

Kering plans to take back control of its Eyewear business value chain

After assessing the growth prospects of the Eyewear market and the business potential of its brands in this category, Kering has initiated a strategic move aiming at building in-house eyewear expertise for its Luxury and Sport & Lifestyle brands.

The global eyewear market for frames and sunglasses is significant and growing double-digit in the premium high-end segment. The current size of the Kering brands' business is roughly 350 million euros and makes Kering one of the top five players in this industry. The 11 Kering brands that are active in the Eyewear category, of which nine are managed through license agreements with five different partners, generate consolidated royalties of approximately 50 million euros. In order to maximize the extraordinary potential of its brand portfolio, the Group is setting up a new business model through which, together with its brands, Kering will fully control the Eyewear value chain, from design to product development and supply chain, and from branding and marketing to sales.

Kering's objective is to better support its brands in accelerating their development in the Eyewear category, leveraging on the unique appeal of each of them, in full alignment with each brand's strategy, positioning and potential. All brands will of course continue to control separately their creative process under the leadership of their respective Creative Director.

The project involves investing in a dedicated entity specialized in luxury, high-end and sport Eyewear managed by a skilled team of experienced professionals under the direction of Roberto Vedovotto, CEO, Kering Eyewear. Roberto Vedovotto and his team will be co-shareholders of this new entity.

Through this project, Kering is putting in place an innovative way of managing its Eyewear operations, which will in turn enable the Group to fully capture the sheer growth potential of its brands in this category. It will also lead to significant value-creation opportunities, notably through the implementation of both revenue and distribution synergies.

The growth drivers will comprise:

- gradual full activation of the brand portfolio in both Luxury and Sport & Lifestyle
- best talents within both the brands and the Kering Eyewear entity for internal design, product development and sales force
- full control over a network of external manufacturing suppliers
- enhanced distribution across all channels with specific focus on Kering brands' directly operated stores network.

As part of this strategic move, Kering and Safilo have agreed to evolve their 20-year-long partnership. They jointly intend to terminate the current Gucci license agreement two years in advance, i.e. by 31 December 2016, which will lead to a total compensation payment to Safilo of 90 million euros, in three instalments between 2014 and 2018. In order to benefit from Safilo's expertise and production capabilities in high quality Italian manufacturing, the two Groups have agreed to put in place a strategic product partnership agreement for four years, starting in

January 2017, renewable upon mutual agreement. This agreement covers the product development, manufacturing and supply of Gucci eyewear products by Safilo, and is subject to the signing of long-form agreements by the end of the year.

Roberto Vedovotto, CEO, Kering Eyewear, declared: *'Eyewear is a strategic category for Kering brands. Through this innovative project, Kering aims at helping them fulfill their full growth potential in this business segment while leveraging the unique appeal of each of them.'*

About Kering

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

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

Contacts

Press

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

Analysts/investors

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

Website: www.kering.com