROUNDED FIGURES)



Source: Identifiable Bearer Security (Titre au Porteur Identifiable) as of December 31, 2015.

As of December 31, 2015, private individual shareholders held 4.9% of the Group's share capital. Institutional investors owned 53.8% of the share capital, with 8.5% held by French institutions and 45.3% by investors residing outside France.

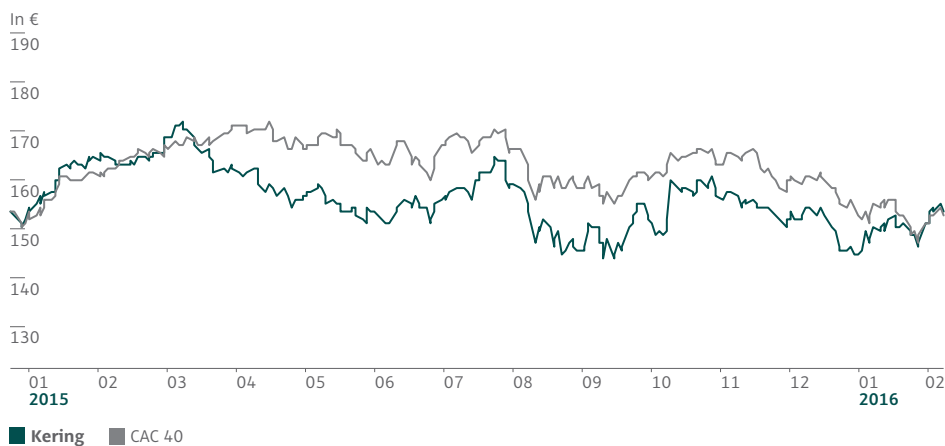
Among the international institutional investors, North American-based and UK-based shareholders held 23.0% and 10.6% of the share capital, respectively. Continental European investors (excluding France) held 6.4% of the share capital, including notably Norway (1.5%), and Switzerland (1.3%). Shareholders based in the Asia-Pacific region represented 3.7% of the share capital.

Stock market information

Kering share

Place of listing	Euronext Paris
Market	Eurolist A
Benchmark index	CAC 40
Initial public offering	October 25, 1988 on the Second Market February 9, 1995 on the CAC 40
Number of shares	126,279,322 as of December 31, 2015
Tickers	ISIN code: FR 0000121485 Reuters: KER.PA Bloomberg: KERFP

Change in the price of the Kering share compared to the CAC 40 index since January 1, 2015



Market price and trading volume of the Kering share

	2015	2014	2013	2012	2011
High ⁽¹⁾ (in €)	197	167.4	184.5	144.5	132.2
Low ⁽¹⁾ (in €)	139.05	137.4	140.3	106.4	90.5
Price as of December 31 (in €)	158	159.5	153.7	140.9	110.7
Market capitalisation as of December 31 (in € millions)	19,946	20,140	19,395	17,764	14,034
Daily average trading volume (in number of shares)	356,633	224,261	254,343	317,960	385,265
Number of shares as of December 31	126,279,322	126,266,490	126,226,761	126,116,702	127,000,889

Source: Euronext.
(1) Closing price.

Listed securities of the Group as of December 31, 2015

Securities listed on Euronext Paris

ISIN code

Equities

Kering	FR 00 00 121 485

Securities listed on the Luxembourg Stock Exchange

ISIN code

Bonds

Kering 6.50% November 2017	FR 00 10 784 082
Kering 1.875% October 2018	FR 00 11 584 929
Kering 3.125% April 2019	FR 00 11 236 983
Kering 1.375% October 2021	FR 00 12 199 008
Kering 2.75% April 2024	FR 00 11 832 039
Kering 2.50% July 2020	FR 00 11 535 764
Kering 0.875% March 2022	FR 00 12 648 244
Kering 1.6% April 2035	FR 00 12 669 257

Stock market data

Kering share

2014	Share price (in €)				Volume		
	Average	High ⁽¹⁾	Low ⁽¹⁾	Monthly change	Average daily (in number of shares)	Shares traded	
						€m	Number of shares
January	149.2	154.8	143.0	-3.6%	271,137	886	5,965,013
February	150.9	157.5	145.6	+0.4%	263,507	795	5,270,132
March	143.5	149.7	137.0	-0.4%	260,981	785	5,480,594
April	150.8	161.0	143.2	+7.7%	272,197	824	5,443,949
May	159.2	163.4	153.0	+1.7%	180,962	605	3,800,202
June	161.9	165.9	158.3	-1.2%	172,568	587	3,623,923
July	157.0	161.2	151.1	-0.1%	204,229	736	4,697,265
August	158.0	162.6	153.7	+0.8%	193,396	643	4,061,315
September	162.8	167.7	157.3	-1.0%	210,238	752	4,625,234
October	149.6	159.9	140.1	-3.6%	284,144	978	6,535,318
November	159.7	167.3	153.4	+7.9%	178,839	571	3,576,783
December	159.3	167.5	150.4	-4.0%	195,569	651	4,106,950

2015	Share price (in €)				Volume		
	Average	High ⁽¹⁾	Low ⁽¹⁾	Monthly change	Average daily (in number of shares)	Shares traded	
						€m	Number of shares
January	167.3	181.8	152.7	+12.5%	278,695	985	5,852,599
February	180.7	185.0	174.8	+1.4%	242,083	872	4,841,652
March	187.4	198.5	180.2	-0.1%	332,143	1,373	7,307,148
April	173.9	184.7	165.0	-10.7%	478,344	1,659	9,118,029
May	164.9	171.9	158.4	-3.1%	326,617	1,074	6,532,333
June	158.8	164.5	152.6	+0.1%	400,562	1,403	8,812,363
July	165.8	176.7	154.4	+9.6%	357,438	1,367	8,221,064
August	166.6	182.0	146.2	-13.0%	388,856	1,339	8,165,983
September	145.9	155.1	136.8	-4.4%	502,069	1,618	11,045,515
October	158.1	174.4	141.8	+15.4%	381,638	1,329	8,396,041
November	167.0	176.7	159.0	-3.0%	268,021	938	5,628,449
December	158.4	167.6	153.3	-3.4%	335,308	1,169	7,376,786

Source: Euronext.

(1) Intra-day price.

2016	Share price (in €)				Volume		
	Average	High ⁽¹⁾	Low ⁽¹⁾	Monthly change	Average daily (in number of shares)	Shares traded	
						€m	Number of shares
January	147.9	156.5	138.7	-1.8%	317,834	938	6,356,677
February	155.0	165.4	143.2	+3.6%	399,321	1,304	8,385,740

Source: Euronext.
(1) Intra-day price.

Financial communications policy

Kering's financial communications policy endeavours to disseminate accurate and reliable information. Its actions are targeted and customised to offer different audiences, private individual shareholders and the financial community, messages suited to their respective expectations while complying with the principle of equal access to information.

Towards individual shareholders

Private individual shareholders have access to numerous media and tools to keep themselves informed on the Group and on the life of the security. These include the twice-yearly Letter to Shareholders, the Shareholders' Guide (in French only), the shareholders' hotline in France (+33 1 45 64 65 64), the email address (actionnaire@kering.com), financial notices in the press and on the Internet, and the annual report.

Towards the financial community

The Group maintains close relationships with the French and international financial community. A number of initiatives are designed to keep the financial community informed about its businesses, strategy and outlook. Kering has expanded its communication by organising conference calls upon the release of quarterly revenue and half-year results, and a meeting to present its annual results. Kering also participates in industry conferences held by major banks. All of the presentation material is

available on the Group's website. Kering also meets with investors during roadshows held in the major financial centres around the world. In addition, the Group meets with individual investors and analysts upon request and maintains proactive relationships in terms of reporting to the AMF.

Procedures for communicating regulatory information

Pursuant to obligations – applicable since January 20, 2007 – to disclose regulatory information resulting from the implementation of the Transparency Directive in the AMF's General Regulations, Kering's Financial Communications Department oversees the proper and full disclosure of regulatory information. This information is filed with the AMF at the time of its disclosure and stored on the Kering website.

Full and effective communication is carried out electronically in compliance with the criteria defined by the AMF's General Regulations which require communication to a wide audience within the European Union and according to terms and conditions guaranteeing the security of the communication and information. Accordingly, Kering's Financial Communications Department has chosen to call on a professional communications agency satisfying the communication criteria set by the General Regulations and featured on the list published by the AMF, thus benefiting from a presumption of full and effective communication.

2016 shareholders' agenda

April 21, 2016	2016 first-quarter revenue
April 29, 2016	Combined General Meeting
July 2016	2016 half-year results
October 2016	2016 third-quarter revenue

chapter 7

additional information

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1. *additional information*

1.1. *general information*

Company name and registered office

Company name: Kering

Registered office: 10 avenue Hoche – 75008 Paris – France

Legal form

A French joint stock company (*société anonyme*)

Applicable law

French law

Date of incorporation and term

The Company was incorporated on June 24, 1881 for a term of 99 years. The term was extended to May 26, 2066 by the Extraordinary General Meeting on May 26, 1967, except in the case of an early dissolution or of an extension approved by the Extraordinary General Meeting.

Corporate purpose

- the purchase, retail sale or wholesale, either directly or indirectly, by all means and using all existing or future techniques, of all goods, products, commodities or services;
- the creation, acquisition, leasing, operating or sale, either directly or indirectly, of all establishments, stores or warehouses, by all means and using all existing or future techniques, for the retail sale or wholesale of all goods, products, commodities or services;
- the direct or indirect manufacture of all goods, products or commodities that are useful for corporate operations;
- the direct or indirect supply of all services;
- the purchase, operation and sale of all buildings that are useful for corporate operations;
- the creation of all commercial, non-trading, industrial and financial concerns, whether in moveable or real property, service or other businesses, the acquisition of participating interests by all means, subscription, acquisition, contribution, merger or otherwise in, to or of such concerns and businesses and the management of its participating interests;
- and, in general, all commercial, non-trading, industrial and financial operations, whether in moveable or real property, service or other businesses that can be directly or indirectly connected to the purposes specified above or

to all similar, complementary or related purposes or purposes that are liable to favour the creation or development thereof.

(Article 5 of the Articles of Association)

Trade and Companies Registry

552 075 020 RCS Paris

APE code: 741 J

Consultation of legal documents

The Articles of Association, the minutes of Annual General Meetings and other corporate documents may be consulted at the registered office under the conditions provided for by law.

Fiscal year

The Company's fiscal year begins on January 1 and ends on December 31 of the same year.

Appropriation of earnings

From the profit for the fiscal year, less deferred losses where applicable, a minimum withdrawal of one-twentieth is made and paid into a reserve fund known as the "legal reserve". Said withdrawal ceases to be mandatory once said reserve reaches one-tenth of the share capital.

From the distributable profit, which is made up of the profit for the fiscal year less the deferred losses and the withdrawal referred to above, as well as the amounts to be paid into the reserves in accordance with the law, plus deferred profits, the Annual General Meeting, pursuant to a proposal by the Board of Directors, may withdraw all amounts it deems appropriate, either to be deferred to the subsequent fiscal year, or to be entered into one or more extraordinary, general or special reserve funds, the allocation and use of which is determined by the Annual General Meeting.

The balance, if any, is allocated among the shareholders.

The Annual General Meeting that votes on the financial statements for the fiscal year has the option of granting each shareholder, for all or part of the dividend or interim dividend distributed, an option between the payment of the dividend or the interim dividend in cash, in kind or in shares. The Annual General Meeting may also decide, for all or part of the dividend, interim dividends, reserves, or

premiums distributed, or for any capital reduction, that the distribution of dividends, reserves or premiums or the capital reduction will be made in kind in the form of corporate assets, including securities.

(Article 22 of the Articles of Association)

Dividends not claimed after five years are paid to the French State.

Dividends paid over the last three fiscal years are presented in the Management Report.

Administrative and management bodies

Information regarding administrative and management bodies is presented in the "Corporate governance" chapter.

Annual General Meetings – Double voting rights

Annual General Meetings are convened by the Board of Directors and deliberate on their agenda under the conditions provided for by the law and the regulations.

Meetings are held at the registered office or in any other place specified in the convening notice.

All shareholders may attend meetings, either in person or via a proxy, under the conditions laid down by law, subject to providing proof of their identity and of the title to their securities, by the recognition of said securities in the accounts in their name within the regulatory timeframes, either in the accounts of registered securities held by the Company, or in the accounts of bearer securities held by an accredited intermediary. Proof of the capacity of a shareholder can be provided electronically, under the conditions set by the regulations in force. Pursuant to a decision of the Board of Directors, shareholders may participate in meetings via video-conference or via telecommunications means that make it possible to identify them under the conditions laid down by the regulations in force. All shareholders may vote by correspondence using a form filled out and sent to the Company under the conditions laid down by the regulations in force, including electronically, pursuant to a decision by the Board of Directors. This form must reach the Company in accordance with the regulatory conditions in order to be taken into account. The Board of Directors may reduce said timeframe for the benefit of all shareholders. The owners of securities who are not resident on French territory may be represented by an intermediary who is registered in accordance with the conditions laid down by the regulations in force.

Meetings are chaired by the Chairman of the Board of Directors or, in his/her absence, by the member of the Board who is specifically appointed for this purpose by the Board. Failing this, the meeting elects its own chair.

Meeting minutes are prepared and copies thereof are certified and issued in accordance with the law.

In all Annual General Meetings, a voting right that is double that conferred on the other shares is granted to

all shares that are fully paid up and for which proof is provided that they have been held in registered form for at least two years in the name of the same shareholder. This double voting right, which existed in the Articles of Association of Pinault SA prior to its merger with Printemps SA, was restated at the time of their 1992 merger.

This double voting right may be withdrawn outright at any time pursuant to a decision of the Extraordinary General Meeting and after ratification by a special meeting of the beneficiary shareholders.

(Article 20 of the Articles of Association)

The double voting right existed in Pinault SA and Printemps SA prior to their 1992 merger. The Company's Articles of Association do not provide that, in the event of a free allocation of registered shares to a shareholder in respect of old shares for which he/she/it had a double voting right, the new shares are also entitled to a double voting right.

Pursuant to the relevant legislation, double voting rights are cancelled for any share converted to a bearer share or in the event of a transfer of ownership except in the case of a transfer following inheritance, liquidation of joint property between spouses, or donation between living family members (spouse or relative) with legal inheritance rights.

Voting rights are not limited under the Articles of Association.

The legal and regulatory provisions relating to the crossing of thresholds by shareholders apply. The Company's Articles of Association do not include any special provision in this regard.

There are no shares not representing capital.

The steps required to amend shareholder rights are those provided for by law.

Share capital

The Company is authorised to use the provisions of the law and regulations regarding the identification of the holders of securities that grant immediate or deferred access to voting rights at its own Annual General Meetings.

(Article 7 of the Articles of Association)

In addition to the voting right that is granted to each share by the law and by the specific provisions of Article 20 below, each share confers the right to a percentage, which is proportional to the number and par value of the existing shares, of the corporate assets, profits after deduction of the withdrawals provided for by law and the Articles of Association, and liquidating dividend.

In order for all the shares to receive the same net amount, without distinction, and to be listed on the same line, the Company shall, unless prohibited by law, pay the amount of any proportional tax that may be owed on certain shares only, in particular upon a winding up of the Company or capital reduction; however, the Company will not make this payment when the tax applies under the

same conditions to all the shares in the same class, if there are several classes of shares to which different rights are attached.

Each time it is necessary to possess more than one share in order to exercise a right, it is the responsibility of the owners who do not possess such number to make arrangements to regroup the required number of shares.

(Article 8 of the Articles of Association)

In the event of liquidation of the Company, the remaining shareholders' equity after repayment of the par value of the shares will be allocated among the shareholders in the same proportions as their holdings in the capital.

(Article 24 of the Articles of Association)

Any changes in the share capital or the rights attached to shares are governed by the legal requirements and the specific provisions of the Articles of Association as set out below.

Under Article 15 of the Articles of Association, in the Company's internal organisation, decisions by the Chief Executive Officer relating to the issue of securities, regardless of their nature, require the prior approval by the Board of Directors when such issues are likely to change the share capital.

1.2. information on trade payables – payment terms

Kering's trade payables, amounting to €17.0 million as of December 31, 2015 (€7.8 million as of December 31, 2014), fall due in less than 60 days.

1.3. information on trade receivables – payment terms

Kering's trade receivables, amounting to €16.6 million as of December 31, 2015 (€13.6 million as of December 31, 2014), fall due 30 days after the invoice date.

2. person responsible for the reference document

Jean-François Palus

Group Managing Director

2.1. declaration by the person responsible for the reference document and for the annual financial report

Having taken all reasonable measures to that effect, I hereby attest that the information in this Reference Document is, to my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I certify that, to my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and the undertakings included in the consolidation, and that the Management Report (the cross-reference table for which is shown on page 349) includes a fair review of the development of the business, the results of operations and the financial position of the Company and of all the undertakings included in the consolidation and also describes the main risks and uncertainties to which they are exposed.

I have obtained a statement from the Statutory Auditors, KPMG Audit and Deloitte & Associés, confirming that they have audited the information contained in this document relating to the financial position and the financial statements contained herein, and that they have read this document in its entirety.

The annual consolidated and parent company financial statements of Kering SA for the year ended December 31, 2015 shown in the Reference Document are subject to reports by the Statutory Auditors on pages 303 and 321-322 respectively of said document. The Statutory Auditors' report on the parent company financial statements contains an emphasis of matter regarding the information presented in the Management Report on remuneration paid and benefits granted to corporate officers.

Paris, April 1, 2016

Jean-François Palus

Group Managing Director (*Directeur Général délégué*)

3. *statutory auditors*

3.1. *principal statutory auditors*

KPMG Audit, a division of KPMG SA

Tour EQHQ, 2 avenue Gambetta, CS 60055, 92066 Paris-La Défense

Hervé Chopin and Isabelle Allen

Date of first appointment: Annual General Meeting of June 18, 1992.

Term and expiry: from May 19, 2010 until the Annual General Meeting called to approve the 2015 financial statements.

Deloitte & Associés

185 avenue Charles-de-Gaulle, 92524 Neuilly-sur-Seine Cedex

Frédéric Moulin

Date of first appointment: Annual General Meeting of May 18, 1994.

Term and expiry: from May 6, 2014 until the Annual General Meeting called to approve the 2019 financial statements.

3.2. *substitute statutory auditors*

KPMG Audit IS

Tour EQHQ, 2 avenue Gambetta, CS 60055, 92066 Paris-La Défense

Date of first appointment: Annual General Meeting of May 19, 2010.

Term and expiry: from May 19, 2010 until the Annual General Meeting called to approve the 2015 financial statements.

BEAS

7-9 Villa Houssay, 92524 Neuilly-sur-Seine Cedex

Date of first appointment: Annual General Meeting of May 19, 2005.

Term and expiry: from May 6, 2014 until the Annual General Meeting called to approve the 2019 financial statements.

4. *documents incorporated by reference*

In compliance with Article 28 of European Regulation No. 809/2004 dated April 29, 2004, this Reference Document incorporates by reference the following information, to which the reader is invited to refer:

- for the fiscal year ended on December 31, 2014: key figures, activities of the Group, activity report, investment policy, consolidated financial statements, parent company financial statements and the related Statutory Auditors' reports, set out on pages 6-7, 15-55, 168-193, 195-198, 207-294, 298-316, 295 and 317 respectively of the Reference Document filed on April 1, 2015 with the AMF;
- for the fiscal year ended on December 31, 2013: key figures, activities of the Group, activity report, investment policy, consolidated financial statements, parent company financial statements and the related Statutory Auditors' reports, set out on pages 6-7, 15-53, 156-182, 183-186, 195-282, 284-302, 283 and 303 respectively of the Reference Document filed on April 9, 2014 with the AMF.

Information included in these two Reference Documents other than that listed above is, where relevant, replaced or updated by the information included in this Reference Document. These two Reference Documents are available at the Group's registered office and on its website: www.kering.com, under the Finance section.

5. *cross-reference table*

to the disclosure requirements set out in annex 1 of european regulation no. 809/2004

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(2) This Reference Document does not include any profit forecasts.

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(3) No quarterly financial statements have been published between the closing of the annual financial statements and the publication of the Reference Document.

(4) Not material.

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