



PRESS RELEASE

2019 Full-year Results

February 12, 2020

RECORD OPERATING MARGIN SUSTAINED GROWTH TRAJECTORY

Consolidated revenue: €15,883.5 million
up 16.2% as reported and 13.3% on a comparable basis

Recurring operating income⁽¹⁾ up 19.6% to €4,778.3 million
 Recurring operating margin⁽¹⁾ of 30.1%
 Net income, Group share⁽¹⁾ of €2,308.6 million

Recurring net income, Group share⁽¹⁾⁽²⁾ up 15.1% to €3,211.5 million

Recommended dividend of €11.50 per share, up 10%

François-Henri Pinault, Chairman and Chief Executive Officer, commented:

“Kering delivered another year of sustained profitable growth in 2019, as total revenues significantly exceeded the 15-billion-euro mark and our recurring operating margin topped 30% for the first time ever. We are pursuing the implementation of our strategy — we are focused on developing our Houses, executing flawlessly, and creating value. In the challenging period China is facing right now, we want to express once again our support to all our colleagues and our solidarity with the Chinese people. These particularly uncertain conditions don’t call into question Kering’s fundamentals in the Luxury industry. Thanks to the strength of our model, the talent and dedication of our 38,000 people sharing a culture of creativity and responsibility, and to our disciplined financial stewardship, we are confident in our growth potential in the medium and long term.”

- Consolidated revenue up 13.3% on a comparable basis to €15,883.5 million:
 - Very sustained growth at Gucci (up 13.3% comparable).
 - Outstanding increase in revenue from Saint Laurent throughout the year (up 14.4% comparable).
 - Return to growth at Bottega Veneta (up 2.2% comparable), owing to the success of its new collections.
 - Remarkable performance from Kering’s Other Houses (up 17.8% comparable), driven by momentum at Balenciaga and Alexander McQueen.
- Sharp growth in recurring operating income; record recurring operating margin.

(1) Following the first-time application of IFRS 16 in 2019, comparative data for 2018 has been restated. See Appendices.

(2) Recurring net income, Group share: net income from continuing operations, Group share, excluding non-recurring items. In 2019, this item excludes the non-recurring tax expense relating to the tax settlement in Italy.



Key financial indicators

(in € millions)	2019	2018 restated under IFRS 16 ⁽¹⁾	Change	2018 reported
Revenue	15,883.5	13,665.2	+16.2%	13,665.2
Recurring operating income <i>as a % of revenue</i>	4,778.3 30.1%	3,994.9 29.2%	+19.6% +0.9 pts	3,943.8 28.9%
EBITDA <i>as a % of revenue</i>	6,023.6 37.9%	5,092.8 37.3%	+18.3% +0.6 pts	4,435.7 32.5%
Net income, Group share	2,308.6	3,688.0	-37.4%	3,714.9
Recurring net income, Group share⁽²⁾	3,211.5	2,789.8	+15.1%	2,816.7

⁽¹⁾ Following the first-time application of IFRS 16 in 2019, comparative data for 2018 has been restated. See Appendices.

⁽²⁾ Recurring net income, Group share: net income from continuing operations, Group share, excluding non-recurring items. In 2019, this item does not include the non-recurring tax expense relating to the tax settlement in Italy.

Consolidated **revenue** amounted to €15,883.5 million in 2019, up 16.2% as reported and 13.3% on a comparable basis. This strong performance was fueled by substantial growth across all regions.

Gross margin was €11,775 million, up 15.5% on 2018.

Recurring operating income totaled €4,778.3 million, up a robust 19.6% on 2018 (as restated under IFRS 16). Consolidated **recurring operating margin** amounted to 30.1% in 2019, a 90-basis-point improvement compared to 2018 (as restated under IFRS 16).

EBITDA rose 18.3% to €6,023.6 million (as restated under IFRS 16), while EBITDA margin increased by 60 basis points compared with 2018, to 37.9%.

2019 **net income, Group share** totaled €2,308.6 million. Compared with 2018, the change was due to (i) the non-recurring tax expense relating to the tax settlement concluded in Italy on May 9, 2019 and (ii) the €1,181 million net gain recognized in 2018 following the distribution in kind of PUMA shares. 2019 net **earnings per share, Group share** amounted to €18.40.

Recurring net income, Group share totaled €3,211.5 million, up 15.1% on 2018 (as restated under IFRS 16).



Operating performances

Revenue (in € millions)	2019	2018	Reported change	Comparable change ⁽¹⁾
Total Luxury Houses	15,382.6	13,246.7	+16.1%	+13.2%
Gucci	9,628.4	8,284.9	+16.2%	+13.3%
Yves Saint Laurent	2,049.1	1,743.5	+17.5%	+14.4%
Bottega Veneta	1,167.6	1,109.1	+5.3%	+2.2%
Other Houses	2,537.5	2,109.2	+20.3%	+17.8%
Corporate and other	500.9	418.5	+19.7%	+16.5%
KERING	15,883.5	13,665.2	+16.2%	+13.3%

(1) On a comparable Group structure and exchange rate basis.

Recurring operating income (in € millions)	2019	2018 restated under IFRS 16 ⁽¹⁾	Change	2018 reported
Total Luxury Houses	5,042.0	4,238.3	+19.0%	4,191.0
Gucci	3,946.9	3,295.2	+19.8%	3,275.2
Yves Saint Laurent	562.2	468.4	+20.0%	459.4
Bottega Veneta	215.2	251.2	-14.3%	242.0
Other Houses	317.7	223.5	+42.1%	214.4
Corporate and other	(263.7)	(243.4)	-8.3%	(247.2)
KERING	4,778.3	3,994.9	+19.6%	3,943.8

(1) Following the first-time application of IFRS 16 in 2019, comparative data for 2018 has been restated. See Appendices.

In 2019, Kering's Luxury Houses once again delivered double-digit growth in both revenue and recurring operating income.

Over the year, **total revenue from the Luxury Houses** topped the €15-billion mark, coming in at €15,382.6 million, up 16.1% as reported and 13.2% on a comparable basis, on top of exceptionally high bases of comparison, particularly at Gucci. Sales in directly operated stores and online advanced 14.0% on a comparable basis, propelled by very strong performances from Gucci, Yves Saint Laurent, Balenciaga and Alexander McQueen. Online sales surged 22.6% year on year. Wholesale revenue from the Group's Houses rose 10.4% on a comparable basis. Kering's Luxury Houses put in an excellent showing in the Asia-Pacific region (up 20.4%) despite political tensions and disruptions in Hong Kong in the second half of 2019, which impacted the Group's business. Western Europe posted double-digit growth each quarter, with an overall progression of 13.7% over the year. North America and Japan were up 6.7% and 5.9%, respectively.

Total **revenue** posted by the Luxury Houses in the fourth quarter of 2019 rose 11.6% on a comparable basis. The directly operated store network continued on a strong uptrend, with comparable sales up 12.3% over the quarter, up double digits in all regions except Japan, which felt the impact of the increase in sales tax.



Recurring operating income of the Luxury Houses totaled €5,042.0 million in 2019, up 19.0% over 2018 (as restated under IFRS 16). **Operating margin** stood at 32.8%, up 0.8 percentage points on 2018 (as restated under IFRS 16).

Gucci: a year of profitable growth, in line with ambitions

Gucci generated an additional €1.3 billion in sales compared to 2018, with **2019 revenue** at €9,628.4 million, up 16.2% as reported and 13.3% on a comparable basis. This represents a remarkable performance as Gucci more than doubled its sales between 2016 and 2019. The House's excellent performance in 2019 is attributable to balanced growth across distribution channels. Growth in directly operated stores and online advanced 13.2% on a comparable basis. The Asia-Pacific region continued its upward trend, with comparable sales surging 22.4%, and Western Europe also enjoyed strong sales momentum, rising 12.9%. Wholesale climbed 13.4%, on a comparable basis.

The very sustained growth in **revenue in the fourth quarter of 2019** (up 10.5%) was fueled by the brand's growth momentum across regions and product categories. North America posted comparable revenue growth of 6.2% on a comparable basis in the last three months of 2019 in directly operated stores.

Gucci's **recurring operating income** amounted to €3,946.9 million in full year 2019, a 19.8% increase over 2018 (as restated under IFRS 16), while the brand continued investing throughout the year to support its long-term development. Recurring operating margin widened by 120 basis points to 41.0%.

Yves Saint Laurent: excellent performance and record sales topping the €2-billion mark

With **revenue in 2019** advancing to €2,049.1 million (up 17.5% as reported and 14.4% on a comparable basis), Yves Saint Laurent once again fully confirms its growth trajectory. Revenue from directly operated stores and online rose 15.7%, on a comparable basis. All regions reported very strong growth, notably North America (up 23.1%), Western Europe (up 16.8%) and Asia-Pacific (up 13.2%). Wholesale increased 10.6% on a comparable basis.

The House confirmed its excellent momentum in the **fourth quarter of 2019** with revenue up 14.0% on a comparable basis thanks to strong performances in Western Europe and North America.

Yves Saint Laurent achieved **2019 recurring operating income** of €562.2 million, up 20.0% over 2018 (as restated under IFRS 16); recurring operating margin was 27.4%.

Bottega Veneta: new creative direction bearing fruit

Bottega Veneta generated **revenue** of €1,167.6 million in **2019**, up 2.2% on a comparable basis and 5.3% as reported. After a mixed performance in the first half of the year, revenue swung up in the second half (up 8.2% on a comparable basis), thanks to the excellent reception given to Daniel Lee's new collections. Sales from directly operated stores in mature markets enjoyed particularly good momentum, with Western Europe and North America up 7.4% and 5.7%, respectively, on a comparable basis. Comparable sales generated through the wholesale network increased 6.8%.

Bottega Veneta sales advanced 9.4% in the **fourth quarter of 2019**, fueled by strong momentum in both retail and wholesale channels.

The House's **recurring operating income for 2019** contracted to €215.2 million, and recurring operating margin narrowed to 18.4%, as the House carried out a targeted and controlled increase in operating expenses in support of its transformation and relaunch process.



Other Houses: sustained growth momentum

Revenue generated by Kering's Other Houses totaled €2,537.5 million in 2019, up 20.3% as reported and 17.8% on a comparable basis. This excellent performance was led by Balenciaga and Alexander McQueen, which both recorded sustained sales growth throughout the year. Crossing important revenue milestones, both Houses confirmed their status as growth drivers. The Jewelry Houses also posted robust revenue increases in 2019.

Sales in the directly operated store network rose a strong 28.7% on a comparable basis, well balanced between mature and emerging markets. Wholesale rose 7.4% on a comparable basis.

In the **fourth quarter of 2019**, revenue of the Group's Other Houses rose 17.2% as reported and 14.9% on a comparable basis, fueled by solid momentum at Balenciaga and Alexander McQueen.

2019 recurring operating income topped the €300 million mark, up 42.1% compared with 2018 (as restated under IFRS 16), to €317.7 million. **Recurring operating margin** widened by 190 basis points to 12.5% compared to 2018 (as restated under IFRS 16).

Corporate and other: very solid performance from Kering Eyewear

The "Corporate and other" segment reported **2019 revenue** of €500.9 million, reflecting strong momentum at Kering Eyewear, up 18.2% on a comparable basis, which contributed €474 million to consolidated revenue after eliminating intra-group sales and royalties paid to the Group's Houses (€596 million including these items). In 2019, Kering Eyewear's performance was once again fueled by its Gucci, Cartier and Saint Laurent licenses, as well as by the recently acquired Montblanc and Balenciaga licenses.

Overall, net expenses from the "Corporate and other" segment totaled €264 million in 2019, up €21 million compared to 2018 (as restated under IFRS 16).



Financial performance

Other non-recurring operating income and expenses represented a net expense of €168.5 million in 2019.

Net finance costs were €309.5 million. This includes the cost of net debt, or €52.3 million, representing a 29.7% decrease from 2018 (as restated under IFRS 16). This sharp improvement primarily reflects the impact of the year-on-year decrease in the average amount of outstanding bonds.

Taking into account the impact of the tax settlement in Italy announced in May 2019, the Group's **effective tax rate** was 49.6% for 2019. Excluding this impact, Kering's effective tax rate on recurring income was 28.1%.

Cash flows and financial position

The Group's **free cash flow from operations** totaled €1,520.7 million in 2019 (under IFRS 16), impacted by the one-off cash-out related to the Italian tax settlement.

As of December 31, 2019, Kering had a very solid financial structure:

<i>(in € millions)</i>	Dec. 31, 2019	Dec. 31, 2018	First IFRS 16 application	Change
Capital employed	13,250.8	11,773.0	(78.7)	1,556.5
Total equity	10,438.6	10,061.6	-	377.0
Net debt	2,812.2	1,711.4	(78.7)	1,179.5

The Group's net debt totaled €2,812.2 million as of December 31, 2019.

	2019	2018
Gearing (net debt/equity)	26.9%	17.0%

Dividend

At its February 11, 2020 meeting, the Board of Directors decided to ask shareholders to approve a €11.50 per-share cash dividend for 2019 at the Annual General Meeting to be held to approve the financial statements for the year ended December 31, 2019.

An interim cash dividend of €3.50 per share was paid on January 16, 2020 pursuant to a decision by the Board of Directors on December 12, 2019.

Kering's goal is to maintain well-balanced payout ratios taking into account changes in net income from continuing operations (excluding non-recurring items), Group share, as well as available cash flow.



Outlook

Positioned in structurally high-growth markets, Kering enjoys very solid fundamentals and a balanced portfolio of complementary, high-potential brands with clearly focused priorities.

The Group is continuing to implement its strategy focused on achieving comparable revenue growth while ensuring the targeted and selective expansion of the store network in order to sustainably grow its Houses and consolidate their profitability profiles.

The Group is also pro-actively investing to develop cross-business growth platforms in the areas of e-commerce, omni-channel distribution, logistics and IT infrastructure, expertise, and innovative digital technologies.

The Group's operating environment remains unsettled with regard to macroeconomic and geopolitical uncertainties, national trade policies, and fluctuations in exchange rates. These uncertainties may be temporarily heightened during major events or crises, such as the recent coronavirus epidemic, given the impact on consumption trends and tourism flows, and their ability to affect economic growth.

Against this backdrop, in 2020 the Group plans to pursue the strategic measures that it has successfully implemented in recent years, namely rigorously managing and allocating its resources in order to support its operating performance, maintaining a high level of cash flow generation and optimizing its return on capital employed.

At its meeting on February 11, 2020, the Board of Directors, under the chairmanship of François-Henri Pinault, approved the consolidated financial statements for 2019. The consolidated financial statements have been audited and the certification is in progress.

KERING



PRESENTATION

An **audiocast** for analysts and investors will be held at **8.30am** (CET) on **Wednesday, February 12, 2020**. It may be accessed [here](#). The slides (PDF) will be available ahead of the audiocast at www.kering.com.

The audiocast will also be available by phone, using one of the dial-in numbers below:

France	+33 (0)1 76 70 07 94
United Kingdom	+44 (0)844 571 8892
United States	+1 631 510 7495
International switchboard	+44 (0)20 7192 8000

Access code: 7167997

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

About Kering

A global Luxury group, Kering manages the development of a series of renowned Houses in Fashion, Leather Goods, Jewelry and Watches: Gucci, Saint Laurent, Bottega Veneta, Balenciaga, Alexander McQueen, Brioni, Boucheron, Pomellato, DoDo, Qeelin, Ulysse Nardin, Girard-Perregaux, as well as Kering Eyewear. By placing creativity at the heart of its strategy, Kering enables its Houses to set new limits in terms of their creative expression while crafting tomorrow's Luxury in a sustainable and responsible way. We capture these beliefs in our signature: "Empowering Imagination". In 2019, Kering had over 38,000 employees and revenue of €15.9 billion.

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K E R I N G



APPENDICES

DECEMBER 31, 2019

**EXTRACT OF CONSOLIDATED FINANCIAL STATEMENTS AND
ADDITIONAL INFORMATION**

AUDITED FINANCIAL STATEMENTS, CERTIFICATION IN PROGRESS

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INFORMATION ABOUT IFRS 16

Kering has applied IFRS 16 – *Leases* for the first time in its consolidated financial statements for the year ended December 31, 2019. Applying this new standard – which supersedes IAS 17 – *Leases* – had a material impact on Kering’s consolidated financial statements due to the size of the network of stores operated directly by its Luxury Houses.

The Group elected to use the “modified retrospective” approach for its transition to IFRS 16, under which entities are not authorized to restate prior-period comparative financial information. Consequently, the 2019 income statement is presented differently to the Group’s prior year income statements. Instead of the expense that was previously recognized on a straight-line basis for fixed lease payments under IAS 17, a depreciation expense is now recognized on a straight-line basis for right-of-use assets and an interest expense is recognized on lease liabilities. In the statement of financial position, right-of-use assets are recognized under non-current assets and lease liabilities under current and non-current liabilities, corresponding to the present value of fixed future lease payments.

IFRS 16-restated financial data for 2018

In order to assist users of the Group’s financial statements to understand the impact of its transition to IFRS 16, and to help provide meaningful comparisons between the financial data for 2019 and 2018, the Group has chosen to present its financial data for 2018 restated under IFRS 16: the data for 2018 has thus been restated in order to reflect the impact of IFRS 16 on that period and to provide meaningful comparisons with 2019 data to which IFRS 16 has been applied. This restated data takes into account all of the leases in force during 2018, applying the modified retrospective approach and the accounting principles used by the Group for the first-time application of IFRS 16 as of January 1, 2018, discounted using the discount rates applicable at January 1, 2019 (the Group’s effective IFRS 16 transition date).

IAS 17-adjusted non-IFRS financial indicators for 2019

In order to track movements in key non-IFRS financial indicators for 2019, notwithstanding the impact of IFRS 16, the Group has chosen to present its main financial indicators adjusted on the basis of IAS 17: key indicators such as recurring operating income, EBITDA, free cash flow from operations and available cash flow have thus been presented on an adjusted basis as if IAS 17 had been applied instead of IFRS 16. The reconciliation of these IAS 17-adjusted financial indicators with the Group’s reported financial data under IFRS 16 is presented in the Activity Report within the 2019 Financial Document.



Based on this approach, the breakdown of recurring operating income and recurring operating margin adjusted on the basis of IAS 17 is as follows:

Breakdown of IAS 17-adjusted recurring operating income and recurring operating margin

<i>(in € millions)</i>	2019 (IAS 17)	2018 Reported (IAS 17)	Change in €m	Change in % and pts
Total Luxury Houses as a % of revenue	4,991.9 32.5%	4,191.0 31.6%	800.9	+19.1% +0.9 pt
Gucci as a % of revenue	3,926.1 40.8 %	3,275.2 39.5%	650.9	+19.9% +1.3 pt
Yves Saint Laurent as a % of revenue	552.5 27.0%	459.4 26.3%	93.1	+20.3% +0.7 pt
Bottega Veneta as a % of revenue	207.4 17.8%	242.0 21.8%	(34.6)	-14.3% -4.0 pts
Other Houses as a % of revenue	305.9 12.1%	214.4 10.2%	91.5	+42.7% +1.9 pt
Corporate and other	(267.5)	(247.2)	(20.3)	-8.2%
KERING as a % of revenue	4,724.4 29.7%	3,943.8 28.9%	780.6	+19.8% +0.8 pt



2019 HIGHLIGHTS AND ANNOUNCEMENTS SINCE JANUARY 1, 2019

Strategic redeployment and discontinued operations

On April 2, 2019, Kering announced that it had completed the sale of its US sports and lifestyle brand Volcom. US company Authentic Brands Group (ABG) purchased the intellectual property rights of Volcom, effective from April 1, 2019. The current Volcom management team has acquired the operating license of Volcom and will continue the development of its operations based in the United States, France, Australia and Japan.

On July 15, 2019, Kering finalized the sale of its stake in Stella McCartney, following a transition phase and carve-out process that began on March 28, 2018.

Italy tax settlement

On May 9, 2019, Kering announced that it had concluded a settlement with the Italian Revenue Agency relating to claims vis-à-vis its Swiss subsidiary Luxury Goods International (LGI). The settlement, concluded after in-depth analysis and with a collaborative spirit, acknowledged that the claims raised during the tax audit pertained both to the existence of a permanent establishment in Italy in the period 2011-2017 with the associated profits, and to the transfer prices applied by LGI in the same period with its related party Guccio Gucci S.p.A.

Logistics activities: restructuring and transfer

Against a backdrop of rapid change in the industry and strong growth, Kering is undertaking a complete restructuring of its logistics activities, using the latest technologies, in order to meet the Luxury Houses' new needs in terms of volumes, lead time and omni-channel integration. Already initiated in the United States with the construction of a new site in New Jersey, the project will be gradually implemented by 2022. It will include the transfer of most of the logistics activities currently located in Switzerland to a new hub in Italy, close to Novara. The new Italian hub will be designed to handle the Group's future growth and will have greater storage capacity, reflecting increased volumes. It will also meet the growing demand for interconnectivity with the main transportation hubs.

Stock repurchase program

On October 29, 2018, Kering announced that it had set up a stock repurchase program covering up to 1.0% of its share capital over a 12-month period.

Between October 29, 2018 and February 28, 2019, a total of 603,406 shares were repurchased under a first tranche of the program. A further 658,000 shares were repurchased under a second tranche between June 17 and July 31, 2019. The repurchased shares will be canceled during 2020.

Signature of the Fashion Pact

On August 23, 2019, 32 leading global fashion and textile companies signed a Fashion Pact, committing to achieving practical objectives together in three areas: climate, biodiversity, and oceans. The Fashion Pact was presented to heads of state during the G7 meeting in Biarritz, which took place on August 26, 2019. In April 2019, French president Emmanuel Macron had given François-Henri Pinault, Chairman and Chief Executive Officer of Kering, a mission to bring together fashion and textile players, with the aim of setting practical objectives for reducing the environmental impact of their industry.

On October 25, 2019, a further 24 fashion and textile companies joined the Fashion Pact, bringing the total number of signatory companies to 56, representing around 250 brands. The signatories agreed to report on their progress in September 2020.

Baby Leave: 14 weeks of paid leave to all parents of a new child

On September 10, 2019, Kering announced that beginning January 1, 2020, its Parental Policy will provide a minimum of 14 weeks' maternity, paternity, adoption or partner leave on full pay for all Group employees. The policy will be applicable during the six months following birth or adoption, irrespective of the employee's personal circumstances or geographic location. This pioneering measure is part of the Group's commitment to equality in the workplace, well-being at work and work-life balance.



Placement of bonds exchangeable into existing ordinary shares of PUMA

On September 25, 2019, Kering completed a placement of bonds exchangeable into existing ordinary shares of PUMA. Following strong demand, the nominal amount of the issuance was increased from €500 million to €550 million. The net proceeds of the issuance will be used for Kering's general corporate purposes. The bonds were issued at a principal amount of €100,000 per bond and bear no interest (zero coupon). They were offered at an issue price equal to 108.75% of the principal amount, namely €108,750, corresponding to an annual yield-to-maturity of -2.78%. They will be redeemed at their principal amount on September 30, 2022 (save in the event of early redemption). Throughout the life of the bonds and at their maturity, Kering has an option to redeem them in PUMA shares, cash or a combination of shares and cash.

Appointments and corporate governance at Kering

At its meeting on February 11, 2019, the Board of Directors of Kering appointed Sophie L'Hélias as lead independent director. In coordination with the Chairman of the Board, Sophie L'Hélias will notably represent the Board in its dealings with investors concerning ESG (Environmental, Societal, Governance) matters.

Kering also announced the appointment of Cédric Charbit, CEO of Balenciaga, to the Group's Executive Committee, effective from July 1, 2019.

In addition, Bartolomeo Rongone succeeded Claus-Dietrich Lahrs as CEO of Bottega Veneta, effective from September 1, 2019. He reports to François-Henri Pinault, Chairman and Chief Executive Officer of Kering, and is a member of the Group's Executive Committee.

On October 1, 2019, Kalpana Bagamane Denzel was appointed as Kering's Chief Diversity, Inclusion and Talent Officer. Her arrival signals a new stage in the Group's determined action in support of diversity. Kalpana Bagamane Denzel is based at Kering's headquarters in Paris and reports to Béatrice Lazat, Chief People Officer.

Lastly, on December 17, 2019, Kering announced the appointment of Mehdi Benabadji as CEO of Brioni, with effect from January 1, 2020. Taking over from Fabrizio Malverdi, he reports to Jean-François Palus, Kering Group Managing Director.

Bloomberg Gender Equality Index

In 2020, Kering was for the third consecutive year the only Luxury group to be included in the Bloomberg Gender Equality Index. The index represents 325 global companies spanning 11 sectors (out of nearly 6,000 companies screened) that are committed to gender equality and transparency in gender reporting. The companies in the index are not ranked: all 325 companies scored above the threshold established by Bloomberg.

Progress report on the Group's 2025 sustainability targets

On January 30, 2020, three years after announcing its next-generation sustainability strategy, "Crafting Tomorrow's Luxury", Kering published its Sustainability Progress Report. The Group has made serious progress and is on track to meet its 2025 targets, while setting the foundation to align with a 1.5°C pathway. Kering has reduced its overall environmental impacts by 14% in terms of EP&L intensity (between 2015 and 2018) and is on a positive trajectory to reach its 40% reduction target by 2025. GHG emissions have fallen 77% in intensity in Kering's own operations (between 2015 and 2018), with renewable energy use reaching 100% in seven countries, 78% in Europe and 67% covered overall, Group-wide. Kering has also reached its target of purchasing 100% responsible gold for its Jewelry and Watches Divisions, and is on track to reach 100% sustainable sourcing for other key raw materials by 2025. In addition, the Group has attained 88% traceability for its key raw materials.



CONSOLIDATED INCOME STATEMENT

<i>(in € millions)</i>	2019	2018
CONTINUING OPERATIONS		
Revenue	15,883.5	13,665.2
Cost of sales	(4,108.5)	(3,467.0)
Gross margin	11,775.0	10,198.2
Payroll expenses	(2,290.8)	(2,080.4)
Other recurring operating income and expenses	(4,705.9)	(4,174.0)
Recurring operating income	4,778.3	3,943.8
Other non-recurring operating income and expenses	(168.5)	(222.4)
Operating income	4,609.8	3,721.4
Finance costs, net	(309.5)	(207.3)
Income before tax	4,300.3	3,514.1
Income tax expense	(2,133.7)	(867.7)
Share in earnings (losses) of equity-accounted companies	41.8	11.9
Net income from continuing operations	2,208.4	2,658.3
o/w attributable to owners of the parent	2,166.9	2,630.6
o/w attributable to non-controlling interests	41.5	27.7
DISCONTINUED OPERATIONS		
Net income from discontinued operations	125.4	1,095.2
o/w attributable to owners of the parent	141.7	1,084.3
o/w attributable to non-controlling interests	(16.3)	10.9
TOTAL GROUP		
Net income of consolidated companies	2,333.8	3,753.5
o/w attributable to owners of the parent	2,308.6	3,714.9
o/w attributable to non-controlling interests	25.2	38.6

<i>(in € millions)</i>	2019	2018
Net income attributable to owners of the parent	2,308.6	3,714.9
Earnings per share <i>(in €)</i>	18.40	29.49
Fully diluted earnings per share <i>(in €)</i>	18.40	29.49
Net income from continuing operations attributable to owners of the parent	2,166.9	2,630.6
Earnings per share <i>(in €)</i>	17.27	20.88
Fully diluted earnings per share <i>(in €)</i>	17.27	20.88
Net income from continuing operations (excluding non-recurring items) attributable to owners of the parent	3,211.5	2,816.7
Earnings per share <i>(in €)</i>	25.59	22.36
Fully diluted earnings per share <i>(in €)</i>	25.59	22.36



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

<i>(in € millions)</i>	Dec. 31, 2019	Dec. 31, 2018
Goodwill	2,525.9	2,399.2
Brands and other intangible assets	7,260.5	7,393.6
Right-of-use assets	4,246.7	n.a.
Property, plant and equipment	2,619.3	2,228.5
Investments in equity-accounted companies	1,105.3	1,074.7
Non-current financial assets	458.4	336.3
Deferred tax assets	1,367.6	830.1
Other non-current assets	18.8	34.2
Non-current assets	19,602.5	14,296.6
Inventories	2,959.2	2,414.7
Trade receivables	996.0	849.5
Current tax receivables	280.7	90.6
Other current financial assets	38.4	60.9
Other current assets	979.4	899.5
Cash and cash equivalents	2,285.9	2,216.6
Current assets	7,539.6	6,531.8
Assets held for sale	6.1	539.1
TOTAL ASSETS	27,148.2	21,367.5

EQUITY AND LIABILITIES

<i>(in € millions)</i>	Dec. 31, 2019	Dec. 31, 2018
Share capital	505.2	505.2
Capital reserves	2,428.3	2,428.3
Treasury shares	(573.6)	(168.3)
Translation adjustments	(174.5)	(206.7)
Remeasurement of financial instruments	(80.0)	(97.8)
Other reserves	8,172.7	7,445.2
Equity attributable to owners of the parent	10,278.1	9,905.9
Equity attributable to non-controlling interests	160.5	155.7
Total equity	10,438.6	10,061.6
Non-current borrowings	3,122.2	3,171.6
Non-current lease liabilities	3,598.6	n.a.
Other non-current financial liabilities	47.9	3.0
Provisions for pensions and other post-employment benefits	106.5	88.0
Other non-current provisions	15.1	14.2
Deferred tax liabilities	1,530.4	1,578.6
Other non-current liabilities	141.4	40.0
Non-current liabilities	8,562.1	4,895.4
Current borrowings	1,975.9	756.4
Current lease liabilities	720.0	n.a.
Other current financial liabilities	503.2	553.2
Trade payables	808.7	745.8
Provisions for pensions and other post-employment benefits	8.9	8.6
Other current provisions	216.0	255.7
Current tax liabilities	1,361.5	1,303.3
Other current liabilities	2,552.5	2,598.9
Current liabilities	8,146.7	6,221.9
Liabilities associated with assets held for sale	0.8	188.6
TOTAL EQUITY AND LIABILITIES	27,148.2	21,367.5



CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(in € millions)</i>	2019	2018
Net income from continuing operations	2,208.4	2,658.3
Net recurring charges to depreciation, amortization and provisions on non-current operating assets	1,245.3	491.9
Other non-cash income and expenses	(392.4)	(6.6)
Cash flow from operating activities	3,061.3	3,143.6
Interest paid/received	277.1	186.6
Dividends received	-	(1.0)
Current tax expense	2,597.9	1,062.4
Cash flow from operating activities before tax, dividends and interest	5,936.3	4,391.6
Change in working capital requirement	(557.5)	(51.6)
Income tax paid	(2,903.5)	(562.0)
Net cash from operating activities	2,475.3	3,778.0
Purchase of property, plant and equipment and intangible assets	(955.8)	(828.0)
Proceeds from disposals of property, plant and equipment and intangible assets	1.2	5.2
Acquisitions of subsidiaries, net of cash acquired	(42.4)	(15.8)
Proceeds from disposals of subsidiaries and associates, net of cash transferred	0.8	-
Purchases of other financial assets	(285.6)	(80.3)
Proceeds from disposals of other financial assets	76.6	21.9
Interest and dividends received	19.1	5.4
Net cash used in investing activities	(1,186.1)	(891.6)
Dividends paid to owners of the parent company	(1,320.1)	(757.6)
Dividends paid to non-controlling interests	(21.9)	(22.8)
Transactions with non-controlling interests	(19.2)	(2.7)
Treasury share transactions	(402.1)	(167.9)
Debt issues	644.6	73.1
Debt redemptions/repayments	(287.6)	(1,404.5)
Increase/decrease in other borrowings	798.8	(27.9)
Repayment of lease liabilities	(639.6)	n.a.
Interest paid and equivalent	(289.9)	(192.4)
Net cash used in financing activities	(1,537.0)	(2,502.7)
Net cash from (used in) discontinued operations	132.7	(379.1)
Impact of exchange rate variations	116.4	(67.6)
Net increase (decrease) in cash and cash equivalents	1.3	(63.0)
Cash and cash equivalents at beginning of year	1,836.3	1,899.3
Cash and cash equivalents at end of year	1,837.6	1,836.3



BREAKDOWN OF REVENUE

<i>(in € millions)</i>	Q4 2019	Q4 2018	Reported change	Comparable change⁽¹⁾	2019	2018⁽¹⁾	Reported change	Comparable change⁽¹⁾
Total Luxury Houses	4,240.4	3,719.8	+14.0%	+11.6%	15,382.6	13,246.7	+16.1%	+13.2%
Gucci	2,636.6	2,336.1	+12.9%	+10.5%	9,628.4	8,284.9	+16.2%	+13.3%
Yves Saint Laurent	569.6	488.4	+16.6%	+14.0%	2,049.1	1,743.5	+17.5%	+14.4%
Bottega Veneta	334.3	298.0	+12.2%	+9.4%	1,167.6	1,109.1	+5.3%	+2.2%
Other Houses	699.9	597.3	+17.2%	+14.9%	2,537.5	2,109.2	+20.3%	+17.8%
Corporate and other	120.1	111.5	+7.7%	+5.6%	500.9	418.5	+19.7%	+16.5%
KERING	4,360.5	3,831.3	+13.8%	+11.4%	15,883.5	13,665.2	+16.2%	+13.3%

⁽¹⁾ On a comparable Group structure and exchange rate basis.



REVENUE FOR THE FIRST, SECOND, THIRD AND FOURTH QUARTERS OF 2019

	Q4 2019	Q4 2018 ⁽¹⁾	Reported change	Comparable change ⁽¹⁾	Q3 2019	Q3 2018 ⁽¹⁾	Reported change	Comparable change ⁽¹⁾	Q2 2019	Q2 2018 ⁽¹⁾	Reported change	Comparable change ⁽¹⁾	Q1 2019	Q1 2018 ⁽¹⁾	Reported change	Comparable change ⁽¹⁾
<i>(in € millions)</i>																
Total Luxury Houses	4,240.4	3,719.8	+14.0%	+11.6%	3,777.8	3,318.2	+13.9%	+11.3%	3,716.3	3,211.0	+15.7%	+13.1%	3,648.1	2,997.7	+21.7%	+17.4%
Gucci	2,636.6	2,336.1	+12.9%	+10.5%	2,374.7	2,096.0	+13.3%	+10.7%	2,291.5	1,986.2	+15.4%	+12.7%	2,325.6	1,866.6	+24.6%	+20.0%
Yves Saint Laurent	569.6	488.4	+16.6%	+14.0%	506.5	446.9	+13.3%	+10.8%	475.5	400.0	+18.9%	+15.8%	497.5	408.2	+21.9%	+17.5%
Bottega Veneta	334.3	298.0	+12.2%	+9.4%	284.3	258.9	+9.8%	+6.9%	300.9	291.0	+3.4%	+0.8%	248.1	261.2	-5.0%	-8.9%
Other Houses	699.9	597.3	+17.2%	+14.9%	612.3	516.4	+18.6%	+16.3%	648.4	533.8	+21.5%	+19.2%	576.9	461.7	+25.0%	+21.7%
Corporate and other	120.1	111.5	+7.7%	+5.6%	106.8	83.8	+27.4%	+24.8%	136.8	114.7	+19.3%	+16.0%	137.2	108.5	+26.5%	+21.5%
KERING	4,360.5	3,831.3	+13.8%	+11.4%	3,884.6	3,402.0	+14.2%	+11.6%	3,853.1	3,325.7	+15.9%	+13.2%	3,785.3	3,106.2	+21.9%	+17.5%

⁽¹⁾ On a comparable Group structure and exchange rate basis.

KERING



BREAKDOWN OF RECURRING OPERATING INCOME

	2019	2018 Restated under IFRS 16 ⁽¹⁾	Change	2018 Reported
Recurring operating income <i>(in € millions)</i>				
Total Luxury Houses	5,042.0	4,238.3	+19.0%	4,191.0
Gucci	3,946.9	3,295.2	+19.8%	3,275.2
Yves Saint Laurent	562.2	468.4	+20.0%	459.4
Bottega Veneta	215.2	251.2	-14.3%	242.0
Other Houses	317.7	223.5	+42.1%	214.4
Corporate and other	(263.7)	(243.4)	-8.3%	(247.2)
KERING	4,778.3	3,994.9	+19.6%	3,943.8

⁽¹⁾ Following the first-time application of IFRS 16 in 2019, comparative data for 2018 has been restated.



MAIN DEFINITIONS

“Reported” and “comparable” revenue

The Group’s “reported” revenue corresponds to published revenue. The Group also uses “comparable” data to measure organic growth. “Comparable” revenue refers to 2018 revenue adjusted as follows by:

- neutralizing the portion of revenue corresponding to entities divested in 2018;
- including the portion of revenue corresponding to entities acquired in 2019;
- remeasuring 2018 revenue at 2019 exchange rates.

These adjustments give rise to comparative data at constant scope and exchange rates, which serve to measure organic growth.

Recurring operating income

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

“Other non-recurring operating income and expenses” consists of unusual items, notably as concerns the nature or frequency, that could distort the assessment of Group entities’ financial performance. Other non-recurring operating income and expenses may include impairment of property, plant and equipment, 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.

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

EBITDA

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

Free cash flow from operations and available cash flow

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

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

Net debt

As defined by French accounting standard setter (*Autorité des Normes Comptables* – ANC) recommendation No. 2013-03, net debt comprises gross borrowings, including accrued interest, less cash and cash equivalents.

Net debt includes fair value hedging instruments recorded in the statement of financial position relating to bank borrowings and bonds of which the interest rate risk is fully or partly hedged as part of a fair value relationship.

Effective tax rate on recurring income

The effective tax rate on recurring income corresponds to the effective tax rate excluding tax effects relating to “Other non-recurring operating income and expenses”.