KERING

2021
First-Half Report

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This is a free translation into English of the 2021 First-Half Report issued in French.

CHAPTER 1
Kering in first-half 2021

KEY FIGURES

Key consolidated figures

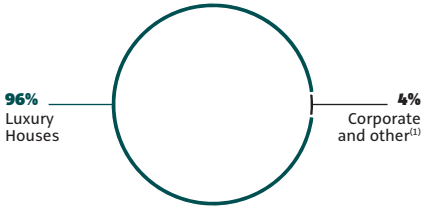
(in € millions)	First-half 2021	First-half 2020	Reported change 2021/2020	First-half 2019
Revenue	**8,047.2**	**5,378.3**	**+49.6%**	**7,638.4**
EBITDA	**2,950.9**	**1,675.0**	**+76.2%**	**2,809.3**
EBITDA margin (as a % of revenue)	*36.7%*	*31.1%*	*+5.6 pts*	*36.8%*
Recurring operating income	**2,237.0**	**952.4**	**+134.9%**	**2,252.7**
Recurring operating margin (as a % of revenue)	*27.8%*	*17.7%*	*+10.1 pts*	*29.5%*
Net income attributable to the Group	**1,479.0**	**272.6**	**+442.6%**	**579.7**
o/w continuing operations excluding non-recurring items	**1,477.4**	**569.3**	**+159.5%**	**1,556.1**
Capex[1]	**345.4**	**367.8**	**-6.1%**	**383.7**
Free cash flow from operations[2]	**2,353.9**	**565.6**	**+316.2%**	**1,532.7**
Net debt[3]	**619.2**	**3,815.5**	**-83.8%**	**2,134.6**

(1) Acquisitions of property, plant and equipment and intangible assets
(2) Net cash received from operating activities less net acquisitions and disposals of property, plant and equipment and intangible assets.
(3) Net debt is defined on page 40.

Per share data *(in €)*	First-half 2021	First-half 2020	Reported change 2021/2020	First-half 2019
Earnings per share attributable to the Group	**11.85**	**2.18**	**+443.6%**	**4.61**
o/w continuing operations excluding non-recurring items	**11.84**	**4.55**	**+160.2%**	**12.37**

Breakdown of revenue and recurring operating income

Revenue



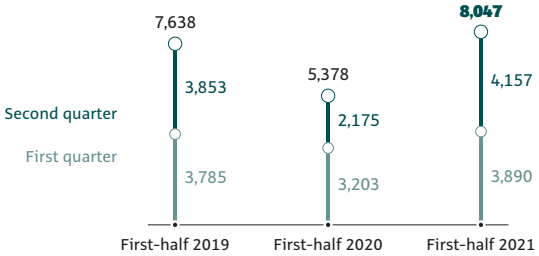
(1) The "Corporate and other" segment is defined on page 33.

(in € millions)	First-half 2021	First-half 2020	Reported change 2021/2020	First-half 2019
Luxury Houses	**7,708.0**	**5,175.5**	**+48.9%**	**7,364.4**
Corporate and other	**339.2**	**202.8**	**+67.3%**	**274.0**
Group	**8,047.2**	**5,378.3**	**+49.6%**	**7,638.4**

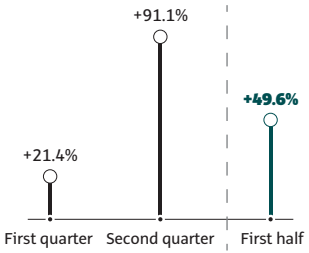
Recurring operating income

(in € millions)	First-half 2021	First-half 2020	Reported change 2021/2020	First-half 2019
Luxury Houses	**2,296.3**	**1,063.0**	**+116.0%**	**2,370.0**
Recurring operating margin	*29.8%*	*20.5%*	*+9.3 pts*	*32.2%*
Corporate and other	**(59.3)**	**(110.6)**	**+46.4%**	**(117.3)**
Group	**2,237.0**	**952.4**	**+134.9%**	**2,252.7**
Recurring operating margin	*27.8%*	*17.7%*	*+10.1 pts*	*29.5%*

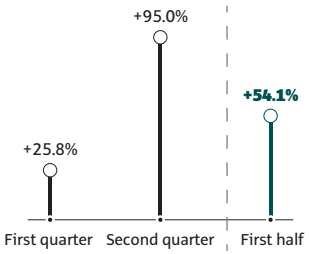
Revenue by quarter
(in € millions)



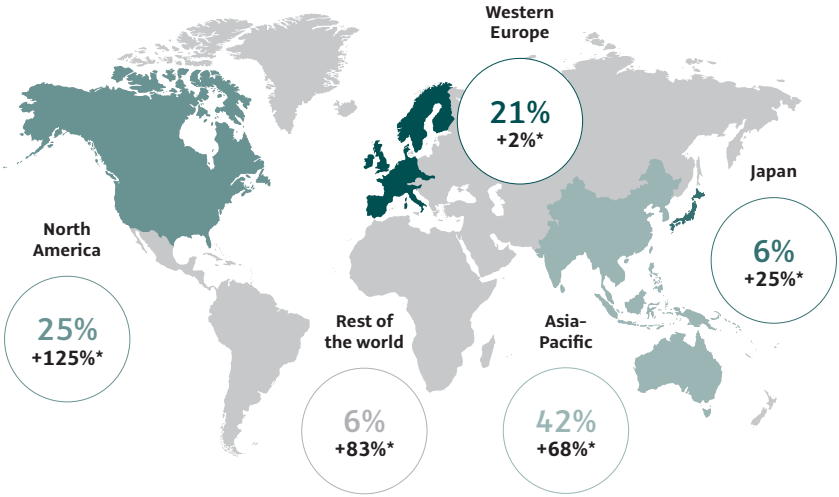
2021/2020 change in revenue by quarter, on a reported basis



2021/2020 change in revenue by quarter, on a comparable basis

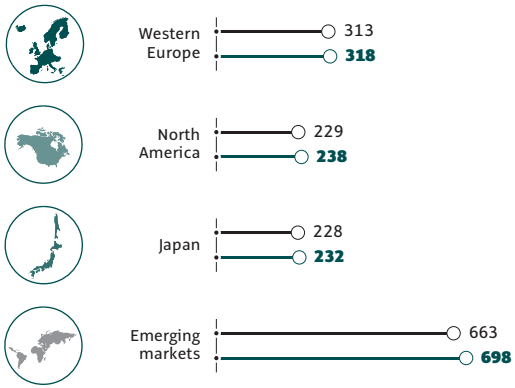


Breakdown of revenue by region
(as a % of consolidated revenue)



** % comparable growth.*

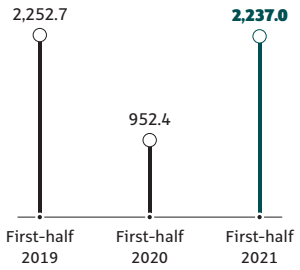
Number of directly operated stores by region



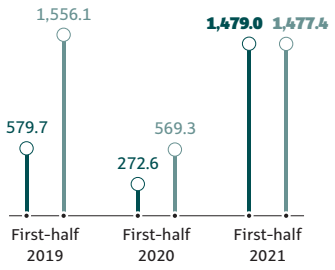
1,486
Total June 30, 2021

1,433
Total December 31, 2020

Recurring operating income
(in € millions)

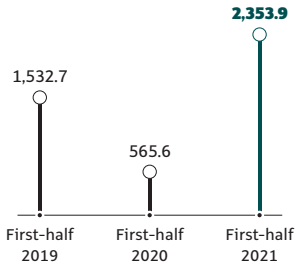


Net income attributable to the Group
(in € millions)



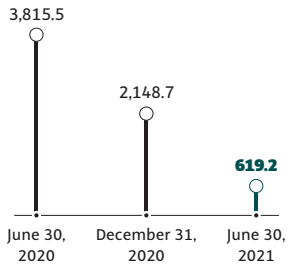
- Net income attributable to the Group
- Net income from continuing operations (excluding non-recurring items) attributable to the Group

Free cash flow from operations[1]
(in € millions)



(1) Net cash received from operating activities less net acquisitions of property, plant and equipment and intangible assets.

Net debt[2]
(in € millions)



(2) Net debt is defined on page 40.

CHAPTER 2
Financial information for first-half 2021

1 - ACTIVITY REPORT

1.1 Introduction - Impacts of the COVID-19 pandemic on the Group's business and its interim financial statements for the six months ended June 30, 2021

A strong economic recovery in the first half of 2021

The global economy was significantly impacted in 2020 by the COVID-19 pandemic, shrinking 3.6% according to the latest data by Oxford Economics. The scale of the recession varied, however, depending on the regions concerned. Globally, the crisis peaked in the second quarter of 2020, with lockdown measures and travel restrictions weighing very heavily on the world's main economies. But following the heights of the pandemic in early 2020, and as the restrictions began to ease, economic activity bounced back in the spring in Asia – particularly in China – and then during the summer for the world's mature economies. The recovery was more gradual during the second half of 2020 for countries with high circulation of the virus, as new restrictions were put in place (such as regional lockdowns and curfews), especially in Western Europe.

In the first six months of 2021, economic trends were in line with those observed in the latter months of 2020. While the world's economies seem to be following a V-shaped recovery pattern, with global growth potentially reaching 6.3% in 2021 according to Oxford Economics, levels of economic activity have already exceeded those recorded for 2019 in Asia thanks to robust momentum in China, whereas the rest of the world is seeing a more gradual recovery. The U.S. economy is expected to return to pre-COVID 2019 levels as of mid-2021. Europe and Japan, however, are not expected to catch up until the second half of the year at the earliest, or the first half of 2022. It is important to bear in mind that due to the health situation in the winter of 2020 and until only recently, Europe – and, to a lesser extent, some Asian countries and North America – have still been subject to general or targeted restrictions on movement and business.

Although it is difficult to foresee the impact that the rapid spread of the Delta variant of the virus will have on economic recovery, Oxford Economics and World Economic Prospects envisage the following growth figures for the world's mature economies for full-year 2021: 4.5% for the eurozone, 7.7% for the United States and the United Kingdom, and a more modest 2.5% for Japan. For Asia's main economies (excluding Japan), 2021 should be a year of robust growth (almost 9% for Mainland China and 4.6% for South Korea), even though those economies were less affected by the crisis in 2020.

For the vast majority of countries, the main growth driver is expected to be consumer spending, with several different underlying factors for the strong rise in household consumption.

First, various economic support measures, such as national furlough schemes and financial aid for families based on their income levels, have been put in place – particularly in Western Europe and North America – to boost purchasing power. At the same time, the massive recovery plans announced in the United States and the European Union should help sustain the rebound in consumer spending and business activity in the coming months.

The second driver of consumer spending is the excess savings that households have built up since early 2020 (representing, in western economies, between 5% and 11% of GDP depending on the data source concerned). These savings have also been boosted by accommodative monetary policies implemented by central banks, which have pushed up the prices of real estate and securities. For example, the S&P 500 rose by around 16% in the first half of 2021.

Inflation is currently still sufficiently contained for everyday consumer goods and has not therefore affected consumer confidence. It has, however, resulted in salary increases in certain sectors, which by extension have stimulated demand.

While the economic recovery has boosted world trade in goods, the global services industry has been – and is continuing to be – severely weighed down by travel restrictions, both for international and domestic travel, especially in Asia. The transport, hospitality and tourism sectors have been heavily impacted by the slump in travel. Recovery for these sectors is expected to be very gradual, as illustrated in the projections issued by ACI (Airports Council International) in July 2021, which forecast that international passenger traffic will not return to 2019 levels until 2024.

The luxury industry – overcoming the crisis of 2020

Dynamic domestic consumer spending and high consumer confidence – which, on average, are close to the levels recorded in early 2019 (according to the OECD) – are clear signs of growth in the global luxury market (as explained in Chapter 2 of Kering's 2020 Universal Registration Document). Conversely, the lack of tourism is adversely affecting the luxury industry, especially in markets where purchases by tourists were a significant revenue contributor until 2019. This weak demand from tourists (which, for full-year 2021, is set to represent barely a quarter of that recorded for 2019, according to some analyses) is not, however, expected to materially compromise the recovery of the luxury market in 2021.

Barring any deterioration in the health situation in the short term, luxury brands should see a particularly strong rebound in revenue during 2021 compared with 2020 (with the most optimistic analyses forecasting increases in the region of 30% to 35%). In 2020, luxury sales fell by around 20% (according to Bain & Company/Altagamma – May 2021), and the first six months of 2021 are expected to see the strongest recovery in view of the extremely favorable bases of comparison.

However, given the very atypical nature of 2020, the most meaningful year-on-year comparison for luxury brands is with 2019 – a year when the luxury market saw record sales. Forecasts seem to be pointing to revenues for 2021 outstripping those posted for 2019. Estimated growth for 2021 compared with 2019 sits within a fairly broad range (from 2% to over 10% for the most optimistic analyses), due to the difficulty in modeling revenue trends through the end of the year. But the luxury sector's sales for the first quarter of 2021 would appear to have exceeded those recorded for 2019 by 2% to 3% at constant exchange rates (source: Bain & Company/Altagamma – May 2021), and it is very likely that growth accelerated in the second quarter.

However, performances varied from one region to another in 2021. In Mainland China and the United States, the macro-economic factors mentioned above spurred revenue hikes, and other markets in Asia, such as South Korea, also registered very solid growth rates compared with 2019. In Western Europe on the other hand, good levels of sales to domestic customers were not sufficient to offset the region's practically non-existent tourist numbers and the impact of store closures, especially in the first quarter (when over half of the store network was closed on average). Sales in Japan were hampered by (i) the ongoing effect of Chinese customers shifting their spending to Mainland China, (ii) an uncertain economic and health environment that weighed on demand from local customers, and, (iii) the restrictions introduced ahead of the 2021 Summer Olympic Games.

Against this backdrop, a number of structural changes in the luxury industry – which were amplified by the COVID-19 crisis in 2020 – made their mark on the performance of the world's main luxury brands in the first half of 2021.

- E-commerce is expected to once again be the distribution channel with the highest growth in 2021. The proportion of total luxury houses' revenue generated by online sales – estimated at 18% for 2020 by some analysts – could reach 21% in 2021 and then 25% in 2022.
- In view of the travel restrictions that are expected to continue in 2021, demand for luxury products remains mainly domestic. One of the most flagrant signs of this is the shift in Chinese customers' demand to Mainland China, with a concentration of such sales in Greater China that is likely to last.
- The combination of lower footfall in stores due to the expansion of e-commerce, extremely low tourist numbers, and the high proportion of domestic customers is affecting the organizational structure and management of distribution networks. Brands are highly focused on the customer experience, which requires heightened attention to the quantity and quality of interactions with customers as well as the invention of new forms of clienteling, underpinned by optimal use of customer data and CRM systems. Distribution is becoming increasingly exclusive, which means that the revenue contribution of the wholesale channel is gradually decreasing, in a context in which Travel Retail is also being heavily impacted by the massive reduction in international air traffic.

- In the short and medium term, demand from Chinese customers and from Generations Y and Z will continue to be the main growth drivers for the global luxury market. For example, Chinese demand could account for about 40% of the market as from 2021 according to some analysts, and it is estimated that Generation Z will represent around two-thirds of market demand by 2025 (BCG/Altagamma – June 2021). Because this new generation of customers has its own set of values, new imperatives have emerged for the industry's players. For instance, it has become absolutely essential to have a clear sustainability strategy right across the value chain.
- It is highly probable that the polarization that was already happening in the market will accentuate in the coming years, with mergers and acquisitions taking place. The heightened complexity of developing and managing a brand in a market that is global, but at the same time more fragmented than before (given the concentration on local customers), strengthens the competitive advantage of large multi-brand groups that can pool their resources and investments in many domains.

Impacts of the pandemic on Kering's business and performance

In the first half of 2021, Kering, like all other players in the luxury industry, was positively impacted by the market rebound, and it saw its revenue exceed the levels recorded for first-half 2019, both as reported and at constant exchange rates. Recurring operating income did not return to the first-half 2019 level, but was nevertheless very high, on a par with the figure for the first six months of 2018. Consequently, cash flow generation was particularly solid and the Group reported a record-low debt-to-equity ratio.

Kering's performance during the first six months of 2021 clearly shows that it has come through the crisis even stronger and is ready to forge ahead as the market recovers. The Group is squarely focused on investing in its Houses to capitalize on their potential and return to a profitable growth trajectory.

However, it is still too early to assess how the COVID situation could develop in the second half of the year and what effect it could have on the Group's business.

In addition, the Group's operations during the first half of 2021 were still directly and indirectly impacted by the pandemic and its effects.

The partial or full closure of the Group's stores due to lockdowns and curfews, and the slump in tourism continued to negatively impact revenue during the period. On average, 17% of the store network was closed during the first quarter of the year and 13% during the second quarter.

Whereas in 2020 lockdown measures temporarily reduced the Group's ability to design, manufacture and distribute its products under normal conditions, in the first half of 2021, the brands were able to adapt their organizational structures to the health measures and restrictions on movement and to manage their operations with maximum efficiency.

However, due to the delays incurred in 2020 with developing collections, as well as the postponements of some product launches and projects, and the brands' highly prudent inventory management throughout the year, the depth and breadth of the Group's in-store offering was temporarily reduced in some cases, not only in 2020 but also in the first half of 2021. All of the measures put in place by the brands to return to a more normal environment in terms of product design and manufacturing, combined with the gradual take-up of their new collections, are already paying off, enabling them to propose broader offerings and meet customer demand in all their points of sale.

As in 2020, home-working was widely used thanks to the quality of the Group's information systems. This meant that all of the main departments and units, both for the brands and the Group as a whole, could continue to effectively manage major transformation projects – both in terms of IT systems and logistics. However, in some cases, store openings or refurbishments had to be postponed due to difficulties in conducting negotiations with property owners or launching building works as a result of the ongoing COVID-19 situation.

Lastly, while keeping a tight rein on costs, the Group and its brands decided to allocate the necessary resources to make the most of the upswing in business in the first half of 2021. By extension, store operating costs as well as the budgets for communications, upgrading IT systems and developing the brands' digital platforms (encompassing e-commerce) increased during the period for all of the Group's Houses.

Impacts of the pandemic on the Group's 2021 interim financial statements

The turnaround in the Group's business performance is mirrored in its financial figures for the period.

Consolidated revenue totaled €8,047 million, up 49.6% year on year as reported (54.1% based on a comparable Group structure and exchange rates). This figure was 8.4% higher than in first-half 2019 based on comparable data. Growth accelerated significantly in the second quarter versus both 2020 and 2019, with sales up 11.2% on the same period of 2019. This followed on from 5.5% growth in the first quarter.

Recurring operating income came to €2,237 million in the first six months of 2021, more than doubling versus first-half 2020. Recurring operating margin widened by 10.1 points to 27.8%, but was still 1.7 points lower than in the first half of 2019.

The increase in recurring operating income and margin compared with first-half 2020 was due to a very favorable operating leverage effect, with sales growth exceeding rises in cost bases. However, the Group's Houses and various businesses continued to invest during the period to support their development and expansion, notably by raising the budgets for in-store expenses and for expenditure on creation, development, communications and information systems in line with the industry's accelerating digital transformation. These initiatives were once again accompanied by strict cost-control measures for other expense items, including new rent concessions negotiated with landlords due to the consequences of the COVID-19 pandemic.

In view of the rise in consolidated revenue in the first six months of 2021 and the ensuing increase in recurring operating income for all of the Group's businesses, as well as the mid-term outlook for the luxury market, no impairment losses had to be recognized against non-current assets in addition to those recorded in 2020 for Brioni and the watches brands. Consequently, non-recurring items recognized in first-half 2021 primarily concern disputes and restructurings with no direct relation to the pandemic.

Impairment losses on current assets (inventories and trade receivables) were recognized as usual under recurring operating expenses. The Group's credit risk – which was deemed to be very moderate and under control in 2020 – decreased in the first six months of 2021.

In 2020, the COVID-19 pandemic made it more complex to calculate corporate income tax, as the global decrease in profits for the vast majority of multinationals raised the question of how profits and losses should be allocated by country. This question still remains, as recovery trends are extremely mixed from one region to another. However, as in 2020, Kering considered it was reasonable to keep the main principles of its current transfer-pricing policy, in strict compliance with the rules issued by the OECD and the national tax authorities in each of the countries where the Group operates. The Group is confident that its estimates at June 30, 2021 are fair and prudent.

Lastly, the Group's balance sheet structure as of June 30, 2021 was extremely solid, with a low level of debt[1] (0.1 times EBITDA for the last 12 months) and good management of working capital. Cash generation reached a record level, with €2,354 million in free cash flow from operations. This was achieved despite the fact that the Group kept up a high level of Capex (€345 million, i.e. 4.3% of first-half 2021 revenue versus 5.0% in 2019) for store openings and refurbishments, as well as strategic logistics, e-commerce and IT programs managed by the Corporate entity on behalf of the brands. Compared with 2019, the second half of 2021 should see a proportionate increase in Capex as some projects had to be postponed until later in the year due to the ongoing uncertainty caused by the pandemic in some regions in the early part of 2021.

In light of the Group's strong cash flow generation and effective cash management in 2020, liquidity risk was particularly low as of June 30, 2021.

The Group did not identify any significant events in the first half of 2021 resulting from the ongoing COVID-19 crisis, unlike for the same period of 2020, which was marked by the outbreak of the pandemic.

(1) Net debt excluding IFRS 16 lease liabilities.

1.2 Significant events of first-half 2021

Investment in Vestiaire Collective

On March 1, 2021, Kering announced that it had acquired a stake of around 5% in Vestiaire Collective, the leading global platform for desirable second-hand fashion, as part of a new €178 million financing round together with a new shareholder, US investment firm Tiger Global Management. Existing shareholders including Vestiaire Collective's CEO, Maximilian Bittner, Bpifrance, Condé Nast, the Eurazeo Group, certain funds managed by Fidelity International, Korelya Capital, Luxury Tech Fund and Vitruvian Partners also reinvested.

Following a strong year in 2020 that saw the platform's transaction volume grow over 100% year-on-year, this financing round grants Vestiaire Collective unicorn status and ideally positions it for its next cycle of accelerated growth.

By investing in Vestiaire Collective and by being represented on the platform's Board of Directors, Kering is illustrating its pioneering strategy, supporting innovative business models, embracing new market trends and exploring new services to fashion and luxury customers.

Kering enhances its global logistics capabilities with a new hub in Northern Italy

On April 8, 2021, Kering announced the completion of the first phase of its new global logistics hub in Trecate, in the Piemonte region of Northern Italy. The first part of the building has been operating since March 2020, and the second part (over 100,000 sq.m) is scheduled to become operational in the third quarter of 2021.

Built in record time, the Group's new global logistics hub covers more than 162,000 sq.m (equivalent to 20 rugby fields) and combines state-of-the-art technology and automation, scalability, innovative sustainability and features for the well-being of employees.

The hub will meet the demand from the Houses' regional warehouses, retail stores, wholesalers and e-commerce worldwide, and will significantly increase the Group's capabilities in terms of shipping (up to 80 million pieces per year) and storage (up to 20 million pieces). It will also reduce lead times by 50% by increasing the speed of deliveries and enhance collaboration with the Group's Houses.

More than 250 people are currently working in the facility, with the total number of staff planned to reach approximately 900 by the end of 2022. The site is operated by XPO Logistics, Kering's longstanding logistics partner, which employs the on-site workforce dedicated to warehouse operations.

Sale of an additional 5.91% stake in PUMA

On May 27, 2021, Kering announced the completion of the sale following an accelerated bookbuilding process to qualified investors only of 5.91% of the share capital of PUMA SE for a total amount of approximately €805 million, corresponding to a sale price of €90.3 per PUMA share.

Following this transaction, Kering has a remaining 3.96% stake in PUMA. Kering and Artémis are subject to a lock-up relating to the PUMA shares, which is to end 90 calendar days from June 1, 2021, the settlement date of the shares, subject to certain exceptions or a waiver by the joint global coordinators.

The net proceeds of the transaction were used for Kering's general corporate purposes and have further strengthened its financial structure.

Corporate governance at Kering

As a result of her changing roles within Exor, of which she is also a board member, and in order to avoid any potential conflict of interests, Ginevra Elkann resigned from her position as a member of Kering's Board of Directors, as of April 27, 2021.

1.3 First-half 2021 business review

Key figures

Condensed consolidated income statement

(in € millions)	First-half 2021	First-half 2020	Change	First-half 2019
Revenue	8,047.2	5,378.3	+49.6%	7,638.4
Recurring operating income	2,237.0	952.4	+134.9%	2,252.7
as a % of revenue	*27.8%*	*17.7%*	*+10.1 pts*	*29.5%*
EBITDA	2,950.9	1,675.0	+76.2%	2,809.3
as a % of revenue	*36.7%*	*31.1%*	*+5.6 pts*	*36.8%*
Other non-recurring operating income and expenses	(17.3)	(319.6)	+94.6%	(42.2)
Financial result	(125.6)	(144.9)	+13.3%	(133.7)
Income tax expense	(594.6)	(193.7)	-207.0%	(1,449.4)
Share in earnings (losses) of equity-accounted companies	0.9	(7.8)	+111.5%	20.7
Net income from continuing operations	1,500.4	286.4	+423.9%	648.1
o/w attributable to the Group	*1,461.9*	*283.8*	*+415.1%*	*623.4*
o/w attributable to minority interests	*38.5*	*2.6*	*+1,380.8%*	*24.7*
Net income (loss) from discontinued operations	17.1	(11.2)	+252.7%	(60.0)
Net income attributable to the Group	1,479.0	272.6	+442.6%	579.7
Net income from continuing operations (excluding non-recurring items) attributable to the Group	1,477.4	569.3	+159.5%	1,556.1

Earnings per share

	First-half 2021	First-half 2020	Change	First-half 2019
Basic earnings per share *(in €)*	11.85	2.18	+443.6%	4.61
Basic earnings per share from continuing operations excluding non-recurring items *(in €)*	11.84	4.55	+160.2%	12.37

Capex

(in € millions)	First-half 2021	First-half 2020	Change	First-half 2019
Acquisitions of property, plant and equipment and intangible assets	345.4	367.8	-6.1%	383.7

Free cash flow from operations

(in € millions)	First-half 2021	First-half 2020	Change	First-half 2019
Free cash flow from operations	2,353.9	565.6	+316.2%	1,532.7

Revenue

(in € millions)	First-half 2021	%	First-half 2020	%	Reported change	Comparable change[1]
Total Luxury Houses	7,708.0	96%	5,175.5	96%	+48.9%	+53.3%
Corporate and other	*339.2*	*4%*	*202.8*	*4%*	*+67.3%*	*+72.7%*
Total revenue	**8,047.2**	**100%**	**5,378.3**	**100%**	**+49.6%**	**+54.1%**

(1) On a comparable scope and exchange rate basis. Comparable revenue is defined on page 40.

Exchange rate fluctuations had a €155 million negative impact on revenue during the period, related mainly to the US dollar (€81 million), Japanese yen (€33 million) and Hong Kong dollar (€12 million).

Revenue by region

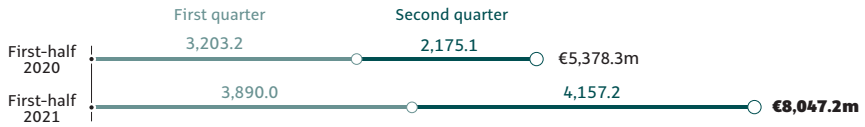
(in € millions)	First-half 2021	%	First-half 2020	%	Reported change	Comparable change[1]
Asia-Pacific (excluding Japan)	3,376.9	42%	2,048.0	38%	+64.9%	+67.7%
Western Europe	1,699.1	21%	1,670.6	31%	+1.7%	+1.7%
North America	1,979.7	25%	955.5	18%	+107.2%	+124.8%
Japan	458.8	6%	399.0	7%	+15.0%	+25.2%
Rest of the world	532.7	6%	305.2	6%	+74.5%	+83.4%
Total revenue	**8,047.2**	**100%**	**5,378.3**	**100%**	**+49.6%**	**+54.1%**

(1) On a comparable scope and exchange rate basis. Comparable revenue is defined on page 40.

Revenue generated outside the eurozone represented 86% of the consolidated total in first-half 2021.

Quarterly revenue data

Consolidated revenue by quarter



Quarterly revenue by activity

(in € millions)	First-quarter 2021	Second-quarter 2021	First-half 2021
Gucci	2,167.7	2,311.6	4,479.3
Yves Saint Laurent	516.7	528.8	1,045.5
Bottega Veneta	328.2	379.4	707.6
Other Houses	714.3	761.3	1,475.6
Total Luxury Houses	**3,726.9**	**3,981.1**	**7,708.0**
Corporate and other	*163.1*	*176.1*	*339.2*
Total revenue	**3,890.0**	**4,157.2**	**8,047.2**

(in € millions)	First-quarter 2020	Second-quarter 2020	First-half 2020
Gucci	1,804.1	1,268.1	3,072.2
Yves Saint Laurent	434.6	246.5	681.1
Bottega Veneta	273.7	229.4	503.1
Other Houses	553.3	365.8	919.1
Total Luxury Houses	**3,065.7**	**2,109.8**	**5,175.5**
Corporate and other	*137.5*	*65.3*	*202.8*
Total revenue	**3,203.2**	**2,175.1**	**5,378.3**

(comparable change[1])	First-quarter 2021/2020 change	Second-quarter 2021/2020 change	First-half 2021/2020 change
Gucci	+24.6%	+86.1%	+50.3%
Yves Saint Laurent	+23.4%	+118.5%	+58.2%
Bottega Veneta	+24.6%	+69.0%	+45.0%
Other Houses	+33.1%	+111.3%	+64.5%
Total Luxury Houses	**+26.0%**	**+92.5%**	**+53.3%**
Corporate and other	*+22.9%*	*+176.5%*	*+72.7%*
Total revenue	**+25.8%**	**+95.0%**	**+54.1%**

(1) On a comparable scope and exchange rate basis. Comparable revenue is defined on page 40.

(in € millions)	First-quarter 2019	Second-quarter 2019	First-half 2019
Gucci	2,325.6	2,291.5	4,617.1
Yves Saint Laurent	497.5	475.5	973.0
Bottega Veneta	248.1	300.9	549.0
Other Houses	576.9	648.4	1,225.3
Total Luxury Houses	**3,648.1**	**3,716.3**	**7,364.4**
Corporate and other	*137.2*	*136.8*	*274.0*
Total revenue	**3,785.3**	**3,853.1**	**7,638.4**

(comparable change[1])	First-quarter 2021/2019 change	Second-quarter 2021/2019 change	First-half 2021/2019 change
Gucci	-4.0%	+4.3%	+0.1%
Yves Saint Laurent	+6.6%	+14.9%	+10.6%
Bottega Veneta	+35.6%	+30.1%	+32.6%
Other Houses	+26.0%	+19.8%	+22.7%
Total Luxury Houses	**+4.9%**	**+10.5%**	**+7.7%**
Corporate and other	*+22.0%*	*+32.3%*	*+27.1%*
Total revenue	**+5.5%**	**+11.2%**	**+8.4%**

(1) On a comparable scope and exchange rate basis. Comparable revenue is defined on page 40.

Recurring operating income

The Group's gross margin for the first half of 2021 amounted to €5,942 million, up €2,039 million or 52.2% on first-half 2020. Recurring operating expenses increased by 25.6% year on year.

(in € millions)	First-half 2021	First-half 2020	Change	First-half 2019
Total Luxury Houses	2,296.3	1,063.0	+116.0%	2,370.0
Corporate and other	*(59.3)*	*(110.6)*	*+46.4%*	*(117.3)*
Recurring operating income[1]	**2,237.0**	**952.4**	**+134.9%**	**2,252.7**

(1) Recurring operating income is defined on page 40.

EBITDA

(in € millions)	First-half 2021	First-half 2020	Change	First-half 2019
Recurring operating income	**2,237.0**	**952.4**	**+134.9%**	**2,252.7**
Net recurring charges to depreciation, amortization and provisions on non-current operating assets	713.9	722.6	-1.2%	556.6
o/w depreciation of lease right-of-use assets	*401.2*	*408.7*	*-1.8%*	*316.6*
EBITDA[1]	**2,950.9**	**1,675.0**	**+76.2%**	**2,809.3**

(1) EBITDA is defined on page 40.

(in € millions)	First-half 2021	First-half 2020	Change	First-half 2019
Total Luxury Houses	2,902.5	1,686.0	+72.2%	2,850.1
Corporate and other	*48.4*	*(11.0)*	*+540.0%*	*(40.8)*
EBITDA	**2,950.9**	**1,675.0**	**+76.2%**	**2,809.3**

EBITDA margin widened by 5.6 points compared with the first half of 2020, coming in at 36.7% (31.1% in first-half 2020).

Other non-recurring operating income and expenses

(in € millions)	First-half 2021	First-half 2020	Change	First-half 2019
Impairment of goodwill, brands and other non-current assets	(3.9)	(256.7)	+98.5%	(9.9)
Other non-recurring operating income and expenses	(13.4)	(62.9)	+78.7%	(32.3)
Other non-recurring operating income and expenses	**(17.3)**	**(319.6)**	**+94.6%**	**(42.2)**

(See Note 5 – Other non-recurring operating income and expenses, to the condensed consolidated interim financial statements).

Financial result

(in € millions)	First-half 2021	First-half 2020	Change	First-half 2019
Cost of net debt[1]	(21.7)	(30.0)	+27.7%	(25.6)
Other financial income and expenses	(44.0)	(57.6)	+23.6%	(59.0)
Total financial result (excluding leases)	**(65.7)**	**(87.6)**	**+25.0%**	**(84.6)**
Interest expense on lease liabilities	(59.9)	(57.3)	-4.5%	(49.1)
Financial result	**(125.6)**	**(144.9)**	**+13.3%**	**(133.7)**

(1) Net debt is defined on page 40.

The Group's cost of net debt was €22 million in first-half 2021, 27.7% lower than the €30 million figure recorded for the same period of 2020. This improvement mainly reflects the decrease in the average coupon paid on bond debt and in fees relating to bank lines of credit due to the fact that bank lines of credit related to COVID-19 taken out in the prior period were not renewed in first-half 2021.

Other financial income and expenses represented a net expense of €44 million in first-half 2021, down 23.6% on the €58 million expense recorded for first-half 2020, due primarily to positive exchange rate impacts, partially offset by the negative €30 million impact of remeasuring the optional component on bonds exchangeable into PUMA shares.

(See Note 6 – Financial result, to the condensed consolidated interim financial statements).

Income tax

(in € millions)	First-half 2021	First-half 2020	Change	First-half 2019
Income before tax	**2,094.1**	**487.9**	**+329.2%**	**2,076.8**
Current tax expense	(670.1)	(307.1)	-118.2%	(1,864.5)
o/w: tax expense relating to the tax settlement in Italy	*N/A*	*N/A*	*N/A*	*(895.9)*
Deferred tax income (expense)	75.5	113.4	-33.4%	415.1
Income tax expense	**(594.6)**	**(193.7)**	**-207.0%**	**(1,449.4)**
Effective tax rate	**28.4%**	**39.7%**	**-11.3 pts**	**69.8%**

(in € millions)	First-half 2021	First-half 2020	Change	First-half 2019
Other non-recurring operating income and expenses	(17.3)	(319.6)	+94.6%	(42.2)
Recurring income before tax	**2,111.4**	**807.5**	**+161.5%**	**2,119.0**
Income tax on other non-recurring operating income and expenses	1.8	34.1	-94.7%	5.4
Tax expense relating to the tax settlement in Italy	*N/A*	*N/A*	*N/A*	*(895.9)*
Tax expense on recurring income	**(596.4)**	**(227.8)**	**-161.8%**	**(558.9)**
Effective tax rate on recurring income[1]	**28.2%**	**28.2%**	**+0.0 pts**	**26.4%**

(1) The effective tax rate on recurring income is defined on page 40.

(See Note 7 – Income taxes, to the condensed consolidated interim financial statements).

1.4 Operating performance

Luxury Houses

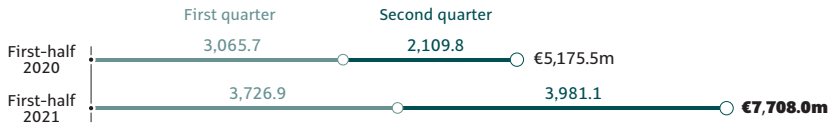
(in € millions)	First-half 2021	First-half 2020	Change	First-half 2019
Revenue	**7,708.0**	**5,175.5**	**+48.9%**	**7,364.4**
Recurring operating income	**2,296.3**	**1,063.0**	**+116.0%**	**2,370.0**
as a % of revenue	***29.8%***	***20.5%***	***+9.3 pts***	***32.2%***
EBITDA	2,902.5	1,686.0	+72.2%	2,850.1
as a % of revenue	*37.7%*	*32.6%*	*+5.1 pts*	*38.7%*
Acquisitions of property, plant and equipment and intangible assets	233.1	205.3	+13.5%	271.3
Average FTE headcount	33,134	32,685	+1.4%	30,217

The main trends affecting the worldwide personal luxury goods market and the operations of the Group's Houses are described in the introductory section above, which sets out the impacts of the COVID-19 pandemic on the Group's business and its interim financial statements as of June 30, 2021.

The impact of exchange rates on the Group's performance was negative overall in first-half 2021, with reported year-on-year growth 4.4 points lower than growth at constant exchange rates. In absolute value terms, the figure at constant exchange rates was approximately €149 million better than on a reported basis. Compared with the first half of 2020, the average euro exchange rate appreciated against the world's other major currencies, particularly the US dollar and the Japanese yen.

Reported growth compared against 2019 also reflects the stronger euro and was approximately 3 points lower than growth at constant exchange rates.

Revenue



Total revenue generated by the Group's Luxury Houses came to €7,708 million in the first half of 2021, representing a steep rise versus the same period of 2020 (up 53.3% based on a comparable scope and exchange rates and up 48.9% as reported). Comparisons with the first half of 2019 are even more remarkable, with revenue 7.7% higher at constant exchange rates. The pace of this growth accelerated in the second quarter, reaching 10.5% at constant exchange rates compared with 2019, versus 4.9% in the first quarter. Comparisons with 2020 are less meaningful, as the second quarter of that year was marked by a slump in business due to the lockdown measures that impacted all of the Luxury Houses' main markets. Revenue growth amounted to 92.5% in the second quarter of 2021 compared with the same period of 2020, and 26.0% in the first quarter.

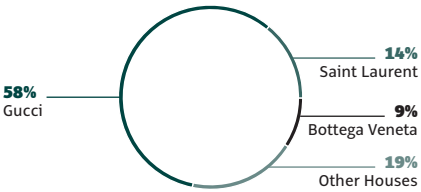
Altogether, the Group's Luxury Houses posted a year-on-year sales increase compared with first-half 2020. Revenue was also up on first-half 2019 for the vast majority of the Group's businesses, despite the major reorganization of the distribution network which weighed on wholesale sales.

Sales in directly operated stores and online came in at €6,193 million, up 60.1% on first-half 2020 and 11.2% on first-half 2019. Performance was particularly solid in the second quarter, with growth of 97.9% compared with 2020 and 16.0% versus 2019. Although in-store sales suffered from the store closures resulting from the COVID restrictions and lockdowns (with 17% of the Group's stores closed on average in the first quarter and 13% in the second quarter), e-commerce continued to do well, with revenue advancing 78.5% versus 2020 (and business volumes over 2.5 times higher than in 2019). The penetration of e-commerce directly operated by the Group's brands represented some 14% of the retail channel's revenue on average, reaching 31% in Western Europe and 23% in North America.

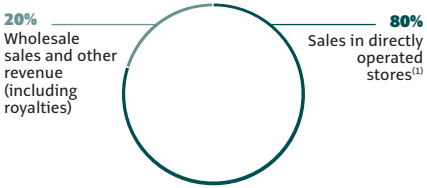
Revenue from stores and e-commerce directly operated by the Group accounted for around 80% of total sales in first-half 2021 compared with 77% to 78% for the first six months of 2019 and 2020. This increase stems from the long-term strategy implemented by all the brands, which is aimed at more effectively controlling their distribution, including online, and strengthening their exclusivity while prudently managing the expansion of the directly operated store network and the related investments.

Wholesale sales rose 29.8% in first-half 2021 on a comparable basis versus 2020 (with a 67.0% jump in the second quarter). These figures do not, however, reflect the impact of the reorganization of the wholesale distribution network that is currently under way, with the Group focusing more on using the highest-quality distributors. The basis of comparison with first-half 2020 is not meaningful as wholesale sales were hit hard by the pandemic in that period. Compared with 2019, wholesale sales were 4.0% lower at constant exchange rates. The decrease was significant at Gucci (-40.8%), the Group's first brand to embark on the process of radically streamlining its distribution network. Yves Saint Laurent also voluntarily contained its sales to key distributors, and saw its revenue with wholesalers contract by 3.2% compared with 2019. Boosted by its new creative direction and the expansion of its ready-to-wear and shoes categories, Bottega Veneta won significant market share with wholesalers in first-half 2021 and recorded a strong increase in wholesale sales.

Breakdown of revenue by brand

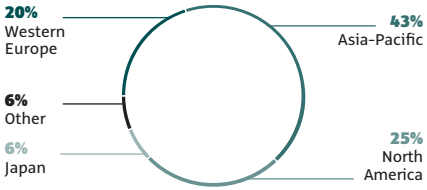


Breakdown of revenue by distribution channel



(1) Offline and online.

Revenue by region



As during the whole of 2020, revenue trends by region were very mixed in the first half of 2021 due to the further waves of the pandemic, with some regions hit for a prolonged period by economic difficulties and a lack of tourism.

Revenue in mature markets increased 39.7% overall on a comparable basis versus 2020, but was down 5.8% on 2019.

In Western Europe, sales were flat compared with the first half of 2020 (down 2.1%) despite an upswing in the second quarter when revenue climbed 34.0%. Compared with 2019, sales in Western Europe retreated 31.2%. This contraction stemmed from continued low volumes of sales to non-European customers due to the impact of the pandemic on tourism, whereas sales were boosted by high tourist numbers in Europe throughout 2019 and the first few weeks of 2020. In addition, because of lockdowns, on average over half of the Group's store network in Western Europe was closed in the first quarter of 2021, and 26% in the second quarter. Despite these store closures, growth in revenue generated with European customers remained robust throughout the first half of 2021.

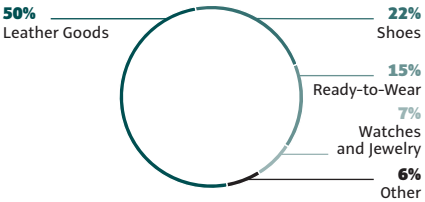
In Japan, revenue rose 25.1% at constant exchange rates compared with 2020 (95.5% in the second quarter), but the effect of the pandemic and lack of Chinese tourists continued to weigh on comparisons with 2019.

In North America, the Group's Luxury Houses pursued the very strong growth recorded post-lockdown in 2020 when stores were able to re-open. Revenue in this region surged 124.4% compared with the first six months of 2020 and were even 47.9% higher than in the same period of 2019. As described in the introductory section above, the consumer environment was particularly dynamic in North America, which drove growth for all of the Houses' distribution channels. E-commerce was the star performer, with sales up 110.3%. All product categories and price segments were boosted by North America's consumer recovery, although the aspirational products segment was marginally the highest growth contributor.

Total revenue in emerging markets rose 70.4% against 2020 and 26.2% against 2019. As a result, the Group's revenue is becoming increasingly balanced between mature and emerging markets, with emerging markets now making up almost 50% of total sales.

In the Asia Pacific region – which accounts for the majority of the Group's sales in emerging markets – revenue growth was 68.7% compared with first-half 2020 (and 28.1% against the first six months of 2019). All of the region's main markets reported very high growth versus 2020 but the comparison with 2019 shows a more mixed picture as customers in Mainland China have repatriated their purchases to the detriment of other markets. Consequently, in first-half 2021 sales generated in Mainland China doubled compared with the same period of 2019, whereas they decreased in Hong Kong and Australia. Continuing the same comparisons with 2019, growth in South Korea – one of the world's largest markets for luxury goods – was very solid, with excellent domestic sales more than offsetting the decrease in Chinese customers.

Revenue by product category



All of the main product categories registered sharp revenue rises compared with the first half of 2020. This rebound also propelled each category to higher sales levels than in first-half 2019 in directly operated stores and online. Growth compared with 2019 even accelerated in the second quarter for all product categories.

The quality of the Group's brand portfolio and the effective strategies put in place by the Houses resulted in relatively even growth across the different product categories.

Leather goods – probably one of the categories most exposed to fluctuations in tourism – posted softer sales growth than the other categories. This performance also needs to be analyzed in the light of the very high bases of comparison in 2019, as well as the brands' prudent inventory management in 2020, which meant they were especially vigilant about the number of product references and pieces available in stores in recent months, including early 2021.

Thanks to the appeal of the Houses' offerings, the ready-to-wear and shoes categories felt the full benefit of the rebound in luxury spending since the second half of 2020 and the concentration of sales within domestic markets.

Jewelry saw one of the highest year-on-year revenue increases in first-half 2021, compared with both 2020 and 2019. This strong momentum was experienced not only by the Group's Jewelry Houses but also by the jewelry offerings of the Couture and Leather Goods Houses. At the same time, sales of high jewelry pieces swung back up in the first six months of 2021. Jewelry sales were mainly driven by demand in Asia but also rose once again in Western Europe and the Middle East although they have not yet returned to their 2019 levels.

Like the rest of the watch-making industry, Girard-Perregaux and Ulysse Nardin were very heavily affected by the impacts of the COVID-19 pandemic in 2020, which meant that they logically recorded very high growth in sales in the first half of 2021, although they still came in below the figure for 2019.

Royalties and other revenues rose sharply in first-half 2021, led by excellent performances from the licenses managed by Kering Eyewear. Royalties from the eyewear category outstripped the figure recorded for 2019, but those from fragrances and cosmetics licenses were not sufficient to offset the contraction recorded in 2020 despite a solid rebound in first-half 2021.

Recurring operating income

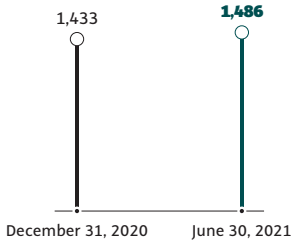
Recurring operating income for the Group's Luxury Houses totaled €2,296 million in the first half of 2021, up €1,233 million on the first six months of 2020. Recurring operating margin rose 9.3 points to 29.8%. This increase naturally stems from a favorable operational leverage effect due to the revenue growth recorded for the period, but it also reflects carefully contained operating expenses.

While keeping a tight rein on expenditure, all of the brands – especially Gucci – continued to make the necessary investments during the period to support their development. In particular, they increased their store-related expenses as well as their marketing, communications and IT expenditure, and they strengthened their teams both at head office level and regionally. As a result of these efforts – which were necessary in view of the competitive environment and the upturn in business – recurring operating margin decreased 2.4 points compared with the first half of 2019.

The combined effect of exchange rate fluctuations and currency hedges was slightly favorable on recurring operating margin compared with both 2019 and 2020.

EBITDA for first-half 2021 amounted to €2,902 million versus €1,686 million in the same period of 2020. At 37.7%, EBITDA margin came in at a very high level, but remained below the record 38.7% reached in 2019.

Store network and Capex



The Luxury Houses' Capex – which does not include the vast majority of investments in logistics and information systems centralized by the Corporate entity for all of the brands – totaled €233 million in first-half 2021, up €28 million (+13.5%) on the same period of 2020. However, the figure was still 14.1% lower than in the first half of 2019, reflecting (i) the fact that some projects were postponed in first-half 2021, with construction and renovation programs having to be put on hold in some markets in the first quarter due to COVID restrictions, and (ii) the Houses' decision to focus on the highest priority and most strategic projects. Consequently, it is highly likely that there will be a very marked difference in Capex between the first and second halves of 2021, with a large majority incurred in the second half.

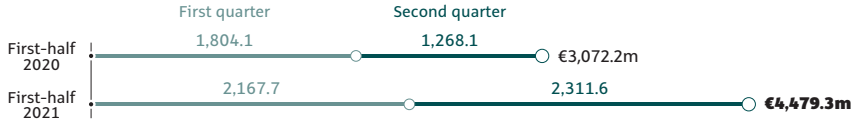
Capex represented 3.0% of revenue in the first half of 2021 compared with 3.7% in 2019 (4.0% in 2020).

As of June 30, 2021, the Group's Luxury Houses had a network of 1,486 directly operated stores, including 788 (53%) in mature markets and 698 in emerging markets. Net store additions during the period totaled 53 (representing a 3.7% increase compared with December 31, 2020), with openings mainly taking place in the second quarter. Around two-thirds of the new store openings were in the Asia-Pacific region, but some brands also expanded their distribution networks with openings in Japan, North America and Western Europe. The vast majority of the overall year-on-year increase was due to the scheduled expansion of the Yves Saint Laurent, Balenciaga and Alexander McQueen networks.

Gucci

(in € millions)	First-half 2021	First-half 2020	Change	First-half 2019
Revenue	**4,479.3**	**3,072.2**	**+45.8%**	**4,617.1**
Recurring operating income	**1,694.2**	**929.0**	**+82.4%**	**1,876.1**
as a % of revenue	***37.8%***	***30.2%***	***+7.6 pts***	***40.6%***
EBITDA	1,994.2	1,236.2	+61.3%	2,106.0
as a % of revenue	*44.5%*	*40.2%*	*+4.3 pts*	*45.6%*
Acquisitions of property, plant and equipment and intangible assets	125.0	98.4	+27.0%	125.1
Average FTE headcount	18,459	18,208	+1.4%	16,739

Revenue

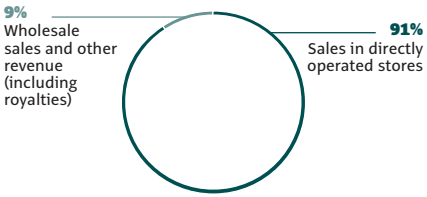


Gucci posted €4,479 million in revenue for the first half of 2021, up 50.3% year on year at comparable exchange rates. Also at comparable exchange rates, the House's sales were higher than in 2019 (by 0.1%), thanks to an acceleration in growth in the second quarter (with sales up 4.3% versus a 4.0% decline in the first quarter).

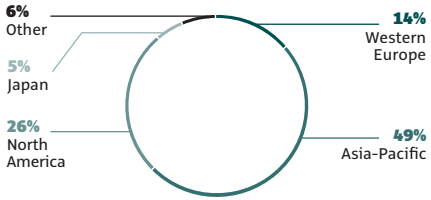
However, in view of the reorganization of the distribution network currently under way at Gucci, which has massively reduced its wholesale activity, retail sales in directly operated stores is probably the metric that gives the most meaningful measurement of the House's intrinsic performance. Although still partially affected by the store closures caused by the COVID restrictions in the first half of 2021, Gucci's revenue generated in its stores and online advanced 59.0% versus 2020, with 33.6% growth in the first quarter and 93.0% in the second. Compared with 2019 – which was a record year following on from the very high growth figures recorded by the brand since 2016 – the increase was 6.3% for the full six-month period, with a 10.7% rise in the second quarter. Altogether, therefore, over the past five years, Gucci's retail activity has grown by around 21% per year on average and in the first half of 2021 it accounted for 91% of the brand's revenue. For sales generated in directly operated stores, growth recorded in recent years has been almost exclusively on a same-store basis. At the same time, the House's e-commerce activity has seen exceptional development and it accounted for some 16% of total retail revenue in first-half 2021. On the back of this, online sales growth was once again very buoyant during the period, coming in at 81.0%.

Wholesale sales contracted by 9.6% on a comparable basis in the first half of 2021, although they rose by 21.8% in the second quarter. However, the basis of comparison with second-quarter 2020 is not meaningful in view of the slump in wholesale business during that period. Compared against 2019, wholesale sales retreated 40.8% in the first six months of 2021, with very similar declines for both quarters of the period (approximately 40% in the first quarter and then around 41% in the second). This contraction is due to the measures launched in early 2020 to transform Gucci's distribution network with a view to making it more exclusive. Revenue generated with wholesalers is expected to continue to decrease throughout 2021, with a reduction in the number of active accounts and volumes delivered.

Breakdown of revenue by distribution channel



Revenue by region



In view of the share of Gucci's sales that are generated in directly operated stores, the following revenue analysis by region only concerns retail and online sales.

In mature markets, revenue increased by 51.9%, with very mixed trends across the various regions. Overall, revenue was still lower than in 2019, despite holding firm in the second quarter.

Western Europe remained the least dynamic region, with revenue down 3.2%. Sales suffered during the period due to the lack of tourists, unlike in 2020 when business in the first few weeks was boosted by an influx of Chinese tourists for the New Year. In addition, as was the case in the first half of 2020, revenue was weighed down by a long period of store closures in the region's main markets. Compared with 2019, sales fell 49.1% in the first six months of 2021, despite higher volumes of sales to local customers. The investments made by the House to increase its market share among European customers are a long-term project and justify keeping the existing network of stores in Western Europe pending the return of tourism. As of 2021, the brand's 100th anniversary with its associated launches and events is expected to reinforce Gucci's penetration in European markets.

In Japan, sales rose once again in first-half 2021, with growth of 17.6%, but revenue did not return to its 2019 level. Consumer trends in this market were similar to those in Europe, with plummeting tourist numbers (although the impact was less than in Western Europe as local customers made up the vast majority of revenue generated in Japan in 2019), and domestic spending impacted by the health situation, which was still relatively difficult and uncertain.

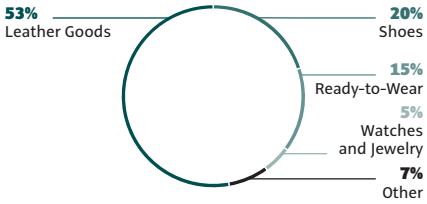
In North America, revenue rebounded very strongly, with the House's retail sales surging 123.4% year on year and growth versus 2019 representing over 60%. This performance was achieved due to the factors explained in the introductory section of this Activity Report, as well as the fact that Gucci has a wide offering that meets customers' needs in all product categories and price segments, which enables it to meet all types of demand in the U.S.

In emerging markets – which contributed more than half of Gucci's sales in first-half 2021 – revenue rose by 65.2% at constant exchange rates year on year and by 21.5% versus 2019.

Growth in the Asia-Pacific region was 62.2% and has been extremely dynamic since mid-April 2020 when the region's strict lockdowns began easing. In Mainland China, Gucci has almost doubled in size compared with 2019 and growth in first-half 2021 against that year was very even between the first and the second quarters. The revenue increase was of course led by the surge in online sales, which was achieved without cannibalizing in-store sales as these were boosted by Chinese customers switching their purchases back to their domestic market. Still in China, revenue picked up in Macao and Hong Kong in the first half of 2021. Although sales in Macao neared their 2019 level, those in Hong Kong look as though they will remain below the 2019 figure for a while. South Korea was once again a very dynamic market for Gucci (with revenue up 28.6% in first-half 2021 versus 2020), despite the poor performance of the Duty Free channel, which the brand has the particularity of including in its network of directly operated stores and whose sales suffered from the lack of Chinese tourists. However, Gucci's success with its South Korean customers enabled it to offset the decline in sales to tourists, and in first-half 2021, revenue generated in South Korea was higher than in the same period of 2019. Overall, the brand's other markets in the Asia-Pacific region continued to be affected by the lower tourist numbers compared with 2019 and by the application of regional lockdowns, such as in Australia.

In the other regions of the world where Gucci operates, sales growth was very solid compared with 2020 and also – for most markets – compared with 2019.

Revenue by product category



All of Gucci's main product categories registered very robust increases in sales in directly operated stores during the first six months of 2021 compared with the equivalent period of 2020. Revenue also topped the levels recorded in 2019 for most product categories, and came very close to that year's levels for the remaining categories.

In the year of its 100th anniversary, Gucci is continuing to shape and change its creative offerings. The number of collections presented formally has been reduced to two, but the launch of new lines and the regular reinvention of iconic pieces will help fuel in-store sales throughout 2021. As seen in the show for the Aria Collection, the brand's aesthetic is evolving subtly to meet customer expectations and respond to changing attitudes. It is leveraging Gucci's unique heritage while remaining resolutely contemporary and modern. The brand's creative and merchandising teams work ceaselessly to achieve this balance, with an ongoing focus on maximizing the growth potential of each product category by constantly honing the overall offering to engage with the widest possible range of clients, and optimizing the mix between carryovers and novelty.

The proportion of carryovers within Gucci's offering and revenue is gradually returning to its target level after increasing slightly in the first half of 2020 due to the lower number of new products at the height of the pandemic.

In the first few months of 2021, sales of leather goods were impacted by the brand's prudent inventory management policy implemented throughout 2020 regarding the number of product references available in stores. The pace of sales growth for this product category accelerated in the second quarter, however, spurred by product launches during the first six months of the year, events organized for the brand's 100th anniversary and a return to more normal supply chain conditions.

The brand's other product categories – which are less sensitive to fluctuations in tourist numbers and are driven by e-commerce – saw very robust sales growth compared with 2019.

Royalties were up sharply on 2020. In the eyewear category, royalties from the licenses managed by Kering Eyewear exceeded the first-half 2019 figure, but royalties from the license granted to Coty for fragrances and cosmetics were still down on 2019.

Recurring operating income

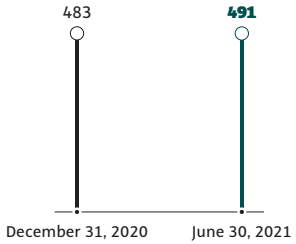
Gucci's recurring operating income amounted to €1,694 million in the first half of 2021, up 82.4% on the same period of 2020, and recurring operating margin widened by 7.6 points to 37.8%. This was achieved despite the fact that the brand managed to contain the margin's decline in 2020 thanks to good financial discipline.

The increase in recurring operating margin in first-half 2021 was attributable to a leverage effect that was logically favorable as a result of the year-on-year revenue growth.

During this centenary year for Gucci, the brand is continuing to make the investments required to fully capitalize on the luxury industry's rebound, by allocating resources to clienteling activities, in-store events, targeted communication campaigns and upgrading digital platforms and information systems. Given this targeted increase in its cost base, Gucci's recurring operating margin in first-half 2021 was 2.8 points lower than the record high achieved in the first half of 2019.

Gucci's EBITDA for the first half of 2021 stood at €1,994 million. This represented an EBITDA margin of 44.5%, up sharply on first-half 2020 and just 1.1 points lower than in the same period of 2019.

Store network and Capex



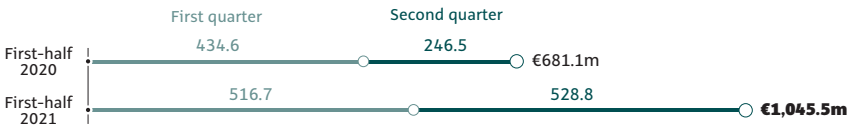
As of June 30, 2021, Gucci operated 491 stores directly, including 219 in emerging markets. A net eight new stores were added during the period, mainly in Asia. Gucci's focus is on achieving organic growth by maximizing the productivity of the existing store network, but it is also continuing to identify opportunities that will enable it to enhance its distribution in certain regions or sales channels.

The brand's Capex totaled €125 million in the first half of 2021, up 27.0% on the first six months of 2020 and stable compared with the same period of 2019.

Yves Saint Laurent

(in € millions)	First-half 2021	First-half 2020	Change	First-half 2019
Revenue	**1,045.5**	**681.1**	**+53.5%**	**973.0**
Recurring operating income	**275.1**	**102.1**	**+169.4%**	**251.7**
as a % of revenue	***26.3%***	***15.0%***	***+11.3 pts***	***25.9%***
EBITDA	361.2	192.4	+87.7%	332.4
as a % of revenue	*34.5%*	*28.2%*	*+6.3 pts*	*34.2%*
Acquisitions of property, plant and equipment and intangible assets	24.4	26.2	-6.9%	55.3
Average FTE headcount	3,887	3,817	+1.8%	3,490

Revenue

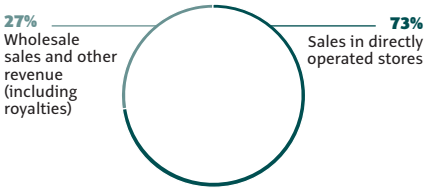


Yves Saint Laurent's sales amounted to €1,046 million in first-half 2021, up 58.2% and 10.6% at constant exchange rates on first-half 2020 and first-half 2019, respectively. Growth accelerated in the second quarter, from 6.6% in the first quarter to 14.9% on a comparable basis against 2019.

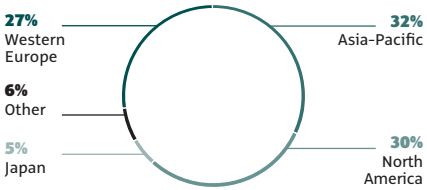
Revenue from directly operated stores, which accounted for 73% of the total, rose 74.9% year on year and 17.3% compared with 2019, which was a record year for the House. The increase was the result of a gradual recovery of in-store footfall, which varied from region to region and was linked to forced closures of points of sale, a marked improvement in the various retail performance indicators, and continued growth in online sales, which were up nearly 100% year on year from already high bases of comparison.

Sales generated in the wholesale network advanced a significant 25.4% from the prior year. However, they were down 3.2% on the first-half 2019 figure on a comparable basis. Although the wholesale channel remains strategically important for Yves Saint Laurent, as it perfectly complements its retail business, the brand is keeping a very close eye on the quality and exclusivity of its distribution and is careful to focus its wholesale business on a limited number of distributors.

Breakdown of revenue by distribution channel



Revenue by region



In view of the share of Yves Saint Laurent's sales that are generated in directly operated stores, the following revenue analysis by region only concerns retail and online sales.

Yves Saint Laurent notched up year-on-year revenue rises across all major regions in the first half of 2021. However, in line with the situation for the luxury industry as a whole, Yves Saint Laurent's performance was mixed across its different geographic regions.

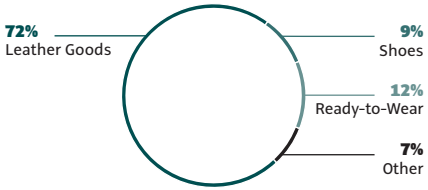
Sales in the brand's heritage markets picked up, with growth of 68.2% on first-half 2020 and 6.7% on first-half 2019.

Although Yves Saint Laurent is less exposed to tourism in Western Europe and Japan than other Group brands, the low tourist numbers continued to weigh on sales in both of these regions. Nevertheless, local clients' loyalty to the brand and higher footfall in the second quarter led to year-on-year growth of 13.8% in Western Europe and 31.1% in Japan, although sales were still lower than in 2019.

In North America, the House's penetration in the United States and its buoyant online sales drove an exceptional performance over the period, with revenue up 159.9% on 2020 and 74.0% on 2019.

In emerging markets, sales generated in directly operated stores increased 84.0% year on year and 34.0% on 2019. In the Asia-Pacific region, which accounts for the bulk of the brand's revenue in emerging markets, momentum remained very strong in Mainland China, leading to the brand doubling in size from 2019. Sales in the region's other major countries increased sharply from first-half 2020. Compared with 2019 levels, growth was strongest in South Korea which, in its role as trendsetter, is a key market for the House.

Revenue by product category



All product categories registered sharp revenue rises compared with the first half of 2020 and, on the whole, exceeded 2019 levels in directly operated in-store and online sales, thanks in particular to a remarkable acceleration in business during the second quarter.

Leather goods was once again the brand's leading category and was among the fastest-growing, compared with both 2020 and 2019. This reflects the initiatives taken by Yves Saint Laurent over the last several years to constantly renew and refresh its leather goods offering, with a dedicated creative team, which has helped it to both attract new clients and retain existing clients on all its markets.

Ready-to-wear sales rose sharply especially collections for women. This solid performance is the result of the change in the brand's merchandising strategy implemented over the past few quarters with the aim of making its offerings and price architecture for the category more relevant.

Revenue from the shoes category also bounced back, propelled by the success of collections for women, for which sales exceeded the first-half 2019 level.

Royalties from the eyewear category were up on first-half 2019 and even more so on 2020 thanks to sustained efforts from the teams at Kering Eyewear. The market was less buoyant for fragrances and cosmetics. L'Oréal's royalties were significantly higher than in first-half 2020 but below 2019 levels.

Recurring operating income

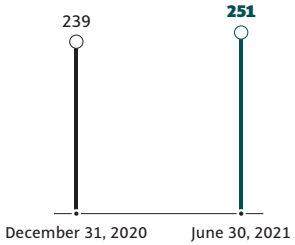
Yves Saint Laurent ended the first half of 2021 with recurring operating income of €275 million, nearly triple the 2020 figure. Recurring operating margin came to 26.3%, up 11.3 points year on year.

The House's profitability even exceeded its performance in 2019, in terms of both absolute value and operating margin.

This further improvement is in line with the brand's goals and the growth trajectory it set itself prior to the COVID-19 crisis. It also demonstrates how Yves Saint Laurent has now reached critical scale, enabling it to capitalize on its operating leverage while also allocating all the resources necessary for its short- and medium-term development, from creating, expanding and running its store network to leading communication campaigns around the brand.

EBITDA rose by €169 million, coming in at €361 million, and EBITDA margin was 34.5%, versus 28.2% and 34.2% as reported in first-half 2020 and first-half 2019, respectively.

Store network and Capex



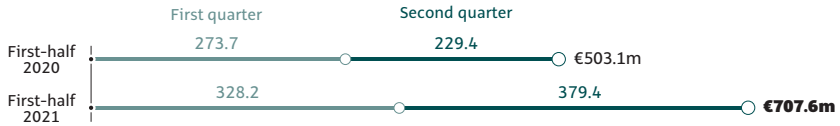
As of June 30, 2021, Yves Saint Laurent had 251 directly operated stores, including nearly half (119) in emerging markets. There were 12 net store openings during the period, reflecting both the brand's store network expansion plan implemented over the past few years and the restrictions on building work and store openings caused by lockdown measures in certain regions, particularly in the first quarter. Nearly all the openings were in Asia or North America – regions where business growth is very strong and where the brand's distribution network does not yet match its potential.

The House's Capex totaled €24 million, a similar level to 2020 and significantly below 2019. This difference is linked firstly to the massive investment program undertaken in first-half 2019 and, secondly, to the seasonal difference in cash flows related to investments, which is set to be very material in full-year 2021 at Yves Saint Laurent, with most expenditure taking place during the second half.

Bottega Veneta

(in € millions)	First-half 2021	First-half 2020	Change	First-half 2019
Revenue	**707.6**	**503.1**	**+40.6%**	**549.0**
Recurring operating income	**129.7**	**43.6**	**+197.5%**	**103.9**
as a % of revenue	***18.3%***	***8.7%***	***+9.6 pts***	***18.9%***
EBITDA	213.1	131.8	+61.7%	178.0
as a % of revenue	*30.1%*	*26.2%*	*+3.9 pts*	*32.4%*
Acquisitions of property, plant and equipment and intangible assets	24.3	19.2	+26.6%	29.2
Average FTE headcount	3,789	3,815	-0.7%	3,716

Revenue



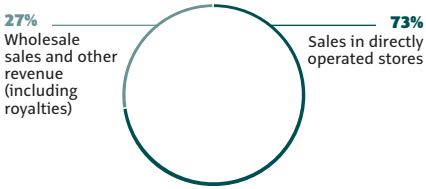
Bottega Veneta generated revenue of €708 million in first-half 2021, up 45.0% based on comparable data. Compared to the same period in 2019, the segment's growth was among the highest within the Group at 32.6%. This performance testifies to the successful implementation of the strategy aimed at developing Bottega Veneta's offerings in all product categories, rejuvenating and broadening its customer base, raising brand awareness – especially in mature markets – and enhancing customers' in-store experience.

In line with its high-end positioning and exclusivity, Bottega Veneta's preferred distribution channel is its directly operated stores. However, for almost two years, the brand's growing appeal among wholesale buyers has enabled Bottega Veneta to regain market share with wholesalers. The contribution of directly operated stores was stable at around 73% of the brand's total sales.

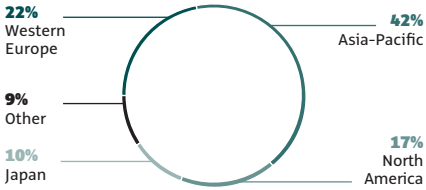
Brand sales in directly operated stores, including e-commerce, advanced by 45.2% versus 2020 and by 19.2% versus 2019. This growth was driven both by a healthy and controlled development of same-store sales and good momentum in e-commerce.

Wholesale sales jumped 44.6%, testifying to the brand's renewed appeal with professional buyers and market share gains among key accounts in Western Europe and North America. This excellent performance benefited from the actions taken to reorganize this channel with a view to only working with a limited number of best-in-class partners. In the short-term, wholesale growth is expected to normalize.

Breakdown of revenue by distribution channel



Revenue by region



In view of the share of Bottega Veneta's sales that are generated in directly operated stores, the following revenue analysis by region only concerns retail and online sales.

The trends that emerged in 2020 were confirmed in the first half of the year. Bottega Veneta's appeal continues to strengthen in Asia after clients took up the creative aesthetic of its new collections in most of its mature markets in 2019.

In emerging markets, the brand's sales advanced 56.2% year on year versus 2020 and by over 50% compared with 2019. Growth was particularly strong in Mainland China and South Korea, its two main markets in the Asia-Pacific region, where the brand has more than doubled in size in two years.

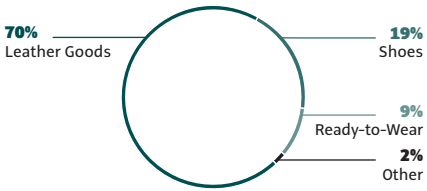
In mature markets, the House's revenue increased by 32.7%, just short of the levels achieved in first-half 2019.

In North America, Bottega Veneta recorded strong sales growth compared to 2020 (up 123.8%) and 2019 (up 64.6%). This is a remarkable performance given the House's position and its offering, which is generally less aspirational than other Group brands.

In Japan, sales rebounded 44.4% over the six-month period, albeit falling short of 2019 levels. The acceleration seen in the second quarter of the year seems to show that Bottega Veneta's new artistic direction is increasingly resonating with local clients.

In Western Europe, revenue generated with local clients continued to increase significantly, but the performance in this market (down 13.4%), was mainly due to a high base of comparison, the House having been one of the most resilient in this market in the first half of 2020.

Revenue by product category



All of the brand's main product categories registered sales increases compared to the same period in 2020 or 2019.

Leather goods once again constituted the brand's core business, making up around 70% of total sales, including wholesale. The new lines have been met with great success with the House's client base, while the lines launched since the appointment of Daniel Lee as Creative Director are clearly now installed as carryovers.

Sales in other categories grew sharply, buoyed by the success of the Women's ready-to-wear and shoes collections as well as the brand's Men's collections following on from 2020, which saw actions taken to re-energize these collections already paying off.

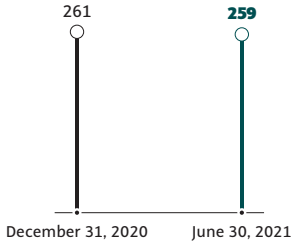
Recurring operating income

Bottega Veneta's recurring operating income came in at €130 million for the first six months of 2021, a three-fold increase compared to the same period in 2020 thanks to a favorable operating leverage effect.

Recurring operating margin came to 18.3%, up 9.6 points year on year, but fell slightly short of the first-half 2019 figure (18.9%). As already explained, the reason for this dilution is the significant increase in operating expenses in an investment phase needed to make the brand's revamp a lasting success. The increase in the cost base is under control and priorities are being set as to the allocation of resources to focus them on the most effective expenses. The brand's profitability is expected to improve gradually, but to remain below its historically high levels in the medium term.

EBITDA totaled €213 million over the period and EBITDA margin widened by 3.9 points to top 30%.

Store network and Capex



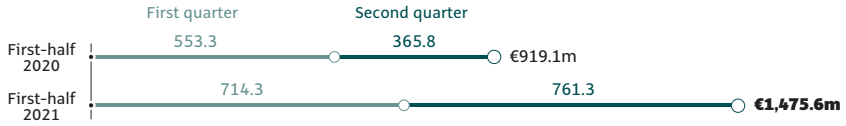
As of June 30, 2021, Bottega Veneta had 259 directly operated stores, including 122 in emerging markets. There were two net store closures during the period. As in 2020, the brand focused its investment efforts on relocating and refurbishing its existing stores, while pursuing its strategy of gradual and targeted openings as opportunities arose, notably with the establishment of new flagships.

In view of this measured store network management and the postponement of certain projects, Capex amounted to €24 million in the first six months of the year, a €5 million increase versus 2020 but still down by almost 20% on 2019.

Other Houses

(in € millions)	First-half 2021	First-half 2020	Change	First-half 2019
Revenue	**1,475.6**	**919.1**	**+60.5%**	**1,225.3**
Recurring operating income (loss)	**197.3**	**(11.7)**	**+1,786.3%**	**138.3**
as a % of revenue	***13.4%***	***-1.3%***	***+14.7 pts***	***11.3%***
EBITDA	334.0	125.6	+165.9%	233.7
as a % of revenue	*22.6%*	*13.7%*	*+8.9 pts*	*19.1%*
Acquisitions of property, plant and equipment and intangible assets	59.4	61.5	-3.4%	61.7
Average FTE headcount	6,998	6,844	+2.3%	6,273

Revenue



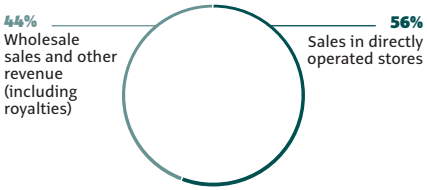
Overall revenue generated by the Other Houses rebounded sharply in the first six months of 2021, up 64.5% year on year on a comparable basis, with 111.3% growth in the second quarter alone. This strong momentum put the Other Houses firmly back on the growth trajectory, more than offsetting their revenue drop for 2020: first-half 2021 revenue was 22.7% higher than the figure for the first six months of 2019.

Balenciaga and Alexander McQueen – two of the few brands in the luxury industry to post sales growth in 2020 – once again delivered excellent performances, particularly when compared against 2019. Qeelin's revenue was boosted by the buoyant luxury market in Mainland China, where it is becoming an industry-leading jewelry brand. Boucheron continued to be weighed down by its exposure to Western Europe – its historical market – but its very promising development in Asia fueled a steep rise in revenue compared with first-half 2019. Sales generated by Pomellato – whose distribution is still mainly European – increased compared with the same period in 2020 and even slightly exceeded their first-half 2019 level. The Houses that are still undergoing in-depth transformation processes – such as Brioni and the watches brands – registered an encouraging rebound in revenue compared with the first six months of 2020, but this was not sufficient to match their 2019 performance.

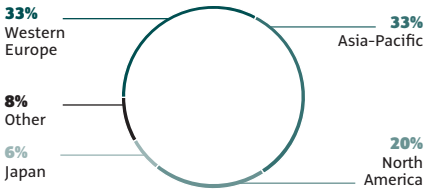
Revenue from stores directly operated by the Other Houses rose 63.1% year on year and 29.0% versus the same period of 2019. The increase compared with 2019 was partly due to new store openings carried out in line with the strategy of moving towards more exclusive distribution, but it was also propelled by rapid growth for online sales, although this growth varied depending on the brands and offerings concerned.

Wholesale sales rose steeply year on year in first-half 2021, climbing 66.8%. Growth versus 2019 was a more modest 18.5%, reflecting the measures taken by the Other Houses – particularly the couture and leather goods brands – to focus their wholesale activity on a select number of top-quality partners.

Breakdown of revenue by distribution channel



Revenue by region

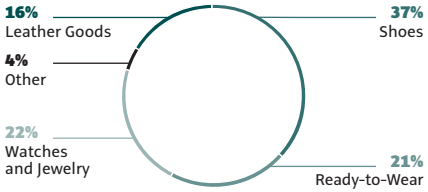


The performances by region delivered by the Other Houses followed similar trends to those for Gucci, Yves Saint Laurent and Bottega Veneta. Sales were up on first-half 2020 in all regions, but have not yet returned to their 2019 levels in Western Europe or Japan.

In mature markets, revenue advanced 47.0% at constant exchange rates and slightly exceeded the first-half 2019 figure. In North America, growth was very robust compared with both 2020 (with revenue up 171.1%) and 2019 (up 74.4%). Western Europe and Japan saw their revenue rebound from the 2020 level (up 16.9% and 29.5% respectively), but did not return to the record level of 2019.

In emerging markets – which contributed over 40% of the Other Houses' sales in first-half 2021 – revenue almost doubled year on year and jumped 64.8% compared with 2019. Greater China, and to a lesser extent South Korea, were the main drivers of this performance. In Mainland China, the Other Houses felt the full beneficial effects of Chinese demand shifting back to the domestic market, with business also boosted by store openings, heightened brand awareness and the growing appeal of the brands' offerings.

Revenue by product category



Shoes were once again the growth driver in the first six months of 2021, led by the appeal of the Balenciaga and Alexander McQueen collections. Sales for this category far outstripped their 2019 level.

Growth figures compared with 2020 were very similar for ready-to-wear and leather goods, testifying to the success of the Other Houses' collections in these segments, which are currently seeing an upturn in sales. Compared with 2019, leather goods' performance was hindered by lower tourist numbers.

The Group's jewelry brands recorded an excellent performance overall in the first half of 2021 and continued to successfully execute their business development plan. Consequently, revenue for the jewelry category came in more than 30% higher than for first-half 2019 based on comparable data.

Lastly, after slumping in 2020, revenue for the watches brands swung back up in first-half 2021.

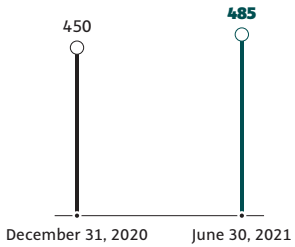
Recurring operating income

The Other Houses ended the first half of 2021 with recurring operating income of €197 million, versus a recurring operating loss of €12 million for the same period of 2020. Recurring operating margin came to 13.4%, up 2.1 points on first-half 2019.

The year-on-year improvement compared with 2020 – which concerned all of the Other Houses – was logically due to the favorable operational leverage effect, and was achieved despite the additional expenditure incurred by the brands to fully capitalize on the growth trends currently driving the luxury market. The comparison with 2019 shows that some of the Other Houses have now reached critical mass, enabling them to absorb higher operating expenses while still increasing their recurring operating margin. For the brands that are in the large-scale investment phase or closer to break even, profitability levels in first-half 2021 were similar to those in 2019.

EBITDA for the Other Houses totaled €334 million, up €208 million on first-half 2020. EBITDA margin topped 20%, coming in at 22.6% and representing a 3.5-point increase versus 2019.

Store network and Capex



The Other Houses directly operated 485 stores as of June 30, 2021, i.e., 35 more than at December 31, 2020. This rise was primarily attributable to store openings by Balenciaga in Asia, both before and after the lockdowns. The store network is becoming more geographically balanced, with 247 stores in mature markets and 238 in emerging markets as of June 30, 2021.

Most of the openings (net of closures) during the period were in the Asia-Pacific region (almost 60%) and North America (20%) – both regions where the Other Houses' store network is undersized in view of their growth potential.

Capex for the Other Houses amounted to €60 million in the first half of 2021, roughly stable compared to first-half 2020, when, uncharacteristically it was unchanged from first-half 2019.

Corporate and other

(in € millions)	First-half 2021	First-half 2020	Change	First-half 2019
Revenue	**339.2**	**202.8**	**+67.3%**	**274.0**
Recurring operating income (loss) (excluding corporate long-term incentive plans)	(43.3)	(86.6)	+50.0%	(88.6)
Cost of corporate long-term incentive plans	(16.0)	(24.0)	+33.3%	(28.7)
Recurring operating income (loss)	**(59.3)**	**(110.6)**	**+46.4%**	**(117.3)**
Acquisitions of property, plant and equipment and intangible assets	112.3	162.5	-57.2%	112.4
Average FTE headcount	4,134	4,121	+0.3%	3,865

The "Corporate and other" segment comprises (i) Kering's corporate departments and headquarters teams, (ii) Shared Services, which provide a range of services to the brands, (iii) the Kering Sustainability Department, and (iv) the Kering Sourcing Department (KGS), a profit center for services that it provides on behalf of non-Group brands, such as the companies making up the former Redcats group.

In addition, since January 1, 2017, Kering Eyewear's results have been reported within the "Corporate and other" segment.

Kering Eyewear posted total revenue of €383 million for first-half 2021, up a hefty 61.8% year on year at constant exchange rates. As the division was relatively resilient in first-half 2020, this dynamic sales trend helped Kering Eyewear exceed its 2019 performance by 22.0%. The increase in the number of licenses, with the addition of Chloé and Dunhill in the early part of the year, accounted for only a fraction of this growth, which stems largely from excellent management of Kering Eyewear, its agility and its capacity for innovation.

Kering Eyewear's contribution to first-half consolidated revenue totaled €326 million (after eliminating intra-group sales and royalties paid to the Houses), compared to €192 million for the same period in 2020.

On the back of this sales growth, good cost control, and now that the compensation paid to Safilo for anticipating the end of the Gucci license has been fully amortized, recurring operating income has increased sharply and is largely responsible for the decrease in the "Corporate and other" segment's net costs.

Overall, net costs recorded by the "Corporate and other" segment for the first six months of 2021 totaled €59 million, €52 million lower than the first-half 2020 figure. Net costs were also €58 million lower than in first-half 2019.

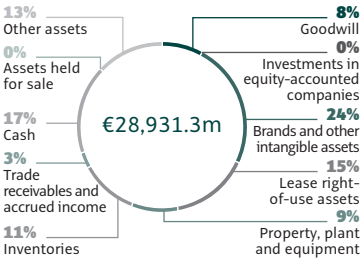
The cost of long-term incentive plans, including those of corporate officers, amounted to €16 million, down €8 million on first-half 2020. Prudent provisions have been recorded for the cost of these plans in recent years and the gradual substitution of Kering synthetic shares (KMUs) by free shares has had a positive accounting impact to date.

Head office costs were also contained to below their 2019 level, despite the step-up in the Group's digital and innovation initiatives.

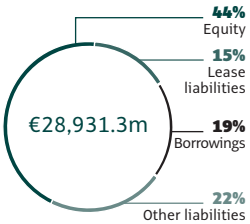
Capex amounted to €112 million, down €51 million on first-half 2020, when it reached an all-time high due to sustained strategic investments, such as the upgrade of all the Group's information systems and, above all, the logistics operations managed by the Corporate teams on behalf of the Group's brands. The bulk of the costs related to the Trecate logistics platform, which was officially inaugurated in first-half 2021, were recorded in 2020. At over €100 million, the segment's investments returned to 2019 levels.

1.5 Balance sheet as of June 30, 2021

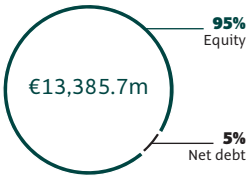
Assets



Equity and liabilities



Capital employed



Condensed balance sheet

(in € millions)	June 30, 2021	Dec. 31, 2020	Change
Goodwill	2,456.6	2,452.2	+0.2%
Brands and other intangible assets	7,012.9	6,985.8	+0.4%
Lease right-of-use assets	4,239.8	3,956.8	+7.2%
Property, plant and equipment	2,725.3	2,670.2	+2.1%
Investments in equity-accounted companies	34.3	36.2	-5.2%
Other non-current assets	2,264.3	2,883.4	-21.5%
Non-current assets	**18,733.2**	**18,984.6**	**-1.3%**
Inventories	3,041.1	2,845.5	+6.9%
Trade receivables and accrued income	898.1	910.4	-1.4%
Cash and cash equivalents	4,786.9	3,442.8	+39.0%
Other current assets	1,471.7	1,821.4	-19.2%
Current assets	**10,197.8**	**9,020.1**	**+13.1%**
Assets held for sale	**0.3**	**0.7**	**-57.1%**
TOTAL ASSETS	28,931.3	28,005.4	+3.3%
Equity attributable to the Group	12,518.0	11,820.9	+5.9%
Equity attributable to minority interests	248.5	214.1	+16.1%
Total equity	**12,766.5**	**12,035.0**	**+6.1%**
Non-current borrowings	3,507.7	3,815.3	-8.1%
Non-current lease liabilities	3,835.2	3,545.8	+8.2%
Other non-current liabilities	1,862.0	1,874.6	-0.7%
Non-current liabilities	**9,204.9**	**9,235.7**	**-0.3%**
Current borrowings	1,898.4	1,776.2	+6.9%
Current lease liabilities	575.4	538.0	+7.0%
Other current liabilities	4,486.0	4,420.4	+1.5%
Current liabilities	**6,959.8**	**6,734.6**	**+3.3%**
Liabilities associated with assets held for sale	**0.1**	**0.1**	**+0.0%**
TOTAL EQUITY AND LIABILITIES	28,931.3	28,005.4	+3.3%

Net debt

(in € millions)	June 30, 2021	Dec. 31, 2020	Change
Borrowings	5,406.1	5,591.5	-3.3%
Cash and cash equivalents	(4,786.9)	(3,442.8)	-39.0%
Net debt	**619.2**	**2,148.7**	**-71.2%**

Capital employed

(in € millions)	June 30, 2021	Dec. 31, 2020	Change
Total equity	12,766.5	12,035.0	+6.1%
Net debt	619.2	2,148.7	-71.2%
Capital employed	**13,385.7**	**14,183.7**	**-5.6%**

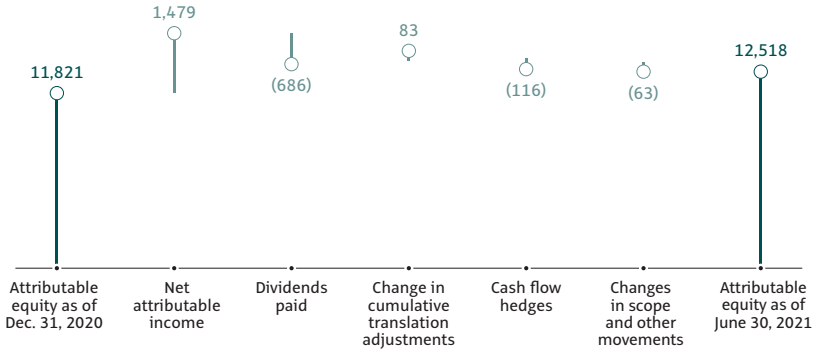
Goodwill and brands

As of June 30, 2021, brands net of deferred tax liabilities amounted to €4,948 million (€4,947 million as of December 31, 2020).

Current operating assets and liabilities

(in € millions)	June 30, 2021	Dec. 31, 2020	Cash flow statement	Foreign exchange differences	Other movements
Inventories	3,041.1	2,845.5	160.9	31.9	2.8
Trade receivables and accrued income	898.1	910.4	(34.2)	11.8	10.1
Trade payables and accrued expenses	(1,659.4)	(1,489.6)	(116.9)	(10.9)	(42.0)
Other current assets (liabilities), net	(385.2)	(403.9)	22.2	(3.1)	(0.4)
Net current tax receivables (payables)	(781.7)	(300.8)	(461.6)	2.2	(21.5)
Current operating assets (liabilities), net	**1,112.9**	**1,561.6**	**(429.6)**	**31.9**	**(51.0)**

Change in equity attributable to the Group



As of June 30, 2021, Kering SA's share capital amounted to €500,071,664, comprising 125,017,916 fully paid-up shares with a par value of €4 each. Excluding the 299,211 Kering treasury shares, there were 124,718,705 shares issued and outstanding as of that date.

(See Note 10 – Equity, to the condensed consolidated interim financial statements.)

1.6 Comments on movements in net debt

(in € millions)	June 30, 2021	Dec. 31, 2020	Change
Bonds	3,714.9	3,836.8	-3.2%
Other bank borrowings	225.3	284.8	-20.9%
Commercial paper	702.9	552.2	+27.3%
Other borrowings	763.0	917.7	-16.9%
o/w Put options granted to minority interests	*325.6*	*411.3*	*-20.8%*
Total borrowings	**5,406.1**	**5,591.5**	**-3.3%**
Cash and cash equivalents	(4,786.9)	(3,442.8)	-39.0%
Net debt	**619.2**	**2,148.7**	**-71.2%**

Net debt is defined on page 40.

Lease liabilities represented a total of €4,411 million as of June 30, 2021 (€4,084 million as of December 31, 2020).

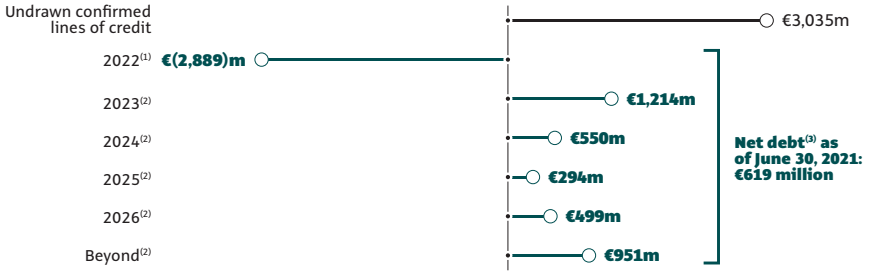
Solvency

The Group has a very sound financial structure and since April 18, 2020 has had a long-term A- rating with a stable outlook with Standard & Poor's.

Liquidity

As of June 30, 2021, the Group had cash and cash equivalents totaling €4,787 million (€3,443 million as of December 31, 2020), as well as confirmed lines of credit amounting to €3,035 million (€4,365 million as of December 31, 2020). The balance of confirmed undrawn lines of credit was €3,035 million as of June 30, 2021, versus €4,365 million as of December 31, 2020.

Maturity schedule of net debt



(1) Borrowings less cash and cash equivalents.
(2) Borrowings
(3) Net debt is defined on page 40.

The portion of the Group's borrowings maturing within one year (€1,898 million as of June 30, 2021) is significantly lower than the Group's cash and cash equivalents (€4,787 million as of June 30, 2021), plus confirmed lines of credit. Consequently, the Group is not exposed to any liquidity risk.

The Group's loan agreements feature standard *pari passu*, cross default and negative pledge clauses.

The Group's debt contracts do not include any rating trigger clauses.

(See Note 11 – Net debt, to the condensed consolidated interim financial statements).

Change in net debt

(in € millions)	First-half 2021	2020	Change
Net debt as of January 1	**2,148.7**	**2,812.2**	**-23.6%**
Free cash flow from operations	(2,353.9)	(2,104.6)	-11.8%
Dividends paid	1,007.1	1,009.4	-0.2%
Net interest paid and dividends received	52.8	167.2	-68.4%
Acquisitions of Kering shares	117.8	54.1	+117.7%
Repayment of lease liabilities[1]	432.0	900.2	-52.0%
Disposal of PUMA shares (5.91% in 2021/5.83% in 2020)	(802.6)	(655.6)	-22.4%
Other acquisitions and disposals	51.8	75.1	-31.0%
Other movements	(34.5)	(109.3)	+68.4%
Net debt as of June 30	**619.2**	**2,148.7**	**-71.2%**

(1) Repayments of principal for €372.1 million in first-half 2021 (€787.3 million in 2020) and of interest for €59.9 million in first-half 2021 (€112.9 million in 2020) relating to capitalized fixed lease payments.

Free cash flow from operations

Cash flow received from operating activities

(in € millions)	First-half 2021	First-half 2020	Change
Cash flow received from operating activities before tax, dividends and interest	**2,894.5**	**1,595.7**	**+81.4%**
Change in working capital requirement	12.4	(470.3)	+102.6%
Income tax paid	(208.5)	(192.1)	-8.5%
Net cash received from operating activities	**2,698.4**	**933.3**	**+189.1%**

Capex

(in € millions)	First-half 2021	First-half 2020	Change
Net cash received from operating activities	**2,698.4**	**933.3**	**+189.1%**
Acquisitions of property, plant and equipment and intangible assets	(345.4)	(367.8)	+6.1%
Disposals of property, plant and equipment and intangible assets	0.9	0.1	+800.0%
Free cash flow from operations[1]	**2,353.9**	**565.6**	**+316.3%**

(1) Free cash flow from operations is defined on page 40.

Capex by activity

(in € millions)	First-half 2021	First-half 2020	Change
Total Luxury Houses	233.1	205.3	+13.5%
Corporate and other	*112.3*	*162.5*	*-30.9%*
Acquisitions of property, plant and equipment and intangible assets	**345.4**	**367.8**	**-6.1%**

In the first six months of 2021, 61% of the Group's Capex concerned the store network (42% in first-half 2020). 56% of these investments related to store opening programs and 44% to store conversions and refurbishments.

Available cash flow from operations and available cash flow

(in € millions)	First-half 2021	First-half 2020	Change
Free cash flow from operations	**2,353.9**	**565.6**	**+316.2%**
Repayment of lease liabilities	(372.1)	(385.3)	+3.4%
Interest paid on leases	(59.9)	(57.3)	-4.5%
Available cash flow from operations[1]	**1,921.9**	**123.0**	**+1,462.5%**
Interest and dividends received	2.0	2.5	-20.0%
Interest paid and equivalent (excluding leases)	(69.5)	(87.6)	+20.7%
Available cash flow[1]	**1,854.4**	**37.9**	**+4,792.9%**

(1) Available cash flow from operations and available cash flow are defined on page 40.

Dividends paid

The cash dividend paid by Kering SA to its own shareholders in first-half 2021 amounted to €998 million (€1,000 million in 2020), including the €313 million interim dividend paid on January 21, 2021.

Dividends paid in first-half 2021 also included €9 million paid to minority interests in consolidated subsidiaries (€9 million in 2020).

Other movements

This item includes a €30 million negative impact of fluctuations in exchange rates in the first half of 2021 (€4 million negative impact in first-half 2020).

1.7 Parent company net income

The parent company, Kering SA, ended first-half 2021 with net income of €653 million, compared with €47 million for the first six months of 2020. The first-half 2021 figure includes €27 million in dividends received from subsidiaries (versus €29 million in first-half 2020).

1.8 Transactions with related parties

Transactions with related parties in the first half of 2021 are described in Note 17 – Transactions with related parties, to the condensed consolidated interim financial statements.

1.9 Subsequent events

Kering Eyewear acquires the Danish luxury eyewear brand LINDBERG

On July 8, 2021, Kering Eyewear and the Lindberg family signed an agreement for Kering Eyewear to acquire 100% of the share capital of LINDBERG.

Founded in 1969 in Denmark by optician Poul-Jørn Lindberg and his wife as an optical store and turned into a multinational company by their son Henrik, LINDBERG is a high-end manufacturer of design-oriented, lightweight, and customizable optical frames with a specialization in titanium. The company's reputation has been built on its made-to-order capabilities, offering customers the possibility to create their very own bespoke pair of LINDBERG glasses through an extended modular system which contains billions of combinations, in a wide array of materials from titanium to acetate, buffalo horn, wood or precious metals. LINDBERG has developed and patented manufacturing techniques and innovations such as hypoallergenic, multi-adjustable and screwless frames that are key differentiating factors in the high-end eyewear market. As a pioneer, LINDBERG holds a unique positioning in the luxury eyewear industry, resulting in a powerful combination of a sizeable and very profitable company with strong growth potential.

This acquisition is an important milestone in the successful expansion of Kering Eyewear and fits perfectly with its development strategy. Since its start in 2014, Kering Eyewear has built an innovative business model that enabled the company to reach a critical size in the market with close to €600 million wholesale external revenues pre-COVID (FY2019). This acquisition will further reinforce Kering Eyewear as the most relevant player in the luxury eyewear market segment, adding to its portfolio a complementary and proprietary brand with strong legitimacy, undisputed know-how and best-in-class customer service in optical frames. Thanks to their business complementarities, both companies will be able to leverage their respective strengths across the value chain, with synergies in distribution and geographical reach notably. This will contribute to accelerating the growth and enhancing the profitability of Kering Eyewear.

The transaction is subject to clearance by the relevant competition authorities and is expected to complete in the second half of 2021.

1.10 Outlook

As a major player in generally and structurally fast-growing markets, Kering enjoys very solid fundamentals, a balanced portfolio of complementary brands with strong potential. It has clearly focused strategic priorities. The Group and its Houses seek to achieve same-store revenue growth while ensuring the targeted and selective expansion of the store network. Kering's objective is to sustainably grow its Houses, increase the exclusivity of their distribution 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 technological infrastructure, expertise, and innovative digital tools.

The health and subsequent economic crises caused by the COVID-19 pandemic in 2020 have had major consequences on consumption trends, tourism flows and global economic growth. Along with the luxury sector, the Group was deeply impacted by the effects of the pandemic on its customers and its business operations, primarily in the first six months of 2020. More favorable trends emerged in the second half of 2020 and were confirmed in the first half of 2021. Although these trends remain closely linked to developments in the health situation and the associated restrictions across countries and regions, the luxury market has seen a significant rebound, driven by consumer appetite for luxury products.

Kering is perfectly positioned to fully benefit from the upturn, having succeeded in preserving its profitability while maintaining the expenditure and investments required to strengthen its Houses and ensure their potential to bounce back. Kering continues to resolutely pursue its strategy and will continue to manage and allocate its resources in order to support its operating performance, maintain high cash flow generation and optimize return on capital employed.

Thanks to its strong business model and structure, along with its robust financial position, Kering remains confident in its growth potential for the medium and long term.

1.11 Definitions of non-IFRS financial indicators

"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 2020 revenue adjusted as follows by:

- neutralizing the portion of revenue corresponding to entities divested in 2020;
- including the portion of revenue corresponding to entities acquired in 2021;
- remeasuring 2020 revenue at 2021 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 operating income includes all revenues and expenses directly related to its activities, whether these revenues and expenses are recurring or arise from non-recurring decisions or transactions.

Other non-recurring operating income and expenses consist of items that, by their nature, amount or frequency, could distort the assessment of the Group's operating performance as reflected in its recurring operating income. They include changes in Group structure, the impairment of goodwill and brands and, where material, of property, plant and equipment and intangible assets, capital gains and losses on disposals of non-current assets, restructuring costs and disputes.

"Recurring operating income" is therefore a major indicator for the Group, defined as the difference between operating income and other non-recurring operating income and expenses. This intermediate line item is intended to facilitate the understanding of the operating performance of the Group and its Houses and can therefore be used as a way to estimate recurring performance. This indicator is presented in a manner that is consistent and stable over the long term in order to ensure the continuity and relevance of financial information.

EBITDA

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

Free cash flow from operations, available cash flow from operations and available cash flow

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

The Group has also defined a new indicator, "Available cash flow from operations", in order to take into account capitalized fixed lease payments (repayments of principal and interest) pursuant to IFRS 16, and thereby reflect all of its operating cash flows.

"Available cash flow" therefore corresponds to available cash flow from operations plus interest and dividends received, less interest paid and equivalent (excluding leases).

Net debt

Net debt is one of the Group's main financial indicators, and is defined as borrowings less cash and cash equivalents. Consequently, the cost of net debt corresponds to all financial income and expenses associated with these items, including the impact of derivative instruments used to hedge the fair value of borrowings.

Borrowings include put options granted to minority interests.

Effective tax rate on recurring income

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

2 - CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2021

2.1 Consolidated income statement

(in € millions)	Notes	First-half 2021	First-half 2020
CONTINUING OPERATIONS			
Revenue		**8,047.2**	**5,378.3**
Cost of sales		(2,104.6)	(1,474.8)
Gross margin		**5,942.6**	**3,903.5**
Personnel expenses		(1,162.5)	(1,026.7)
Other recurring operating income and expenses		(2,543.1)	(1,924.4)
Recurring operating income		**2,237.0**	**952.4**
Other non-recurring operating income and expenses	5	(17.3)	(319.6)
Operating income		**2,219.7**	**632.8**
Financial result	6	(125.6)	(144.9)
Income before tax		**2,094.1**	**487.9**
Income tax expense	7	(594.6)	(193.7)
Share in earnings (losses) of equity-accounted companies		0.9	(7.8)
Net income from continuing operations		**1,500.4**	**286.4**
o/w attributable to the Group		*1,461.9*	*283.8*
o/w attributable to minority interests		*38.5*	*2.6*
DISCONTINUED OPERATIONS			
Net income (loss) from discontinued operations		**17.1**	**(11.2)**
o/w attributable to the Group		*17.1*	*(11.2)*
o/w attributable to minority interests		-	-
TOTAL GROUP			
Net income of consolidated companies		1,517.5	**275.2**
o/w attributable to the Group		*1,479.0*	*272.6*
o/w attributable to minority interests		*38.5*	*2.6*

(in € millions)	Notes	First-half 2021	First-half 2020
Net income attributable to the Group		**1,479.0**	**272.6**
Basic earnings per share *(in €)*	8.1	11.85	2.18
Diluted earnings per share *(in €)*	8.1	11.85	2.18
Net income from continuing operations attributable to the Group		**1,461.9**	**283.8**
Basic earnings per share *(in €)*	8.1	11.71	2.27
Diluted earnings per share *(in €)*	8.1	11.71	2.27
Net income from continuing operations (excluding non-recurring items) attributable to the Group		**1,477.4**	**569.3**
Basic earnings per share *(in €)*	8.2	11.84	4.55
Diluted earnings per share *(in €)*	8.2	11.84	4.55

2.2 Consolidated statement of comprehensive income

(in € millions)	Notes	First-half 2021	First-half 2020
Net income		**1,517.5**	**275.2**
o/w attributable to the Group		*1,479.0*	*272.6*
o/w attributable to minority interests		*38.5*	*2.6*
Change in currency translation adjustments relating to consolidated subsidiaries:		**87.2**	**(31.3)**
change in currency translation adjustments		*87.2*	*(31.3)*
amounts transferred to the income statement		*-*	*-*
Change in foreign currency cash flow hedges:	12	**(115.7)**	**67.9**
change in fair value		*(66.0)*	*59.1*
amounts transferred to the income statement		*(55.9)*	*12.1*
tax effects		*6.2*	*(3.3)*
Change in other comprehensive income of equity-accounted companies:		**-**	**2.1**
change in fair value		*-*	*2.1*
amounts transferred to the income statement		*-*	*-*
Gains and losses recognized in equity, to be transferred to the income statement		**(28.5)**	**38.7**
Change in provisions for pensions and other post-employment benefits:		**7.6**	**6.0**
change in actuarial gains and losses		*9.0*	*6.9*
tax effects		*(1.4)*	*(0.9)*
Change in financial assets measured at fair value:	9	**55.3**	**-**
change in fair value		*35.8*	*-*
tax effects		*19.5*	*-*
Gains and losses recognized in equity, not to be transferred to the income statement		**62.9**	**6.0**
Total gains and losses recognized in equity		**34.4**	**44.7**
o/w attributable to the Group		*29.7*	*44.2*
o/w attributable to minority interests		*4.7*	*0.5*
COMPREHENSIVE INCOME		1,551.9	319.9
o/w attributable to the Group		*1,508.7*	*316.8*
o/w attributable to minority interests		*43.2*	*3.1*

2.3 Consolidated balance sheet

Assets

(in € millions)	Notes	June 30, 2021	Dec. 31, 2020
Goodwill		2,456.6	2,452.2
Brands and other intangible assets		7,012.9	6,985.8
Lease right-of-use assets		4,239.8	3,956.8
Property, plant and equipment		2,725.3	2,670.2
Investments in equity-accounted companies		34.3	36.2
Non-current financial assets	9	983.1	1,688.6
Deferred tax assets		1,275.7	1,177.4
Other non-current assets		5.5	17.4
Non-current assets		**18,733.2**	**18,984.6**
Inventories		3,041.1	2,845.5
Trade receivables and accrued income	1	898.1	910.4
Current tax receivables		335.6	600.5
Current financial assets	9	26.7	158.0
Other current assets	1	1,109.4	1,062.9
Cash and cash equivalents	11	4,786.9	3,442.8
Current assets		**10,197.8**	**9,020.1**
Assets held for sale		**0.3**	**0.7**
TOTAL ASSETS		28,931.3	28,005.4

Equity and liabilities

(in € millions)	Notes	June 30, 2021	Dec. 31, 2020
Equity attributable to the Group		12,518.0	11,820.9
Equity attributable to minority interests		248.5	214.1
Equity	10	**12,766.5**	**12,035.0**
Non-current borrowings	11	3,507.7	3,815.3
Non-current lease liabilities		3,835.2	3,545.8
Non-current financial liabilities		80.1	80.0
Non-current provisions for pensions and other post-employment benefits		105.0	107.5
Non-current provisions	13	18.5	18.4
Deferred tax liabilities		1,475.7	1,485.1
Other non-current liabilities		182.7	183.6
Non-current liabilities		**9,204.9**	**9,235.7**
Current borrowings	11	1,898.4	1,776.2
Current lease liabilities		575.4	538.0
Current financial liabilities		72.7	338.1
Trade payables and accrued expenses	1	1,659.4	1,489.6
Current provisions for pensions and other post-employment benefits		9.3	12.2
Current provisions	13	132.7	212.4
Current tax liabilities		1,117.3	901.3
Other current liabilities	1	1,494.6	1,466.8
Current liabilities		**6,959.8**	**6,734.6**
Liabilities associated with assets held for sale		**0.1**	**0.1**
TOTAL EQUITY AND LIABILITIES		28,931.3	28,005.4

2.4 Consolidated statement of changes in equity

(Before appropriation of net income) *(in € millions)*	Notes	Number of shares outstanding	Share capital	Capital reserves	Kering treasury shares	Cumulative translation adjustments	Remeasurement of financial instruments	Other reserves and net income	Group	Minority interests	Total
As of January 1, 2020		**125,017,916**	**505.1**	**2,428.4**	**(570.8)**	**(174.5)**	**(80.1)**	**8,170.0**	**10,278.1**	**160.5**	**10,438.6**
Net income								272.6	272.6	2.6	275.2
Total gains and losses recognized in equity						(31.2)	67.9	7.5	44.2	0.5	44.7
Comprehensive income						**(31.2)**	**67.9**	**280.1**	**316.8**	**3.1**	**319.9**
Change in equity of Kering SA									-		-
Change in equity of subsidiaries									-	25.0	25.0
Expense related to share-based payments									-		-
Cancellation of Kering treasury shares									-		-
(Acquisitions) disposals of Kering treasury shares[1]	10.1	(3,325)			(1.7)				(1.7)		(1.7)
Distribution of dividends	10.2							(558.2)	(558.2)	(4.3)	(562.5)
Other changes[2]								(31.9)	(31.9)	19.8	(12.1)
As of June 30, 2020		**125,014,591**	**505.1**	**2,428.4**	**(572.5)**	**(205.7)**	**(12.2)**	**7,860**	**10,003.1**	**204.1**	**10,207.2**
Net income								1,877.8	1,877.8	26.9	1,904.7
Total gains and losses recognized in equity						(82.5)	374.5	(2.9)	289.1	(11.0)	278.1
Comprehensive income						**(82.5)**	**374.5**	**1,874.9**	**2,166.9**	**15.9**	**2,182.8**
Change in equity of Kering SA									-		-
Change in equity of subsidiaries									-	0.4	0.4
Expense related to share-based payments								9.0	9.0		9.0
Cancellation of Kering treasury shares			(5.0)	(565.8)	570.8						
(Acquisitions) disposals of Kering treasury shares[1]	10.1	(91,675)			(52.2)			(0.2)	(52.4)		(52.4)
Cash dividend paid and interim dividend	10.2							(312.5)	(312.5)	(5.8)	(318.3)
Other changes[2]								6.8	6.8	(0.5)	6.3
As of December 31, 2020		**124,922,916**	**500.1**	**1,862.6**	**(53.9)**	**(288.2)**	**362.3**	**9,438.0**	**11,820.9**	**214.1**	**12,035.0**
Net income								1,479.0	1,479.0	38.5	1,517.5
Total gains and losses recognized in equity						82.7	(60.4)	7.4	29.7	4.7	34.4
Comprehensive income						**82.7**	**(60.4)**	**1,486.4**	**1,508.7**	**43.2**	**1,551.9**
Change in equity of Kering SA											
Change in equity of subsidiaries											
Expense related to share-based payments								9.6	9.6		9.6
Cancellation of Kering treasury shares											
(Acquisitions) disposals of Kering treasury shares[1]	10.1	(204,211)			(116.4)			(1.4)	(117.8)		(117.8)
Distribution of dividends	10.2							(685.8)	(685.8)	(13.2)	(699.0)
Other changes[2]								(17.6)	(17.6)	4.4	(13.2)
As of June 30, 2021		**124,718,705**	**500.1**	**1,862.6**	**(170.3)**	**(205.5)**	**301.9**	**10,229.2**	**12,518.0**	**248.5**	**12,766.5**

(1) The acquisition cost of Kering treasury shares is reflected in the "Kering treasury shares" column. Capital gains or losses on the disposal of Kering treasury shares, along with the related expenses and taxes, are recognized in the "Other reserves and net income" column.

(2) "Other changes" include changes in Group structure and transactions with minority interests.

2.5 Consolidated cash flow statement

(in € millions)	Notes	First-half 2021	First-half 2020
Net income from continuing operations		**1,500.4**	**286.4**
Net recurring charges to depreciation, amortization and provisions on non-current operating assets	4	713.9	722.6
Other non-cash (income) expenses	15	(102.7)	136.7
Cash flow received from operating activities	15	**2,111.6**	**1,145.7**
Expenses (income) from financial interest		114.6	142.9
Dividends received		(1.8)	-
Current tax expense	7.1	670.1	307.1
Cash flow received from operating activities before tax, dividends and interest		**2,894.5**	**1,595.7**
Change in working capital requirement	16	12.4	(470.3)
Income tax paid		(208.5)	(192.1)
Net cash received from operating activities		**2,698.4**	**933.3**
Acquisitions of property, plant and equipment and intangible assets		(345.4)	(367.8)
Disposals of property, plant and equipment and intangible assets		0.9	0.1
Acquisitions of subsidiaries and associates, net of cash acquired		18.7	12.5
Disposals of subsidiaries and associates, net of cash transferred		(0.7)	0.7
Acquisitions of other financial assets		(90.4)	(28.1)
Disposals of other financial assets		823.8	12.2
Interest and dividends received		2.0	2.5
Net cash received from (used in) investing activities		**408.9**	**(367.9)**
Dividends paid to shareholders of Kering SA	10	(998.3)	(1,000.1)
Dividends paid to minority interests in consolidated subsidiaries		(8.8)	(1.6)
Transactions with minority interests		(81.1)	(51.6)
(Acquisitions) disposals of Kering treasury shares	10	(117.8)	(2.0)
Issuance of bonds and bank debt	11.2	38.6	1,423.0
Redemption of bonds and bank debt	11.2	(219.7)	(234.0)
Issuance (redemption) of other borrowings	11.2	155.8	321.6
Repayment of lease liabilities		(372.1)	(385.3)
Interest paid and equivalent		(129.4)	(144.9)
Net cash received from (used in) financing activities		**(1,732.8)**	**(74.9)**
Net cash received from (used in) discontinued operations		4.1	(1.4)
Impact of exchange rates on cash and cash equivalents		9.7	5.5
Net increase (decrease) in cash and cash equivalents		**1,388.3**	**494.6**
Cash and cash equivalents at opening	11.1	**3,000.1**	**1,837.6**
Cash and cash equivalents at closing	11.1	**4,388.4**	**2,332.2**

2.6 Notes to the condensed consolidated interim financial statements for the six months ended June 30, 2021

PRESENTATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 1 – INTRODUCTION

Kering SA, the Group's parent company, is a *société anonyme* (French corporation) with a Board of Directors, incorporated under French law, whose registered office is located at 40, rue de Sèvres, 75007 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.

On July 27, 2021, the Board of Directors approved the condensed consolidated interim financial statements for the six months ended June 30, 2021 and authorized their publication.

The condensed consolidated interim financial statements for the six months ended June 30, 2021 reflect the accounting position of Kering SA, its subsidiaries and its associates (the "Group").

Pursuant to European Regulation No. 1606/2002 of July 19, 2002, these condensed consolidated interim financial statements were prepared in accordance with applicable international financial reporting standards (IFRS) as published and adopted by the European Union and mandatorily applicable as of the reporting date, and in particular in accordance with IAS 34 – *Interim Financial Reporting*.

IAS 34 permits the presentation of a selection of accompanying notes, the aim of which is to analyze the main events that occurred during the first half of 2021 and their impact on the Group's financial performance and position. The notes do not therefore include all of the disclosures required for annual consolidated financial statements, and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2020.

The accounting policies and methods applied by the Group are described in Note 35 – Accounting policies and methods to the consolidated financial statements for the year ended December 31, 2020. The new standards, amendments and interpretations that have entered into force since January 1, 2021 are as follows:

- the amendments to IFRS 9 and IFRS 7 – Interest Rate Benchmark Reform – Phase 2. This amendment has no impact for the Group;
- the amendment to IFRS 16 adopted by the IASB in March 2021, extending the period of application of COVID-19-related rent concessions to June 30, 2022. The Group did not apply this amendment which was not yet approved by the European Union at June 30, 2021;
- the IFRIC interpretation of IAS 19 relating to the allocation of employee benefits to periods of service, which clarifies the attribution periods to be taken into account to determine the benefits expense: the impacts are currently being analyzed, but the Group does not expect any significant impacts on its financial statements.

With the first-time application of ESEF to its 2021 consolidated financial statements, the Group has also amended the presentation of some of its balance sheet items in line with the XBRL taxonomy as from its first-half 2021 financial statements. This change of presentation concerns the line items previously entitled "Trade receivables" and "Trade payables", which have been renamed "Trade receivables and accrued income" and "Trade payables and accrued expenses", respectively. Certain amounts have therefore been reclassified from the "Other current assets" and "Other current liabilities" lines, respectively. The amounts presented for the comparative period at December 31, 2020 have also been reclassified. This change of presentation does not impact the calculation of working capital requirement (it only has an impact on the breakdown between operating and non-operating working capital).

NOTE 2 – SIGNIFICANT EVENTS OF FIRST-HALF 2021

Investment in Vestiaire Collective

On March 1, 2021, Kering announced that it had acquired a stake of around 5% in Vestiaire Collective, the leading global platform for desirable second-hand fashion, as part of a new €178 million financing round together with a new shareholder, US investment firm Tiger Global Management. Existing shareholders including Vestiaire Collective's CEO, Maximilian Bittner, Bpifrance, Condé Nast, the Eurazeo Group, certain funds managed by Fidelity International, Korelya Capital, Luxury Tech Fund and Vitruvian Partners also reinvested.

Following a strong year in 2020 that saw the platform's transaction volume grow over 100% year-on-year, this financing round grants Vestiaire Collective unicorn status and ideally positions it for its next cycle of accelerated growth.

By investing in Vestiaire Collective and by being represented on the platform's Board of Directors, Kering is illustrating its pioneering strategy, supporting innovative business models, embracing new market trends and exploring new services to fashion and luxury customers.

Kering enhances its global logistics capabilities with a new hub in Northern Italy

On April 8, 2021, Kering announced the completion of the first phase of its new global logistics hub in Trecate, in the Piemonte region of Northern Italy. The first part of the building has been operating since March 2020, and the second part (over 100,000 sq.m) is scheduled to become operational in the third quarter of 2021.

Built in record time, the Group's new global logistics hub covers more than 162,000 sq.m (equivalent to 20 rugby fields) and combines state-of-the-art technology and automation, scalability, innovative sustainability and features for the well-being of employees.

The hub will meet the demand from the Houses' regional warehouses, retail stores, wholesalers and e-commerce worldwide, and will significantly increase the Group's capabilities in terms of shipping (up to 80 million pieces per year) and storage (up to 20 million pieces). It will also reduce lead times by 50% by increasing the speed of deliveries and enhance collaboration with the Group's Houses.

More than 250 people are currently working in the facility, with the total number of staff planned to reach approximately 900 by the end of 2022. The site is operated by XPO Logistics, Kering's longstanding logistics partner, which employs the on-site workforce dedicated to warehouse operations.

Sale of an additional 5.91% stake in PUMA

On May 27, 2021, Kering announced the completion of the sale following an accelerated bookbuilding process to qualified investors only of 5.91% of the share capital of PUMA SE for a total amount of approximately €805 million, corresponding to a sale price of €90.3 per PUMA share.

Following this transaction, Kering has a remaining 3.96% stake in PUMA. Kering and Artémis are subject to a lock-up relating to the PUMA shares, which is to end 90 calendar days from June 1, 2021, the settlement date of the shares, subject to certain exceptions or a waiver by the joint global coordinators.

The net proceeds of the transaction were used for Kering's general corporate purposes and have further strengthened its financial structure.

Corporate governance at Kering

As a result of her changing roles within Exor, of which she is also a board member, and in order to avoid any potential conflict of interests, Ginevra Elkann resigned from her position as a member of Kering's Board of Directors, as of April 27, 2021.

NOTE 3 – SUBSEQUENT EVENTS

Kering Eyewear acquires the Danish luxury eyewear brand LINDBERG

On July 8, 2021, Kering Eyewear and the Lindberg family signed an agreement for Kering Eyewear to acquire 100% of the share capital of LINDBERG.

Founded in 1969 in Denmark by optician Poul-Jørn Lindberg and his wife as an optical store and turned into a multinational company by their son Henrik, LINDBERG is a high-end manufacturer of design-oriented, lightweight, and customizable optical frames with a specialization in titanium. The company's reputation has been built on its made-to-order capabilities, offering customers the possibility to create their very own bespoke pair of LINDBERG glasses through an extended modular system which contains billions of combinations, in a wide array of materials from titanium to acetate, buffalo horn, wood or precious metals. LINDBERG has developed and patented manufacturing techniques and innovations such as hypoallergenic, multi-adjustable and screwless frames that are key differentiating factors in the high-end eyewear market. As a pioneer, LINDBERG holds a unique positioning in the luxury eyewear industry, resulting in a powerful combination of a sizeable and very profitable company with strong growth potential.

This acquisition is an important milestone in the successful expansion of Kering Eyewear and fits perfectly with its development strategy. Since its start in 2014, Kering Eyewear has built an innovative business model that enabled the company to reach a critical size in the market with close to €600 million wholesale external revenues pre-COVID (FY2019). This acquisition will further reinforce Kering Eyewear as the most relevant player in the luxury eyewear market segment, adding to its portfolio a complementary and proprietary brand with strong legitimacy, undisputed know-how and best-in-class customer service in optical frames. Thanks to their business complementarities, both companies will be able to leverage their respective strengths across the value chain, with synergies in distribution and geographical reach notably. This will contribute to accelerating the growth and enhancing the profitability of Kering Eyewear.

The transaction is subject to clearance by the relevant competition authorities and is expected to complete in the second half of 2021.

NOTE 4 – OPERATING SEGMENTS

(in € millions)	Gucci	Yves Saint Laurent	Bottega Veneta	Other Houses	Total Luxury Houses	Corporate and other	Total
FIRST-HALF 2021							
Revenue[1]	**4,479.3**	**1,045.5**	**707.6**	**1,475.6**	**7,708.0**	**339.2**	**8,047.2**
Recurring operating income (loss)	**1,694.2**	**275.1**	**129.7**	**197.3**	**2,296.3**	**(59.3)**	**2,237.0**
Net recurring charges to depreciation, amortization and provisions on non-current operating assets	300.0	86.1	83.4	136.7	606.2	107.7	713.9
EBITDA	1,994.2	361.2	213.1	334.0	2,902.5	48.4	2,950.9
Other non-cash recurring operating income and expenses	(141.1)	(22.6)	(21.5)	(14.4)	(199.6)	82.4	(117.2)
Acquisitions of property, plant and equipment and intangible assets	125.0	24.4	24.3	59.4	233.1	112.3	345.4
Segment assets as of June 30, 2021	**11,630.3**	**2,340.2**	**1,647.5**	**3,419.7**	**19,037.7**	**2,451.0**	**21,488.7**
Segment liabilities as of June 30, 2021	**4,342.4**	**1,090.0**	**849.7**	**1,490.7**	**7,772.8**	**1,247.3**	**9,020.1**
FIRST-HALF 2020							
Revenue[1]	**3,072.2**	**681.1**	**503.1**	**919.1**	**5,175.5**	**202.8**	**5,378.3**
Recurring operating income (loss)	**929.0**	**102.1**	**43.6**	**(11.7)**	**1,063.0**	**(110.6)**	**952.4**
Net recurring charges to depreciation, amortization and provisions on non-current operating assets	(307.2)	(90.3)	(88.2)	(137.3)	(623.0)	(99.6)	722.6
EBITDA	1,236.2	192.4	131.8	125.6	1,686.0	(11.0)	1,675.0
Other non-cash recurring operating income and expenses	(71.9)	(26.2)	(12.9)	(16.0)	(127.0)	151.8	24.8
Acquisitions of property, plant and equipment and intangible assets	98.4	26.2	19.2	61.5	205.3	162.5	367.8
Segment assets as of June 30, 2020	**11,392.6**	**2,364.4**	**1,644.9**	**3,503.1**	**18,905.0**	**2,069.7**	**20,974.7**
Segment liabilities as of June 30, 2020	**4,014.7**	**1,070.1**	**799.2**	**1,351.7**	**7,235.7**	**1,024.2**	**8,259.9**

(1) Excluding intra-group revenue.

NOTES ON THE CONSOLIDATED INCOME STATEMENT

NOTE 5 – OTHER NON-RECURRING OPERATING INCOME AND EXPENSES

(in € millions)	Notes	First-half 2021	First-half 2020
Non-recurring operating expenses		**(17.5)**	**(320.1)**
Impairment of goodwill, brands and other non-current assets		(3.9)	(256.7)
Impairment of goodwill		-	-
Impairment of brands		-	*(201.0)*
Impairment of other non-current assets		*(3.9)*	*(55.7)*
Other non-recurring operating expenses		(13.6)	(63.4)
Restructuring costs	*13*	*(2.3)*	*(33.9)*
Other		*(11.3)*	*(29.5)*
Non-recurring operating income		**0.2**	**0.5**
Other non-recurring operating income		0.2	0.5
TOTAL		(17.3)	(319.6)

In first-half 2020, given the deterioration in the financial outlook for certain Houses in the context of the COVID-19 pandemic, the Group recognized asset impairment of €256.7 million, which chiefly concerned the Ulysse Nardin, Girard-Perregaux and Brioni brands in an amount of €201.0 million. Impairment of other non-current assets included impairment of a right-of-use asset under a lease held by Brioni for €35.1 million.

Restructuring costs related primarily to the watches brands amid a complete restructuring of their business models. Other non-recurring operating expenses included €14.4 million in donations made by Kering and by its Houses as part of efforts to combat the COVID-19 pandemic.

NOTE 6 – FINANCIAL RESULT

(in € millions)	Notes	First-half 2021	First-half 2020
Cost of net debt[1]		**(21.7)**	**(30.0)**
Income from cash and cash equivalents		2.1	4.1
Finance costs at amortized cost		(23.8)	(34.1)
Net gains (losses) on cash flow hedging derivatives		-	-
Other financial income and expenses		**(44.0)**	**(57.6)**
Net gains (losses) on financial assets		1.6	0.6
Net foreign exchange gains (losses)		11.4	(17.9)
Ineffective portion of cash flow and fair value hedges	12	(37.8)	(61.9)
Net gains (losses) on derivative instruments not qualifying for hedge accounting	12	(8.8)	24.0
Impact of discounting assets and liabilities		-	(0.4)
Other finance costs		(10.4)	(2.0)
Total financial result (excluding leases)		**(65.7)**	**(87.6)**
Interest expense on lease liabilities		(59.9)	(57.3)
TOTAL		(125.6)	(144.9)

(1) Net debt is defined on page 40.

In first-half 2021, the cost of net debt was €21.7 million (€30.0 million in first-half 2020). This improvement mainly reflects the decrease in the average coupon paid on bond debt and in fees relating to bank lines of credit due to the fact that bank lines of credit related to COVID-19 taken out in the prior period were not renewed in first-half 2021.

Other financial income and expenses represented a net expense of €44.0 million in first-half 2021 (€57.6 million in first-half 2020), due primarily to positive exchange rate impacts, partially offset by the negative €30.0 million impact of remeasuring the optional component on bonds exchangeable into PUMA shares.

NOTE 7 – INCOME TAXES

7.1 Income tax expense

(in € millions)	Notes	First-half 2021	First-half 2020
Current tax expense		(670.1)	(307.1)
Deferred tax income (expense)		75.5	113.4
TOTAL		(594.6)	(193.7)

7.2 Effective tax rate and effective tax rate on recurring income

(in € millions)	Notes	First-half 2021	First-half 2020
Income before tax		2,094.1	487.9
Income tax expense		(594.6)	(193.7)
Effective tax rate		**28.4%**	**39.7%**
Other non-recurring operating income and expenses	5	(17.3)	(319.6)
Recurring income before tax		2,111.4	807.5
Income tax on other non-recurring operating income and expenses		1.8	34.1
Tax expense on recurring income		(596.4)	(227.8)
Effective tax rate on recurring income[1]		**28.2%**	**28.2%**

(1) The effective tax rate on recurring income is defined on page 40.

NOTE 8 – EARNINGS PER SHARE

8.1 Earnings per share

First-half 2021

(in € millions)	Consolidated Group	Continuing operations	Discontinued operations
Net income attributable to the Group	**1,479.0**	**1,461.9**	**17.1**
Weighted average number of ordinary shares outstanding	125,017,916	125,017,916	125,017,916
Weighted average number of Kering treasury shares	(225,008)	(225,008)	(225,008)
Weighted average number of ordinary shares	**124,792,908**	**124,792,908**	**124,792,908**
Basic earnings per share *(in €)*	**11.85**	**11.71**	**0.14**
Net income attributable to the Group	**1,479.0**	**1,461.9**	**17.1**
Convertible and exchangeable instruments	-	-	-
Diluted net income attributable to the Group	**1,479.0**	**1,461.9**	**17.1**
Weighted average number of ordinary shares	124,792,908	124,792,908	124,792,908
Potentially dilutive ordinary shares	-	-	-
Weighted average number of diluted ordinary shares	**124,792,908**	**124,792,908**	**124,792,908**
Diluted earnings per share *(in €)*	**11.85**	**11.71**	**0.14**

First-half 2020

(in € millions)	Consolidated Group	Continuing operations	Discontinued operations
Net income (loss) attributable to the Group	**272.6**	**283.8**	**(11.2)**
Weighted average number of ordinary shares outstanding	126,279,322	126,279,322	126,279,322
Weighted average number of Kering treasury shares	(1,265,920)	(1,265,920)	(1,265,920)
Weighted average number of ordinary shares	**125,013,402**	**125,013,402**	**125,013,402**
Basic earnings (loss) per share *(in €)*	**2.18**	**2.27**	**(0.09)**
Net income (loss) attributable to the Group	**272.6**	**283.8**	**(11.2)**
Convertible and exchangeable instruments	-	-	-
Diluted net income (loss) attributable to the Group	**272.6**	**283.8**	**(11.2)**
Weighted average number of ordinary shares	125,013,402	125,013,402	125,013,402
Potentially dilutive ordinary shares	-	-	-
Weighted average number of diluted ordinary shares	**125,013,402**	**125,013,402**	**125,013,402**
Diluted earnings (loss) per share *(in €)*	**2.18**	**2.27**	**(0.09)**

8.2 Earnings per share from continuing operations excluding non-recurring items

Non-recurring items presented below consist of other non-recurring operating income and expenses (see Note 5), reported net of tax and minority interests.

(in € millions)	Notes	First-half 2021	First-half 2020
Net income from continuing operations attributable to the Group		**1,461.9**	**283.8**
Other non-recurring operating income and expenses	5	(17.3)	(319.6)
Income tax on other non-recurring operating income and expenses		1.8	34.1
Net income from continuing operations (excluding non-recurring items) attributable to the Group		**1,477.4**	**569.3**
Weighted average number of ordinary shares outstanding		125,017,916	126,279,322
Weighted average number of Kering treasury shares		(225,008)	(1,265,920)
Weighted average number of ordinary shares		**124,792,908**	**125,013,402**
Basic earnings per share from continuing operations excluding non-recurring items *(in €)*		**11.84**	**4.55**
Net income from continuing operations (excluding non-recurring items) attributable to the Group		**1,477.4**	**569.3**
Convertible and exchangeable instruments		-	-
Diluted net income from continuing operations (excluding non-recurring items) attributable to the Group		**1,477.4**	**569.3**
Weighted average number of ordinary shares		124,792,908	125,013,402
Potentially dilutive ordinary shares		-	-
Weighted average number of diluted ordinary shares		**124,792,908**	**125,013,402**
Diluted earnings per share from continuing operations excluding non-recurring items *(in €)*		**11.84**	**4.55**

NOTES ON THE CONSOLIDATED BALANCE SHEET

NOTE 9 – FINANCIAL ASSETS

9.1 Breakdown of financial assets

(in € millions)	Notes	June 30, 2021	Dec. 31, 2020
Non-consolidated investments		658.7	1,381.1
of which PUMA shares (3.96% in 2021/9.87% in 2020)		*606.0*	*1,377.8*
Derivative instruments	12	2.1	-
Loans and receivables		0.7	0.9
Deposits and guarantees		196.5	192.9
Other financial investments		125.1	113.7
Non-current financial assets		**983.1**	**1,688.6**
Derivative instruments	12	22.0	124.1
Loans and receivables		4.7	33.9
Current financial assets		**26.7**	**158.0**

On May 27, 2021, the Group sold a 5.91% stake in PUMA for an amount of €802.6 million (net of disposal costs). At June 30, 2021, the Group retained a 3.96% stake in PUMA. The gain on the sale and the impact of remeasuring the retained shares at fair value were recorded directly in the consolidated statement of comprehensive income on the line "Change in financial assets measured at fair value" (see 2.2 Consolidated statement of comprehensive income).

9.2 Financial assets measured at fair value

(in € millions)	Notes	June 30, 2021	Dec. 31, 2020
Non-consolidated investments		658.7	1,381.1
o/w changes in fair value recognized through equity		*658.3*	*1,380.4*
o/w changes in fair value recognized through the income statement		*0.4*	*0.7*
Derivative instruments	12	24.1	124.1
Other financial investments		125.1	113.7
o/w changes in fair value recognized through equity		*116.5*	*105.8*
o/w changes in fair value recognized through the income statement		*8.6*	*7.9*
Financial assets measured at fair value		**807.9**	**1,618.9**

NOTE 10 – EQUITY

As of June 30, 2021, the share capital amounted to €500,071,664, comprising 125,017,916 fully paid-up shares with a par value of €4 each (unchanged from December 31, 2020). Excluding the 299,211 Kering treasury shares, there were 124,718,705 shares issued and outstanding as of that date.

Kering treasury shares

		June 30, 2021		Dec. 31, 2020	
(in € millions)	**Notes**	**Number**	**Amount**	**Number**	**Amount**
Liquidity agreement		-	-	-	-
Stock repurchase program (for cancellation)		-	-	-	-
Share-based payment		299,211	170.3	95,000	53.9
Kering treasury shares		**299,211**	**170.3**	**95,000**	**53.9**

Change in Kering treasury shares *(in € millions)*	**Notes**	**Number**	**Amount**	**Impact on cash**
As of January 1, 2021		**95,000**	**53.9**	
Purchases under the liquidity agreement		74,152	42.9	(42.9)
Disposals under the liquidity agreement		(74,152)	(42.9)	42.9
Cancellations under the stock repurchase program		-	-	N/A
Purchases under share-based payment plans		204,211	116.4	(116.4)
Shares vested		-	-	N/A
Net capital gain (loss) on disposal			-	N/A
As of June 30, 2021		**299,211**	**170.3**	**(116.4)**

NOTE 11 – NET DEBT

(in € millions)	**Notes**	**June 30, 2021**	**Dec. 31, 2020**
Borrowings	11.2-4	5,406.1	5,591.5
Cash and cash equivalents		(4,786.9)	(3,442.8)
TOTAL		619.2	2,148.7

11.1 Cash and cash equivalents

(in € millions)	**Notes**	**June 30, 2021**	**Dec. 31, 2020**
Cash		2,863.2	2,570.7
Cash equivalents		1,923.7	872.1
TOTAL		4,786.9	3,442.8

11.2 Breakdown of borrowings by category and maturity

(in € millions)	Notes	June 30, 2021	Current	Y+2	Y+3	Y+4	Y+5	Beyond	Non-current
Bonds	11.3	3,714.9	620.1	1,148.7	505.0	-	497.7	943.4	3,094.8
Other bank borrowings		225.3	110.7	65.7	39.1	1.1	1.1	7.6	114.6
Bank overdrafts	14	398.5	398.5	-	-	-	-	-	-
Commercial paper		702.9	702.9	-	-	-	-	-	-
Other borrowings[1]		364.5	66.2	-	5.5	292.8	-	-	298.3
o/w Put options granted to minority interests		*325.6*	*27.3*	-	*5.5*	*292.8*	-	-	*298.3*
TOTAL		5,406.1	1,898.4	1,214.4	549.6	293.9	498.8	951.0	3,507.7
%		100.0%	35.1%	22.5%	10.2%	5.4%	9.2%	17.6%	64.9%

(1) Other borrowings include accrued interest.

(in € millions)	Notes	Dec. 31, 2020	Current	Y+2	Y+3	Y+4	Y+5	Beyond	Non-current
Bonds	11.3	3,836.8	467.2	828.1	600.2	501.7		1,439.6	3,369.6
Other bank borrowings		284.8	137.0	33.9	88.1	16.9	1.1	7.8	147.8
Bank overdrafts	14	442.7	442.7						
Commercial paper		552.2	552.2						
Other borrowings[1]		475.0	177.1	55.5			242.4		297.9
o/w Put options granted to minority interests		*411.3*	*113.4*	*55.5*			*242.4*		*297.9*
TOTAL		5,591.5	1,776.2	917.5	688.3	518.6	243.5	1,447.4	3,815.3
%		100.0%	31.8%	16.4%	12.3%	9.3%	4.4%	25.8%	68.2%

(1) Other borrowings include accrued interest.

11.3 Bond debt

The Group did not issue any bonds in first-half 2021, but redeemed a €150 million USD fixed interest bond issued in June 2015, which matured on June 9, 2021.

11.4 Undrawn confirmed lines of credit

As of June 30, 2021, the Group had undrawn confirmed lines of credit totaling €3,035.0 million (December 31, 2020: €4,365.3 million). This amount comprises a syndicated facility for €2,385.0 million (of which €169.7 million due in December 2024 and €2,215.3 million due in December 2025) and €650.0 million in bilateral credit lines due in second-half 2023.

NOTE 12 – DERIVATIVE INSTRUMENTS

(in € millions)	Notes	June 30, 2021	Dec. 31, 2020
Non-current financial assets	9	**2.1**	**-**
Derivative instruments – at fair value through income		2.1	-
Derivative instruments – cash flow hedges		-	-
Derivative instruments – fair value hedges		-	-
Current financial assets	9	**22.0**	**124.1**
Derivative instruments – at fair value through income		1.8	4.8
Derivative instruments – cash flow hedges		18.2	109.1
Derivative instruments – fair value hedges		2.0	10.2
Non-current financial liabilities		**(80.1)**	**(80.0)**
Derivative instruments – at fair value through income[(1)]		(79.9)	(79.8)
Derivative instruments – cash flow hedges		(0.2)	(0.2)
Derivative instruments – fair value hedges		-	-
Current financial liabilities		**(67.3)**	**(24.6)**
Derivative instruments – at fair value through income		(6.3)	(1.7)
Derivative instruments – cash flow hedges		(49.9)	(17.8)
Derivative instruments – fair value hedges		(11.1)	(5.1)
TOTAL		(123.3)	19.5

(1) Including the fair value of the derivative (option) embedded within the bond exchangeable for PUMA shares amounting to €79.9 million as of June 30, 2021 (December 31, 2020: €74.1 million).

NOTE 13 – PROVISIONS

(in € millions)	Dec. 31, 2020	Charge	Reversal (utilized provisions)	Reversal (surplus provisions)	Changes in Group structure	Foreign exchange differences	Other movements	June 30, 2021
Non-current provisions	18.4	0.2	(0.2)	-	-	(0.1)	0.2	18.5
Current provisions	212.4	10.0	(28.2)	(46.4)	-	-	(15.1)	132.7
TOTAL	230.8	10.2	(28.4)	(46.4)	-	(0.1)	(14.9)	151.2

(in € millions)	Notes	June 30, 2021	Dec. 31, 2020
Provision for restructuring costs	5	26.7	45.1
Vendor warranties		13.4	54.7
Disputes and other contingencies		111.1	131.0
TOTAL		151.2	230.8

Provisions recorded in respect of vendor warranties decreased by €41.3 million in first-half 2021 following the sale of the historical assets of PPR (Conforama and Redcats), which eliminated the related risks and warranties.

NOTES ON THE CONSOLIDATED CASH FLOW STATEMENT

NOTE 14 – CASH AND CASH EQUIVALENTS AS REPORTED IN THE CASH FLOW STATEMENT

(in € millions)	Notes	June 30, 2021	June 30, 2020
Cash and cash equivalents as reported in the balance sheet	11.1	**4,786.9**	**2,801.7**
Bank overdrafts	11.2	(398.5)	(469.5)
Cash and cash equivalents as reported in the cash flow statement		**4,388.4**	**2,332.2**

NOTE 15 – CASH FLOW RECEIVED FROM OPERATING ACTIVITIES

(in € millions)	Notes	First-half 2021	First-half 2020
Net income from continuing operations		**1,500.4**	**286.4**
Net recurring charges to depreciation, amortization and provisions on non-current operating assets		**713.9**	722.6
Other non-cash income and expenses		**(102.7)**	136.7
Non-cash recurring operating income and expenses:	4	(117.2)	24.8
Fair value of operating foreign exchange rate hedges		*(56.0)*	*9.1*
Other		*(61.2)*	*15.7*
Other non-cash income and expenses:		14.5	111.9
Impairment of goodwill, brands and other non-current assets	*5*	*3.9*	*256.7*
Fair value of foreign exchange rate hedges in financial result	*6*	*81.2*	*(33.7)*
Deferred tax expense (income)	*7.1*	*(75.5)*	*(113.5)*
Share in earnings (losses) of equity-accounted companies		*(0.9)*	*7.8*
Other		*5.8*	*(5.4)*
Cash flow received from operating activities		**2,111.6**	**1,145.7**

NOTE 16 – CHANGE IN WORKING CAPITAL REQUIREMENT

(in € millions)	Notes	First-half 2021	First-half 2020
Change in inventories		(160.9)	(158.7)
Change in trade receivables and accrued income		34.2	248.7
Change in trade payables and accrued expenses		116.9	(367.0)
Change in other operating receivables and payables		22.2	(193.3)
Change in working capital requirement		**12.4**	**(470.3)**

NOTE 17 – TRANSACTIONS WITH RELATED PARTIES

Kering SA is controlled by Artémis, which in turn is wholly owned by Financière Pinault.

	Notes	June 30, 2021	June 30, 2020
% capital held by the Artémis group in Kering SA		41.6%	41.0%
% voting rights held by the Artémis group in Kering SA		58.4%	58.1%
Dividend paid for year Y-1 *(in € millions)*		414.4	413.9
Fees for the period *(in € millions)*		2.5	2.4

The Group pays fees to Artémis 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.

3 - STATUTORY AUDITORS' REVIEW REPORT ON THE INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2021

This is a free translation into English of the Statutory Auditors' review 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 auditing standards applicable in France.

To the Shareholders of KERING,

In compliance with the assignment entrusted to us by your Annual General Meeting and in accordance with the requirements of Article L.451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed consolidated interim financial statements of KERING for the six months ended June 30, 2021;
- the verification of the information contained in the interim management report.

Due to the global crisis related to the COVID-19 pandemic, the condensed consolidated interim financial statements have been prepared and reviewed under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of our review procedures.

These condensed consolidated interim financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France.

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

II. Specific verification

We have also verified the information presented in the interim management report on the condensed consolidated interim financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed consolidated interim financial statements.

Paris La Défense, July 27, 2021

The Statutory Auditors

KPMG Audit
Department of KPMG SA
Grégoire Menou

Deloitte & Associés
David Dupont-Noel
Bénédicte Margerin

4 - STATEMENT BY THE PERSONS RESPONSIBLE FOR THE INTERIM FINANCIAL REPORT

We certify that, to our knowledge, the condensed consolidated interim financial statements for the six months ended June 30, 2021 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 interim management report gives a fair description of the material events that occurred in the first six months of the financial year and their impact on the interim financial statements, as well as a description of the principal risks and uncertainties for the remaining six months of the year, along with the principal transactions with related parties.

Paris, July 27, 2021

Jean-François Palus, Group Managing Director

Jean-Marc Duplaix, Chief Financial Officer

Kering

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