L'OCCITANE
EN PROVENCE

L'OCCITANE INTERNATIONAL S.A.

(Incorporated under the laws of Luxembourg with limited liability)

Stock code : 973

FY2019
Annual Report

The L'OCCITANE Group consists of six brands: L'OCCITANE en Provence, Melvita, Erborian, L'OCCITANE au Brésil, LimeLife by Alcone and ELEMIS.

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CORPORATE INFORMATION

Executive Directors

Reinold Geiger
(Chairman and Chief Executive Officer)
André Hoffmann
(Vice-Chairman)
Silvain Desjonquères
(Group Managing Director)
Thomas Levilion
(Group Deputy General Manager, Finance and Administration)
Karl Guénard
(Company Secretary)

Non-Executive Director

Martial Lopez

Independent Non-Executive Directors

Charles Mark Broadley
Jackson Chik Sum Ng
Valérie Bernis
Pierre Milet

Company Secretary

Karl Guénard

Authorised Representatives

André Hoffmann
Jackson Chik Sum Ng

Company Legal Name

L'Occitane International S.A.

Date of Incorporation

22 December 2000

Date of Listing in Hong Kong

7 May 2010

Registered Office

49, Boulevard Prince Henri
L-1724 Luxembourg

Headquarter Offices

49, Boulevard Prince Henri
L-1724 Luxembourg

Chemin du Pré-Fleuri 5
CP 165
1228 Plan-les-Ouates
Geneva
Switzerland

Principal Place of Business in Hong Kong

38/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Stock Code

973

Company Website

group.loccitane.com

Audit Committee

Charles Mark Broadley *(Chairman)*
Martial Lopez
Jackson Chik Sum Ng

Remuneration Committee

Pierre Milet *(Chairman)*
Charles Mark Broadley
Silvain Desjonquères

Nomination Committee

Jackson Chik Sum Ng *(Chairman)*
Valérie Bernis
André Hoffmann

Principal Bankers

HSBC France
Groupe Crédit Agricole
- Crédit Agricole CIB
- Le Crédit Lyonnais (LCL)
- Caisse Régionale du Crédit Agricole Mutuel Provence Côte d'Azur

BNP Paribas
Groupe BPCE
- Natixis
- BRED
- CEPAC
- Palatine

Groupe Société Générale
- Société Générale
- Crédit du Nord

CIC

Auditor

PricewaterhouseCoopers

Principal Share Registrar and Transfer Office

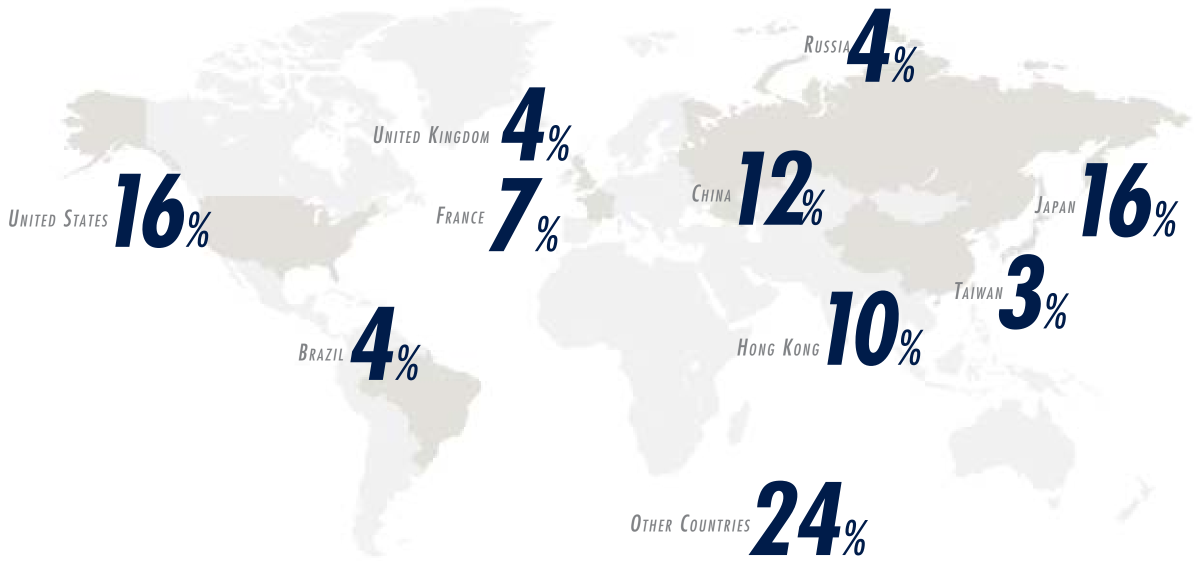
49, Boulevard Prince Henri
L-1724 Luxembourg

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

FINANCIAL HIGHLIGHTS

OUR ACTIVITY WORLDWIDE



* Net sales (%) by geographic areas

OUR STORES WORLDWIDE

* 3,420 retail locations and
1,572 stores operated directly by the group

KEY FINANCIAL HIGHLIGHTS

For the year ended 31 March	***2019***	*2018*
Net sales *(€ million)*	**1,426.9**	1,319.4
Operating profit *(€ million)*	**150.7**	141.0
Profit for the year *(€ million)*	**117.6**	96.5
Gross profit margin	**83.2%**	83.3%
Operating profit margin	**10.6%**	10.7%
Net profit margin	**8.2%**	7.3%
Net operating profit after tax *(€ million)* (NOPAT) (1)	**120.4**	97.1
Capital employed *(€ million)* (2)	**755.4**	641.1
Return on capital employed (ROCE) (3)	**15.9%**	15.1%
Return on equity (ROE) (4)	**11.6%**	10.3%
Current ratio (times) (5)	**2.2**	3.1
Gearing ratio (6)	**29.4%**	6.8%
Average inventory turnover days (7)	**273**	243
Turnover days of trade receivables (8)	**32**	30
Turnover days of trade payables (9)	**203**	188
Total number of own stores (10)	**1,572**	1,555
Profit attributable to equity owners *(€ million)*	**118.2**	96.3
Basic earnings per share *(€)*	**0.081**	0.066

Notes:

(1) (Operating profit + foreign currency net gains or losses) x (1-effective tax rate).
(2) Non-current assets – (deferred tax liabilities + other non-current liabilities) + working capital**.*
** excluded goodwill on Elemis*
*** excluded current financial liabilities to show only working capital relating to operations*
(3) NOPAT/Capital employed.
(4) Net profit attributable to equity owners of the Company/shareholders' equity excluding minority interest.
(5) Current assets/current liabilities.
(6) Total debts/total assets.
(7) Average inventory turnover days equals average inventory divided by cost of sales and multiplied by 365. Average inventory equals the average of net inventory at the beginning and end of a given period.
(8) Turnover days of trade receivable equals average trade receivables divided by net sales and multiplied by 365. Average trade receivables equals the average of net trade receivables at the beginning and end of a given period.
(9) Turnover days of trade payables equals average trade payables divided by cost of sales and multiplied by 365. Average trade payables equals the average of trade payables at the beginning and end of a given period.
(10) L'Occitane en Provence, Melvita, Erborian and L'Occitane Au Brésil branded boutiques and department stores corners directly managed and operated by us.

Disclaimer

The financial information and certain other information presented in a number of tables have been rounded to the nearest whole number or the nearest decimal. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

CHAIRMAN'S STATEMENT

Message from

REINOLD GEIGER

Chairman and Chief Executive Officer

17 June 2019

FY2019 was a milestone year — we introduced the Pulse strategy, launched a hero product that became the bestselling face care product ever, and welcomed another brand, ELEMIS, to the Group. Even as we become a more significant multi-brand beauty group, we will never lose sight of our mission to bring a human approach to beauty and spread a sense of well-being and happiness through experiences and products, while respecting nature and the people from which we draw inspiration.

When looking back a few years from now, I am convinced that FY2019 will have proven to be a milestone year in our re-gearing towards sustainable growth and profitability, namely through the Pulse strategy.

Throughout the year, we focused on empowering teams; executing fundamentals especially in a retail context; adopting an omni-channel, mobile and digital approach; engaging customers; and strengthening brand commitments. I am pleased that we have harvested some early fruits. Despite continued macroeconomic challenges and the need to foster newer brands, we accelerated like-for-like sales growth, maintained profitability, and saw many strands of our development strategy come together. This was the direct result of a collective effort to invest in a disciplined and targeted manner.

This promising outcome was also supported by the rejuvenation of our core L'OCCITANE en Provence brand, such as through the ongoing development and investment in our omni-channels, which now encompass award-winning flagship stores and a powerful e-commerce and marketplace proposition. There has also been a renewed commitment to products, specifically hero products that clearly demonstrate our pivot to face care.

Our ongoing omni-channel focus is still producing great results. Our new experiential flagship store, 555 Fifth Avenue in New York, was named the Retail Design Institute's *2018 Store of the Year*, while our flagship on London's Regent Street won the *2019 Outstanding Store Design* award at the World Retail Awards. A focus on retail fundamentals helped us achieve same store sales growth of close to 2%, a decent outcome given the hit suffered by all retailers in important markets such as Hong Kong, the United Kingdom and France in recent months as a consequence of the trade war, Brexit and the 'yellow vest' protests. Meanwhile, our online channels continue to contribute an increasing share of our total sales.

Behind much of this success has also been innovative marketing campaigns, where we emphasize an authentic and human approach to beauty. We launched several high-impact campaigns throughout the year, including the "Balloon Journey" event in Japan and the brand ambassador campaigns in China, which have integrated our products and proposition of true stories and natural ingredients in the minds and imaginations of our customers. Once again, these targeted investments paid off — our teams managed to increase marketing efficiency, while creating widespread brand exposure.

Strong products remain crucial in strengthening our brand propositions. Our hugely successful *Immortelle Reset* serum was a potent example of the increased standing of our core brand, L'OCCITANE en Provence, in the key face care segment and laid a strong foundation for its ongoing and convincing turnaround. In less than one year, over 800,000 pieces of *Immortelle Reset* serum were sold, and this figure will likely reach 1 million in the coming year. This product, we feel, is just a vanguard of what is to come.

At the same time, our recent acquisition of ELEMIS is set to establish the credibility of our face care segment further. The acquisition also signalled our evolution into a multi-brand group, tasked with delivering unique and genuine experiences to our customers while remaining grounded by common values such as authenticity, sustainability and entrepreneurship.

In the past twelve months, we have empowered our teams by linking growth with profitability through a new incentive plan, encouraging all members of our team to act as entrepreneurs and pairing autonomy with accountability.

This autonomous space for creative freedom and development is a habitat that we also want to extend to all of our brands. In line with our earlier acquisition of LimeLife by Alcone ("LimeLife") in FY2018, ELEMIS' co-founders remain on-board and in control the brand's destiny; in fact, ELEMIS' CEO recently relocated to Hong Kong to spearhead its launch in the Asia-Pacific region. Meanwhile, LimeLife's founding team is playing the leading role in its exciting expansion into markets beyond the United States. We believe this multi-brand approach will underpin the unique proposition and identity of each of our brands while allowing us to seek synergies where possible and appropriate.

All of this has set us up for improved profitability in the coming financial year, which will be further bolstered by the consolidation of ELEMIS sales into our overall revenue.

Some risks, of course, remain. Trade tensions and other political uncertainties could have far-reaching consequences on the global economy and consumer confidence. Yet despite this, I am highly confident that we are on the right path towards sustainable growth, and achieving our goal of becoming the number one natural beauty and well-being company in the affordable premium segment. Thank you for your continued support.

STRONG GLOBAL PRESENCE

555 5th Avenue New York, United States

Shibuya Tokyo, Japan

Regent Street London, United Kingdom

Vegas Crocus City, Moscow, Russia (Erborian)

The House of Elemis, London, United Kingdom (Elemis)

Harbour City, Hong Kong

Champs -Élysées Paris, France

Yorkdale Toronto, Canada

Dresden, Germany

Pátio Higienópolis, São Paulo, Brazil (L'Occitane au Brésil)

Marunouchi, Tokyo, Japan (Melvita)

MANAGEMENT DISCUSSION & ANALYSIS


L'OCCITANE
EAU
WATER
L'OCCITANE
CREAM

MANAGEMENT DISCUSSION & ANALYSIS

Summary:

	FY2019 € million or %	*FY2018 € million or %*
Net sales	**1,426.9**	1,319.4
Operating profit	**150.7**	141.0
Profit for the year	**117.6**	96.5
Gross profit margin	**83.2%**	83.3%
Operating profit margin	**10.6%**	10.7%
Net profit margin	**8.2%**	7.3%
Net cash inflow from operations	**168.7**	170.3

Definitions:

Comparable Stores means existing retail stores which have been opened before the start of the previous financial year, including Company owned ecommerce websites and excluding renovated stores.

Non-comparable Stores & others mean all stores that are not Comparable Stores, i.e. stores opened, closed and renovated during the previous or the current financial period under discussion, together with other sales from marketplaces, mail-orders and services.

Comparable Store Sales means net sales from Comparable Stores during the financial period under discussion. Unless otherwise indicated, discussion of Comparable Store Sales excludes foreign currency translation effects.

Non-comparable Store Sales means net sales from Non-comparable Store Sales during the financial period under discussion. Non-comparable Store Sales also include sales from a limited number of promotional campaigns usually held at temporary common areas of shopping malls. Unless otherwise indicated, discussion of Non-comparable Store Sales excludes foreign currency translation effects.

Same Store Sales Growth represents a comparison between Comparable Store Sales for two financial periods. Unless otherwise indicated, discussion of Same Store Sales Growth excludes foreign currency translation effects.

Overall Growth means the total worldwide net sales growth for the financial period(s) presented excluding foreign currency translation effects.

REVENUE ANALYSIS

The Group's net sales reached €1,426.9 million, representing growth of 8.7% at constant rates for the year ended 31 March 2019. Sales grew 8.1% at reported rates over last year. LimeLife by Alcone ("LimeLife") became a subsidiary of the Group in January 2018 and its sales are consolidated since. On a like-for-like sales basis (excluding LimeLife, Le Couvent des Minimes and at constant currency rates), the overall growth was 4.2%, an improvement from 3.7% last year.

In FY2019, net sales in Sell-out and Sell-in segments (representing 75.4% and 24.6% of total net sales, respectively) increased by 9.4% and 6.5% respectively, excluding foreign currency translation effects. The Company increased the total number of retail locations from 3,285 as at 31 March 2018 to 3,420 as at 31 March 2019, an increase of 135 or 4.1%. The Company maintained its selective global retail expansion and increased the number of its own retail stores from 1,555 as at 31 March 2018 to 1,572 as at 31 March 2019, representing a net increase of 17 own stores or 1.1%. The net own store openings included 9 openings in Asia Pacific, 9 openings in the Americas and 1 closing in EMEA (Europe, Middle East and Africa). The Group had accelerated the expansion of the emerging brands, with net 19 openings, while L'Occitane en Provence had a net closing of 2 locations. At the end of March 2019, the emerging brands had a total of 159 own stores (Melvita: 60, L'Occitane au Brésil: 86 and Erborian: 13).

Sales from Comparable Stores, Non-comparable Stores and others and Sell-in segments grew at constant exchange rates by 1.8%, 26.1% and 6.5% respectively. Geographically, the US, China, Other countries and Hong Kong were the key contributing markets to Overall Growth.

Performance by Business Segment

The following table provides a breakdown of the net sales year-on-year growth (including and excluding foreign currency translation effects as indicated) by business segment for FY2019:

		Year-on-year growth		
	Growth €'000	*Growth %*	*Growth[(2)] %*	*Contribution to Overall Growth[(2)] %*
Sell-out	**87,810**	**8.9**	**9.4**	**81.3**
Comparable Stores	5,871	0.9	1.8	10.7
Non-comparable Stores & others[(1)]	81,939	26.4	26.1	70.6
Sell-in	**19,698**	**5.9**	**6.5**	**18.7**
Overall Growth	**107,508**	**8.1**	**8.7**	**100.0**

(1) *Others include marketplaces, mail-orders, other service and LimeLife sales.*
(2) *Excludes the impact of foreign currency translation effects.*

Sell-out

The Sell-out business segment accounted for 75.4% of the Group's total sales and amounted to €1,075.6 million, an increase of 8.9% as compared to FY2018 and an increase of 9.4% at constant exchange rates. This growth was primarily contributed by other sales, principally LimeLife and marketplaces in China, the US and Korea. Non-comparable stores contributed 9.6% to overall growth, thanks to the net addition of 17 own stores during FY2019. There were net additions of 16 stores in Brazil (8 of which were L'Occitane au Brésil stores), 10 stores in Japan (including 3 for Melvita), 4 stores each in Russia (all for Erborian) and France (3 for Melvita and 1 for Erborian), 2 stores in Hong Kong (1 for Melvita) and 1 store in Taiwan. In the US, 12 net stores were closed as planned. China had 7 net closings (including 4 Melvita stores). Other countries had 1 net closing.

As compared to last year, sales of the Group's Web Sell-out channels (including own E-commerce and marketplaces) grew 11.2% at constant exchange rates, equivalent to 13.9% of the total Sell-out sales. Overall Same Store Sales Growth improved to 1.8%, compared to 1.7% last year and contributed 10.7% to Overall Growth. Major contributing markets were China, Other countries, Brazil and Russia. China posted the highest Same Store Sales Growth rate for the year at 6.9%, followed by Brazil with 5.9% Same Store Sales Growth, with contribution from both L'Occitane en Provence and L'Occitane au Brésil. Russia also posted healthy growth rate at 5.4%.

Sell-in

The Sell-in business segment accounted for 24.6% of the Group's total sales in FY2019 and amounted to €351.3 million, an increase of 5.9% as compared to FY2018 and an increase of 6.5% at constant exchange rates. Sell-in segment contributed 18.7% to Overall Growth. The increase was primarily driven by the dynamic growth in web partner, travel retail and distributor channels of the L'Occitane en Provence brand. Erborian and L'Occitane au Brésil brands also expanded in the segment.

Performance by Brand

The following table presents the net sales and net sales growth (including and excluding foreign currency translation effects as indicated) by brand for the year ended 31 March 2019:

	Sales and % of total sales					
	FY2019		**FY2018**		*Growth*	*Growth*(1)
	€'000	*%*	*€'000*	*%*	*%*	*%*
L'Occitane en Provence	1,247,153	87.4	1,210,610	91.8	3.0	3.5
LimeLife(2)	83,780	5.9	19,119	1.4	338.2	325.6
Other(3)	95,941	6.7	89,637	6.8	7.0	10.8
Total	**1,426,874**	**100.0**	**1,319,366**	**100.0**	**8.1**	**8.7**

(1) Excludes the impact of foreign currency translation effects.
(2) LimeLife sales were consolidated starting January 2018. When comparing the full years of FY2018 (April 2017-March 2018) and FY2019 (April 2018-March 2019), LimeLife USA recorded sales growth of 18.2% in local currency (unaudited).
(3) Others include the emerging brands Melvita, Erborian and L'Occitane au Brésil.

L'Occitane en Provence remains the Group's core brand, accounting for 87.4% of total net sales. Sales growth of the brand in FY2019 was a healthy 3.5% at constant exchange rates, compared with 2.7% in FY2018. Sales momentum strengthened since the launch of the *Immortelle Reset* serum in the third quarter. Key contributing channels were retail, marketplaces, web partners and travel retail. LimeLife's sales were consolidated starting in the final quarter of FY2018. The brand accounted for 5.9% of the Group's total net sales. When comparing the full years of FY2018 (April 2017–March 2018) and FY2019 (April 2018-March 2019), LimeLife USA recorded sales growth of 18.2% (unaudited) in local currency. Other emerging brands altogether accounted for 6.7% of the Group's total net sales and posted 10.8% growth at constant exchange rates. Erborian and L'Occitane au Brésil performed particularly well.

MANAGEMENT DISCUSSION & ANALYSIS

Performance by Geographic Area

The following table presents the net sales growth for FY2019 and contribution to overall sales growth (including and excluding foreign currency translation effects as indicated) by geographic area:

Sales and % of total sales

	FY2019		FY2018		*Growth*	*Growth*	*Growth*[1]	*Contribution to Overall Growth*[1]
	€'000	*%*	*€'000*	*%*	*€'000*	*%*	*%*	*%*
Japan	222,119	15.6	218,932	16.6	3,187	1.5	0.1	0.3
Hong Kong[2]	136,973	9.6	124,584	9.4	12,389	9.9	8.6	9.4
China	178,072	12.5	159,118	12.1	18,954	11.9	12.1	16.8
Taiwan	38,186	2.7	39,433	3.0	(1,247)	(3.2)	(2.7)	(0.9)
France	102,952	7.2	102,177	7.7	775	0.8	0.8	0.7
United Kingdom	60,659	4.3	59,837	4.5	822	1.4	1.5	0.8
United States[3]	232,404	16.3	172,160	13.0	60,244	35.0	31.8	47.7
Brazil	57,589	4.0	60,208	4.6	(2,619)	(4.4)	11.1	5.8
Russia	51,247	3.6	50,493	3.8	754	1.5	12.2	5.4
Other countries[4]	346,673	24.3	332,424	25.2	14,249	4.3	4.9	14.1
All countries	**1,426,874**	**100.0**	**1,319,366**	**100.0**	**107,508**	**8.1**	**8.7**	**100.0**

(1) Excludes the impact of foreign currency translation effects and reflects growth from all business segments, including growth from the own retail store sales.
(2) Includes sales in Macau and to distributors and travel retail customers in Asia.
(3) Growth in the US excluding LimeLife and the impact of foreign currency translation was -2.0%.
(4) Includes sales from Luxembourg.

The following table provides a breakdown, by geographic area, of the number of own retail stores, their contribution percentage to Overall Growth and the Same Store Sales Growth for FY2019 compared to FY2018:

	Own Retail Stores				**% Contribution to Overall Growth**[1][2]			
	FY2019	*Net openings YTD 31 Mar 2019*	*FY2018*	*Net openings YTD 31 Mar 2018*	*Non-comparable Stores*	*Comparable Stores*	*Total Stores*	*Same Store Sales Growth %*[2]
Japan[3]	154	10	144	10	4.1	(0.4)	3.8	(0.3)
Hong Kong[4]	36	2	34	–	(0.5)	(0.6)	(1.1)	(2.6)
China[5]	190	(7)	197	(5)	(0.1)	6.2	6.1	6.9
Taiwan	53	1	52	(4)	(0.3)	(0.4)	(0.7)	(2.7)
France[6]	86	4	82	2	3.6	(0.7)	2.9	(2.1)
United Kingdom	74	–	74	–	(0.8)	(0.0)	(0.8)	(0.1)
United States	184	(12)	196	(11)	(2.6)	(0.0)	(2.6)	(0.0)
Brazil[7]	182	16	166	43	2.1	2.0	4.2	5.9
Russia[8]	107	4	103	(1)	1.6	1.5	3.1	5.4
Other countries[9]	506	(1)	507	7	2.4	3.1	5.5	2.2
All countries[10]	**1,572**	**17**	**1,555**	**41**	**9.6**	**10.7**	**20.3**	**1.8**

(1) Represents percentage of overall net sales growth attributable to Non-comparable Stores, Comparable Stores and Total Stores for the geographic areas and periods indicated.
(2) Excludes foreign currency translation effects.
(3) Includes 33 and 36 Melvita stores as at 31 March 2018 and 31 March 2019 respectively.
(4) Includes 3 L'Occitane stores in Macau and 8 Melvita stores in Hong Kong as at 31 March 2018 and 3 L'Occitane stores in Macau and 9 Melvita stores in Hong Kong as at 31 March 2019.
(5) Includes 7 and 3 Melvita stores as at 31 March 2018 and 31 March 2019 respectively.
(6) Includes 3 Melvita and 1 Erborian stores as at 31 March 2018 and 6 Melvita and 2 Erborian stores as at 31 March 2019.
(7) Includes 78 and 86 L'Occitane au Brésil stores as at 31 March 2018 and 31 March 2019 respectively.
(8) Includes 5 and 9 Erborian stores as at 31 March 2018 and 31 March 2019 respectively.
(9) Include 4 Melvita and 1 Erborian stores as at 31 March 2018 and 6 Melvita and 2 Erborian stores as at 31 March 2019.
(10) Include 55 Melvita, 78 L'Occitane au Brésil and 7 Erborian stores as at 31 March 2018 and 60 Melvita, 86 L'Occitane au Brésil and 13 Erborian stores as at 31 March 2019.

Japan

Japan's net sales for FY2019 were €222.1 million, an increase of 1.5% as compared to FY2018. In local currency, the growth was 0.1%. The flattish performance was due to a sluggish retail market. Nonetheless, retail sales of L'Occitane en Provence grew at a low single-digit rate as compared to last year, thanks to the new stores opened, the large-scale "Balloon Journey" marketing event and successful face care campaigns during the year. The *Immortelle Reset* serum was also well received in the market. Yet overall retail sales were affected by a change in the café business model and the pull-out of QVC. Melvita kept a double-digit growth rate, but was more challenged than last year due to a high base and staffing issues.

Hong Kong

Hong Kong's net sales for FY2019 were €137.0 million, an increase of 9.9% as compared to FY2018. At constant exchange rates, the growth was 8.6%, contributing 9.4% to Overall Growth. Sell-out segment growth was -2.9% at constant exchange rates, with Same Store Sales Growth at -2.6%. Macroeconomic uncertainties continued to erode consumption sentiment, reflected in a marked downturn in the Hong Kong retail market after the first quarter of FY2019, notably in the average ticket value (ATV). Meanwhile, the increase in mainland tourist traffic brought by new infrastructure did not uplift Hong Kong retail sales. However, ATV stabilized towards the end of the year, benefiting from the sustained marketing support for the *Immortelle Reset* serum. Travel retail sales remained strong with mid-teen growth rate. It was particularly dynamic in Korea and the Greater China region.

China

China's net sales for FY2019 were €178.1 million, an increase of 11.9% as compared to FY2018. At constant exchange rates, the growth was 12.1%, contributing 16.8% to Overall Growth. Sales momentum in China was dynamic throughout the whole year. Sell-out sales remained strong even though trading with 7 fewer stores than last year, posting a growth of 9.6% at constant exchange rates, and with Same Store Sales Growth at 6.9%. The marketplace channel continued to drive growth, with impressive performances recorded during key festivals such as Singles' Day, Chinese New Year and Women's Day. Sell-in sales also posted encouraging results, with growth of more than 30.0%, thanks to the launch of JD.com and dynamic B2B sales.

Taiwan

Taiwan's net sales for FY2019 were €38.2 million, a decrease of 3.2% at reported rates or 2.7% at constant exchange rates as compared to FY2018. The retail market remained competitive. The decrease in Sell-out was largely explained by the -2.7% Same Store Sales Growth together with the typhoon hits and poor weather during the summer season. Web sell-out channel, however, recorded double-digit growth, thanks to the revamped own e-commerce platform as well as the development of marketplace.

France

France's net sales for FY2019 were €103.0 million, an increase of 0.8% as compared to FY2018. On a like-for-like basis (excluding Le Couvent des Minimes), growth was 2.3%. Retail shops in Paris had been affected by the ongoing weekend demonstrations since the third quarter of FY2019. Yet Sell-out remained dynamic and posted a growth of 6.9%, thanks to the flagship opened last year and the new stores this year. Wholesale sales of L'Occitane en Provence and Melvita, however, were affected by the closing of non-profitable points and wholesale team change. Erborian brand was well on track and ended the year with double-digit growth.

United Kingdom

United Kingdom's net sales for FY2019 were €60.7 million, an increase of 1.4% as compared to FY2018. At constant exchange rates, the growth was 1.5%. Sales saw improvement towards the end of the year despite an overall declining beauty market environment. Retail remained sluggish, and Same Store Sales Growth was flat. The overall sales growth was driven by successful QVC programmes, the launch of LimeLife and further development of Erborian in wholesale and e-commerce channels.

United States

United States' net sales for FY2019 were €232.4 million, an increase of 35.0% as compared to FY2018. At constant exchange rates, the growth was 31.8%, contributing 47.7% to Overall Growth. LimeLife's sales were consolidated in the final quarter last year. When comparing LimeLife's sales for the full year in FY2018 and FY2019, the unaudited sales growth was 18.2%. For the L'Occitane en Provence brand, after a difficult fourth quarter of the year which was affected by hostile weather and sluggish consumer spending, sales posted a slight decrease for the whole year. The decrease was mainly due to the close of 12 retail stores. Same Store Sales Growth for the year ended flat. For Sell-in channels, wholesale sales decreased as the Group pulled out of Sephora USA, yet the loss of sales was largely covered by web-partnering with Amazon.

Brazil

Brazil's net sales for FY2019 were €57.6 million, a decrease of 4.4% as compared to FY2018. At constant exchange rates, the growth was 11.1%, contributing 5.8% to Overall Growth. Both Sell-out and Sell-in channels recorded double-digit growth. Same Store Sales Growth ended the year at 5.9%. Retail posted good growth in ATV, thanks to the well-accepted *Immortelle Reset* serum and L'Occitane au Brésil's new fragrance range. L'Occitane en Provence posted healthy growth while L'Occitane au Brésil continued the strong momentum throughout the year. L'Occitane au Brésil has 86 stores as at the end of March 2019.

Russia

Russia's net sales for FY2019 were €51.2 million, an increase of 1.5% as compared to FY2018. At constant exchange rates, the growth was 12.2%, contributing 5.4% to Overall Growth. Russia delivered impressive growth for the year, thanks to the healthy Same Store Sales Growth, new stores opened this year and dynamic wholesale and B2B channels. Retail sales of L'Occitane en Provence saw healthy growth with growth in both number of tickets and ATV. Erborian continued its strong performance, propelling Russia to become the second largest market after France. At present, there are 9 Erborian stores in Russia.

Other countries

Other countries' net sales for FY2019 were €346.7 million, an increase of 4.9% at constant exchange rates, contributing 14.1% to Overall Growth. The Sell-out segment grew by 5.9%, mainly contributed by development of LimeLife in a few countries, impressive growth of the marketplace channel in Korea, and a healthy 2.2% Same Store Sales Growth. Malaysia, Canada and Australia contributed most to Overall Growth with dynamic growth rates of 33.0%, 14.5% and 9.4%, respectively.

PROFITABILITY ANALYSIS

Cost of sales and gross profit

Cost of sales increased by 8.6%, or €18.9 million, to €239.9 million in FY2019. The gross profit margin remained high at 83.2%, which slightly decreased by 0.1 point as compared to FY2018, reflecting the following factors:

- reduction in production costs and freight & custom charges for 0.3 points; and
- price increase and product mix effects for 0.1 points.

This improvement in gross profit margin was offset by:

- increase in use of Mini Products & Pouches ("MPPs") & boxes for 0.1 points;
- unfavourable brand mix (mainly from LimeLife) for 0.2 points; and
- other factors and rounding for 0.2 points.

MANAGEMENT DISCUSSION & ANALYSIS

Distribution expenses

Distribution expenses increased by 9.5%, or €60.9 million, to €700.4 million in FY2019. As a percentage to net sales, distribution expenses increased by 0.6 points to 49.1%. The higher cost percentage is attributable to a combination of:

- unfavourable brand mix from LimeLife for 0.6 points;
- investment in compensation and incentives in retail teams and travel retail workforce for 0.4 points;
- investment in large store rental and impairment for cafés for 0.3 points;
- increase in promotional tools and others for 0.2 points; and
- increase in logistics costs in Asia warehouse and in freight costs in Japan for 0.1 points.

This deterioration was partly offset by:

- favourable channel mix for 0.5 points, driven by lower proportion of retail channel and healthy growth in Sell-in channels; and
- lower pre-opening and closing costs this year for 0.5 points.

Marketing expenses

Marketing expenses increased by 3.8%, or €6.8 million, to €186.0 million in FY2019. As a percentage of net sales, marketing expenses decreased by 0.6 points to 13.0% of net sales. The decrease was attributable to:

- favourable brand mix effect for 0.3 points (due to LimeLife for 0.4 points, and partly net off by other brands for 0.1 points);
- lower spending in overall advertising, marketing events and promotional tools for 0.2 points despite increased investment in China; and
- higher leverage of sales for 0.2 points.

This improvement was partly offset by:

- reclassification for 0.1 points.

Research & development expenses

Research and development ("R&D") expenses increased by 1.9%, or €0.3 million, to €17.9 million in FY2019, due mainly to the investments in the new innovation lab, eco-certification, sustainability improvements and dedicated IT System. As a percentage to net sales, R&D expenses remained stable at 1.3%.

General and administrative expenses

General and administrative expenses increased by 7.7%, or €9.5 million, to €132.5 million in FY2019. As a percentage of net sales, general and administrative expenses remained the same at 9.3%, as a result of the following factors:

- higher leverage for 0.2 points in particular from the L'Occitane en Provence brand;
- lower personnel incentive costs due to decrease in bonus, share-based incentives and profit sharing for 0.2 points;
- reclassification and rounding for 0.2 points; and
- favourable exchange rates for 0.1 points.

These improvements were offset by an unfavourable brand mix from LimeLife for 0.6 points and miscellaneous items for 0.1 points.

Other gains and losses

Other gains were €0.6 million in FY2019, being tax credits on research expenditures offset partly by capital losses. In FY2018, net other gains were €1.7 million.

Operating profit

Operating profit increased by 6.9%, or €9.8 million, to €150.7 million. The operating margin reduced by 0.1 points of net sales to 10.6%. The slight decrease is explained by the factors below:

- unfavourable brand mix, mostly LimeLife, for 1.1 points; and
- investment in large stores and beauty advisor wages and incentives for 0.7 points.

The increase in costs was largely offset by the following:

- higher leverage and efficiency for 0.5 points;
- lower store pre-opening costs compared to last year for 0.5 points;
- favourable channel mix for 0.4 points, driven by the decreased share of retail and café which have higher operating costs;
- lower overall and more focused marketing spending for 0.1 points as a result of more efficient use of samples and free products and lower spending in marketing events;
- beneficial price & product mix for 0.1 points; and
- favourable FX impact for 0.1 points.

Finance costs, net

Net finance costs were €3.6 million in FY2019, which consisted of net interest expenses of €3.2 million interest expenses on borrowings netting off interest income on cash balances, and €0.4 million non-cash accrual and adjustments. The increase in net interest expenses was due mainly to lower cash balance and higher bank borrowings on the revolving facilities and term loan from the cash needs at some subsidiaries.

For FY2018, the net finance costs consisted of €0.2 million interest expenses on borrowings netting off interest income on cash balances, and €0.6 million non-cash accrual.

Foreign currency gains/losses

Net foreign currency gains amounted to €1.1 million in FY2019 (FY2018: net losses of €4.2 million) and were composed of €0.4 million realized gains and €0.7 million unrealized gains.

The realized gains were the net result of some gains from financing activities (including a one-off gain in USD hedging), netting off losses generated from the intercompany trade and current accounts settlements during the year, notably in Chinese yuan, Canadian dollar and Hong Kong dollar.

The unrealized gains were the net result of year-end conversion of foreign currency bank accounts,

intercompany trade and financing balances and syndicated loan outstanding amounts into euro. The unrealized gains were largely related to US dollar, Swiss franc, Canadian dollar and Korea won, being partly netted off by unrealized losses in South African rand, Chinese yuan, Mexican peso and Russian ruble.

Income tax expense

The effective tax rate decreased from 29.0% in FY2018 to 20.7% in FY2019, a decrease of 8.3 percentage points due to:

- one-time effects in FY2018, principally explained by the tax reform in the US for 5.5 points;
- favourable country mix effects for 3.2 points;
- favourable exchange rates effect impacting the deferred tax assets related to the intercompany margin elimination in the inventories, for 1.0 points; and
- other effects for 0.8 points.

Such favourable impacts were mitigated by changes in unrecognized deferred tax assets for -2.2 points, essentially explained by the derecognition of certain tax credits in Brazil.

Profit for the year

For the aforementioned reasons, profit for FY2019 was €117.6 million, increased by 21.8% or €21.1 million as compared to FY2018. Basic and diluted earnings per share in FY2019 were €0.081 (FY2018: €0.066), and increased by 22.7%. The numbers of basic and diluted shares used in the calculations of earnings per share in FY2019 were 1,461,052,171 and 1,465,920,934 respectively (FY2018: basic 1,460,682,471 and diluted 1,461,891,614).

BALANCE SHEET AND CASH-FLOW REVIEW

Liquidity and capital resources

As at 31 March 2019, the Group had cash and cash equivalents of €144.4 million as compared to €385.7 million as at 31 March 2018. The reduction was mainly explained by the financing for the Elemis acquisition. As at 31 March 2019, total borrowings, including term loans, revolving facilities, bank borrowings, finance lease liabilities, and current accounts with minority shareholders and related parties, amounted to €577.9 million. As at 31 March 2019, the aggregate amount of undrawn borrowing facilities was €161.9 million.

SUMMARIZED CASH-FLOW STATEMENT

For the year ended 31 March	**2019** **€'000**	*2018* *€'000*
Profit before tax, adjusted for non-cash items	**219,786**	202,111
Changes in working capital	**(33,859)**	1,926
Income tax paid	**(17,240)**	(33,703)
Net cash inflow from operating activities	**168,687**	170,334
Net cash outflow from capital expenditures	**(86,302)**	(92,894)
Free cash flow	**82,385**	77,440
Net cash (outflow) from investment in new ventures	**(814,216)**	(109,834)
Net cash inflow/(outflow) from financing activities	**501,451**	(35,104)
Effect of exchange rate changes	**(10,890)**	459
Net (decrease) in cash, cash equivalents and bank balances	**(241,270)**	(67,039)

Free cash flow generated for the year was €82.4 million, as compared to €77.4 million in FY2018. Net cash outflow from investment in new ventures was €814.2 million, as compared to €109.8 million in last year. The sharp increase this year was mainly explained by the acquisition of Elemis. In FY2019, net cash inflow from financing activities amounted to €501.5 million, as compared to a net cash outflow of €35.1 million in FY2018. The net inflow was largely explained by the increase in borrowing in FY2019, mainly for the financing of Elemis acquisition.

Capital expenditures

Net cash used in capital expenditures was €86.3 million in FY2019, as compared to €92.9 million in FY2018, representing a decrease of €6.6 million. The capital expenditures for FY2019 are primarily related to:

- additions of leasehold improvements, other tangible assets, key moneys and changes in deposits related to stores for €41.8 million;
- additions of machinery and equipment, enhancing production lines for new products, building a new factory in Brazil and improvements in warehouse and offices at subsidiaries for a total of €24.4 million; and
- additions in information technology software, licenses and equipment for €18.6 million, including various projects for CRM, e-commerce, sales and commission systems and upgrade of current systems.

Investment in new ventures

Net cash used in investment in new ventures was €814.2 million in FY2019, as compared to €109.8 million in FY2018, representing an increase of €704.4 million. The investing activities for FY2019 primarily related to the acquisitions of subsidiaries including Elemis and its subsidiaries for a total of €800.5 million.

Financing activities

Financing activities in FY2019 ended with a net cash inflow of €501.5 million (FY2018: outflow of €35.1 million). Net cash inflow during the year mainly reflected the following:

- net inflow from drawings under a term loan and revolving facilities for a total of €489.4 million, mainly for financing the Elemis acquisition;
- transactions with non-controlling interests relating to the sale of 7.7% of Elemis for €61.1 million;

partly offset by the outflows:

- payment of dividend for €43.4 million.

Inventories

The following table sets out a summary of average inventory days for the periods indicated:

	FY2019	FY2018
Average inventory turnover days(1)	**273**	243

(1) Average inventory turnover days equals to average inventory divided by cost of sales and multiplied by 365. Average inventory equals to the average of net inventory at the beginning and end of a given period.

Inventory value increased by 29.6%, or €46.3 million, to €202.8 million as at 31 March 2019. Inventory turnover increased by 30 days as a result of:

- increase in inventory of LimeLife for 17 days, due mainly to anticipation of future sales growth and low inventory last year as a result of stock clearance for rebranding LimeLight to LimeLife;
- inclusion of the inventory of Elemis subsidiaries at year end but no cost of sales consolidated for the year, resulting in an increase of 12 days, including FX impact *(note that the Elemis acquisition was completed in March 2019, so its balance sheet was consolidated to the Group's in FY2019 but not the income statement)*; and
- for the existing brands, the inventory of raw materials, finished goods and MPPs in fact dropped by 7 days, yet the improvement was more than offset by lower inventory provision and rounding for 3 days and unfavourable FX impact for 5 days, ending at a net increase of 1 turnover day.

Trade receivables

The following table sets out a summary of turnover days of trade receivables for the periods indicated:

	FY2019	FY2018
Turnover days of trade receivables(1)	**32**	30

(1) Turnover days of trade receivables equals to average trade receivables divided by net sales and multiplied by 365. Average trade receivables equals to the average of net trade receivables at the beginning and end of a given period.

Turnover days of trade receivables increased by 2 days to 32 days for FY2019 as compared to FY2018. The increase was due mainly to inclusion of Elemis trade receivables without consolidating the corresponding sales for the year.

Trade payables

The following table sets out a summary of average trade payables days for the periods indicated:

	FY2019	FY2018
Turnover days of trade payables (1)	**203**	188

(1) Turnover days of trade payables equals to the average trade payables divided by cost of sales and multiplied by 365. Average trade payables equals to the average of trade payables at the beginning and end of a given period.

The increase in turnover days of trade payables of 15 days was due mainly to inclusion of Elemis' trade payables at year end without consolidating the corresponding cost of sales for the year. Out of the 15 days increase in trade payables turnover, 13 days were from Elemis, and 2 days were from FX impact on the existing brands.

MANAGEMENT DISCUSSION & ANALYSIS

BALANCE SHEET RATIOS

Return on capital employed in FY2019 was 15.9%, improved by 0.8 points as compared to FY2018, as a result of an increase in net operating profit after tax by 24.0% accompanied by an increase of 17.8% in capital employed, excluding the goodwill on Elemis. Note that the acquisition of Elemis was completed in March 2019, its balance sheet items were consolidated at year end; however, its profit and loss items will only be consolidated in FY2020 onwards. Hence the return on capital employed ratio excluded the goodwill on Elemis to avoid distortion. The capital and reserves attributable to the equity owners increased by €86.7 million for the year ended 31 March 2019, due mainly to the profits retained for the year and a lower reserve required for foreign currency translation. Return on equity ratio in FY2019 was 11.6%, increased by 1.3 points as compared to FY2018.

The Group turned from net cash position to net debt position in FY2019 after the loan financing for the Elemis acquisition. The gearing ratio also increased to 29.4% for the same reason.

		FY2019	FY2018
Profitability			
EBITDA	€'000	217,480	201,074
Net operating profit after tax (NOPAT)[1]	€'000	120,421	97,078
Capital employed[2]	€'000	755,397	641,118
Return on capital employed (ROCE)[3]		15.9%	15.1%
Return on equity (ROE)[4]		11.6%	10.3%
Liquidity			
Current ratio (times)[5]		2.2	3.1
Quick ratio (times)[6]		1.4	2.4
Capital adequacy			
Gearing ratio[7]		29.4%	6.8%
Debt to equity ratio[8]		40.0%	Net cash position

(1) (Operating profit + foreign currency net gains or losses) x (1 – effective tax rate)
(2) Non-current assets - (deferred tax liabilities + other non-current liabilities) + working capital***
** excluded goodwill on Elemis*
*** excluded current financial liabilities to show only working capital relating to operations*
(3) NOPAT/capital employed
(4) Net profit attributable to equity owners of the Company/shareholders' equity at year end excluding minority interest
(5) Current assets/current liabilities
(6) (Current assets - inventories)/current liabilities
(7) Total debt/total assets
(8) Net debt/(total assets - total liabilities)

FOREIGN EXCHANGE RISK MANAGEMENT

The Company enters into forward exchange contracts to hedge anticipated transactions, as well as receivables and payables not denominated in its presentation currency, the Euro, for periods consistent with its identified exposures. As at 31 March 2019, the Company had foreign exchange derivatives net liabilities of €0.8 million in the form of forward exchange contracts (in accordance with fair market valuation requirements under IFRS). The notional principal amounts of outstanding forward exchange derivatives as at 31 March 2019 were primarily sale of Hong Kong dollar for an equivalent amount of €22.6 million, Japanese yen for €17.2 million, Chinese yuan for €15.1 million, Great British pound for €3.3 million, Thai baht for €2.6 million, Russian ruble for €2.5 million and Brazilian real for €2.3 million.

DIVIDENDS

At the Board meeting held on 11 June 2018, the Board recommended a gross dividend distribution of €0.0297 per share for a total amount of €43.4 million or 45.0% (as compared to the Group's usual payout of 35.0%) of the net profit attributable to the equity owners of the Company. The amount of the final dividend was based on 1,460,682,471 shares in issue as at 11 June 2018 excluding 16,282,420 treasury shares. The shareholders of the Company (the "Shareholders") approved this dividend at a meeting held on 26 September 2018. The dividend was duly paid on 19 October 2018.

The Group remained solid in generating operating cashflow. In view of the healthy cash position, the Board is pleased to recommend a gross dividend of €0.0297 per share (the "Final Dividend"), same as of FY2018. The total amount of the Final Dividend is €43.4 million.

The Final Dividend is based on 1,461,052,171 shares in issue as at 17 June 2019 excluding 15,912,720 treasury shares.

EVENTS SUBSEQUENT TO THE END OF FINANCIAL YEAR

There are no events subsequent to the end of financial year required to be reported.

MANAGEMENT DISCUSSION & ANALYSIS

STRATEGIC REVIEW

FY2019 was a watershed year for the Group. The year was marked with new management, a new strategy, a new brand, and most importantly, a renewed sense of focus on sustainable growth and profitability.

During the year, the Group enacted its new "Pulse" strategy to achieve long-term growth. The strategy is anchored by five pillars: empowering teams; executing fundamentals especially in a retail context; adopting an omni-channel, mobile and digital approach; engaging customers; and strengthening brand commitments. By focusing on each of these priorities collectively, the Pulse strategy aims to revitalise the Group's future profitability and sustainable growth, while building trust and brand resonance among its customers.

In the first year of implementing the Pulse strategy, the Group has witnessed early results. The Group accelerated sales growth for its namesake brand, L'OCCITANE en Provence, and maintained profitability despite broad macroeconomic uncertainties and the investment in LimeLife's development. In fact, excluding LimeLife, the operating profit margin improved significantly by 0.8 points. This was achieved through a Group-wide effort to invest in a disciplined and targeted manner, and seek efficiency gains.

On top of the initiatives to improve the existing business, the Group also sought to unlock new markets and sales channels through its acquisition of ELEMIS, its largest acquisition to date, extending its efforts to build a leading portfolio of premium beauty brands.

ELEMIS acquisition reinforces multi-brand strategy and skin care positioning

The Group's acquisition of ELEMIS, a global distributor and innovator in the fields of premium beauty and skincare, in January 2019 added a new dimension to its multi-brand strategy. The brand sells directly to consumers through its websites, as well as wholesale to various distribution channels, including digital, retail distribution, QVC, professional spa and maritime — a proposition that both complements and expands the Group's existing omni-channels, as well as its growing skin care positioning. The brand is also very profitable and offers good growth potential beyond its current markets — currently just North America and Europe — especially in the Asia-Pacific.

The Group also strengthened the face care image of its core L'OCCITANE en Provence brand with the highly successful launch of a new hero product, *Immortelle Reset* serum, which supported the brand's stronger sales momentum in FY2019.

All of the Group's other emerging brands — Melvita, Erborian, L'OCCITANE au Brésil and LimeLife — continued to grow well during FY2019, particularly in markets such as Japan, France, Brazil and the U.S.

Despite some short-term challenges towards the end of FY2019, Melvita maintained decent Same Store Sales Growth, supported by the focus on signature beauty oils and floral waters, such as the *Argan Oil* and *Rose Floral Water*, allowing the Group to fully leverage on the brand's high level of repurchases.

Erborian's Korean roots and French flair continued to prove its appeal in western countries. The brand occupies a niche positioning that bridges skin care and makeup, helping it achieve double-digit sales growth and remain profitable for the second year in a row.

Meanwhile, L'OCCITANE au Brésil helped drive overall sales growth for the Group in Brazil during FY2019. Following the launch of a new flagship store in São Paulo, the brand has adopted a new visual brand identity based around a 'Casa Brasileira' concept, which is inspired by the Brazilian approach to creating cosy, simple and hospitable homes. The brand also continued to excite customers with new product launches, supporting its double-digit sales growth.

FY2019 also saw LimeLife expand beyond its home market in the U.S. to new markets including Canada, United Kingdom, France, Italy and Brazil, among others. This expansion was slowed somewhat by recent changes to Facebook's algorithm, which impacted LimeLife's business model that combines online sales with peer-to-peer marketing. Nonetheless, LimeLife continued to grow strongly in the U.S. and the Group remains convinced about the brand's global growth potential.

Record-breaking hero product launch supports the sales momentum of L'OCCITANE en Provence

The Group continued to boost the performance of its core brand, L'OCCITANE en Provence, through its 'hero product' strategy, which involves undertaking fewer, but larger scale product launches synchronised across countries and sales channels. At the centre of this was the hugely successful launch of the *Immortelle Reset* serum, with over 800,000 units being sold globally throughout FY2019, making it the Group's best-ever selling face care product.

Most importantly, the launch of *Immortelle Reset* delivered on the main objective of the 'hero product' strategy, namely to recruit and bridge, with many customers going on to purchase products in other categories. The product launch also greatly improved the association between L'OCCITANE en Provence and face care, another key objective.

Given the fantastic success of the new product, the Group is planning new hero product launches to reinforce its positioning in skin care. It will also continue to balance these with novelty product launches and timeless bestsellers to keep the L'OCCITANE en Provence brand fresh while maximising sales traffic and loyalty.

Engaging customers through content creation and collaborations

The Group bolstered its performance in key markets with targeted and innovative marketing campaigns. In culturally diverse countries such as the U.S., the Group's marketing revolved around content creation, such as the highly successful *#NoFilterNeeded* campaign for its SPF cream lines, including the *Immortelle Divine Light Cream* and *Immortelle Precious Light Cream*. The campaign featured the faces and unique stories of ten actual North American employees, celebrating women who live their lives unfiltered.

In the Greater China region, including its key travel retail channels, the Group combined the use of aspirational Chinese celebrities, Lu Han and Liu Shishi, and a 360-degree marketing campaign to greatly improve its brand exposure and relevance with target audiences. Through the use of eye-catching and relevant marketing campaigns, China kept its place as one of the fastest-growing markets for the Group with 12% overall growth and close to 30% growth in web sell-out channels.

The Group also continued to work closely with beauty bloggers and vloggers, as well as with social media platforms including WeChat in China, Kakao Talk in South Korea and Line in Japan, to reach different streams of customers.

Memorable omni-channel customer experiences provide a path to purchases

The Group continued to invest in memorable online and offline customer experiences that offer a convenient and seamless path-to-purchase. Throughout FY2019, the Group unveiled unique retail concepts for L'OCCITANE en Provence in key cities such as New York, Tokyo and Singapore, such as new café concepts, interactive VR experiences and art installations, among other innovations, establishing the Group's flagship stores as must-visit destinations within the world's premier shopping districts.

The Group continued to invest in its own e-commerce websites, as well as online platforms particularly in China where the Group opened an official store on JD.com, one of the country's biggest e-commerce sites — driving further sales in this key market. In FY2019, sales of the Group's web sell-out channels grew by 11.2% at constant rates, equivalent to 13.9% of total sell-out sales.

A highly efficient organisation that is investing in the future

One of the main aims of the Pulse strategy is to create an internal entrepreneurial culture, tying incentives to growth and profitability while empowering teams to make decisions based on their local expertise. The Group is also supporting entrepreneurship in other ways with the launch of OBRATORI, a start-up studio in Marseille, France in FY2019. Encouraging new concepts, ideas, products, services and brands, OBRATORI is targeting start-ups in the cosmetics and well-being sectors, as well as those seeking to digitalise retail solutions.

In FY2019, the Group rolled out a new "ship from store" initiative (i.e. to ship web orders from stores) in Western Europe. The Group's extensive store network allows it to map the most efficient route, thereby offering same day delivery and the flexibility to choose a specific two-hour delivery timeslot. Through this omni-channel service, the Group improved customer experience and lowered logistics costs. In the coming year, the Group plans to extend this enhanced service to other countries in Western Europe and North America.

Meanwhile, the Asian Central Distribution Centre opened in FY2018 began to operate at full speed, delivering its first savings and enhanced service to distributors and subsidiaries in the region. The Group also commenced operations at its new factory in Brazil for the L'OCCITANE au Brésil brand, delivering better production efficiency and tax advantages in that market.

Sustainability makes business and branding sense

The Group remains highly committed to meeting its ambitious goals for plastic use, biodiversity, fair trade, craftsmanship, eyesight, and women empowerment, driven by a deep passion and respect for nature that has been part of its DNA for more than 40 years.

In FY2019, the Group sought to better signal this commitment with specific initiatives, such as entering into a multi-year supply agreement with Loop Industries as part of its transition to 100% sustainable PET plastic packaging by 2025. As part of its movement towards this goal, the Group also recently signed the Ellen MacArthur Foundation's New Plastics Economy Global Commitment, further cementing its commitment to reduce plastic pollution and promote a circular economy.

For more information on the Group's social responsibility and environmental sustainability, please refer to its annual 'Environmental, Social and Governance' report.

OUTLOOK

The Group now operates as a multi-brand entity, where unique brand identities are celebrated and common values shared — respecting nature, creating authentic and genuine experiences, promoting entrepreneurship, and bringing a human approach to beauty. The Group encourages its brands to stay agile and autonomous, yet synergies are also being identified and capitalized.

With the material improvements delivered by the core L'OCCITANE en Provence brand, combined with the largely accretive consolidation of ELEMIS, the Group expects to see enhanced profitability in FY2020 and beyond.

The Group is also looking forward to its upcoming product launches — part of its ongoing hero product strategy — that will continue to energise its brands and underpin its sustainable growth, including an *Immortelle Reset* eye serum, a premium 86 Champs-Élysées fragrance, and a new hair care range.

Despite the ongoing risk to consumer sentiment posed by macroeconomic developments, the Group is confident the steps it has taken to improve its fundamentals, prioritise an omni-channel approach and empower its teams will safeguard its future profitability and ability to deliver value to its shareholders.


L'OCCITANE
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CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board reviews its corporate governance practices regularly in order to meet the rising expectations of its Shareholders, to comply with the increasingly stringent regulatory requirements and to fulfill its commitment to excellence in corporate governance. The Board is committed to maintaining a high standard of corporate governance practices and business ethics in the firm belief that they are essential for maintaining Shareholders' returns.

As set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), "The Corporate Governance Code and Corporate Governance Report" (the "CG Code"), there are two levels of corporate governance practices, namely: code provisions that a listed company must comply with or explain its non-compliance, and recommended best practices that a listed company is encouraged to comply with but need not disclose in the case of non-compliance.

On 17 June 2014, the Board adopted its own corporate governance manual which is based on the principles, provisions and practices set out in the CG Code; this is available on the Company's website group.loccitane.com. Please select "Governance" under "Investors".

DEVIATIONS FROM THE CODE

The Company has complied with all of the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules throughout FY2019 save as disclosed below:

Code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The role of the Chief Executive Officer ("CEO") of the Group has been assumed by Mr. Reinold Geiger ("Mr. Geiger"), the Chairman of the Board. This deviation is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a CEO and it provides the Group with strong and consistent leadership. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises highly experienced individuals. There are four independent non-executive Directors in the Board. All of them possess adequate independence and therefore the Board considers the Company has achieved balance and provided sufficient protection of its interests. Moreover, Mr. Geiger is not a member of any of the committees (Audit Committee, Nomination Committee, and Remuneration Committee) and each committee is composed of a majority of independent non-executive Directors. Nevertheless, the Board will regularly review the management structure to ensure that it meets the business development requirements of the Group.

Furthermore, Mr. Geiger is supported by the Group Managing Director, Mr. Silvain Desjonquères ("Mr. Desjonquères"), appointed on 25 April 2018. Mr. Geiger is responsible to the Board and focuses on Group strategies and Board issues, ensuring a cohesive working relationship between members of the Board and management. Mr. André Hoffmann ("Mr. Hoffmann"), Vice-Chairman of the Board, works closely with Mr. Geiger on all important Board issues. Mr. Hoffmann and Mr. Desjonquères have full executive responsibilities in the business directions and operational efficiency of the business units under their respective responsibilities and are accountable to Mr. Geiger.

Code provision F.1.3 of the CG Code provides that the company secretary should report to the Chairman and CEO.

Mr. Karl Guénard ("Mr. Guénard"), company secretary of the Company, is based in Luxembourg and reports to Mr. Thomas Levilion ("Mr. Levilion"), an Executive Director and the Group's Deputy General Manager whose primary responsibility is to oversee the Group's finance functions worldwide. The Company believes this is appropriate because both Mr. Guénard and Mr. Levilion work closely together on a day-to-day basis including dealing with matters relating to corporate governance and other Board-related matters.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by the Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct for dealing in the securities of the Company by the Directors. Having made specific enquiry of all Directors, they have confirmed that they have complied with the Model Code during the year ended 31 March 2019 ("Review Period").

BOARD OF DIRECTORS

The Board is responsible for long term development and strategy as well as controlling and evaluating the Company's daily operations. In addition, the Board has appointed a Chairman who is responsible for ensuring that the Board receives regular reports regarding the Group's business development, its results, financial position and liquidity and events of importance to the Group. Directors are elected for a period of three years, but can serve any number of consecutive terms.

The duties of the Board are partly exercised through its three committees:

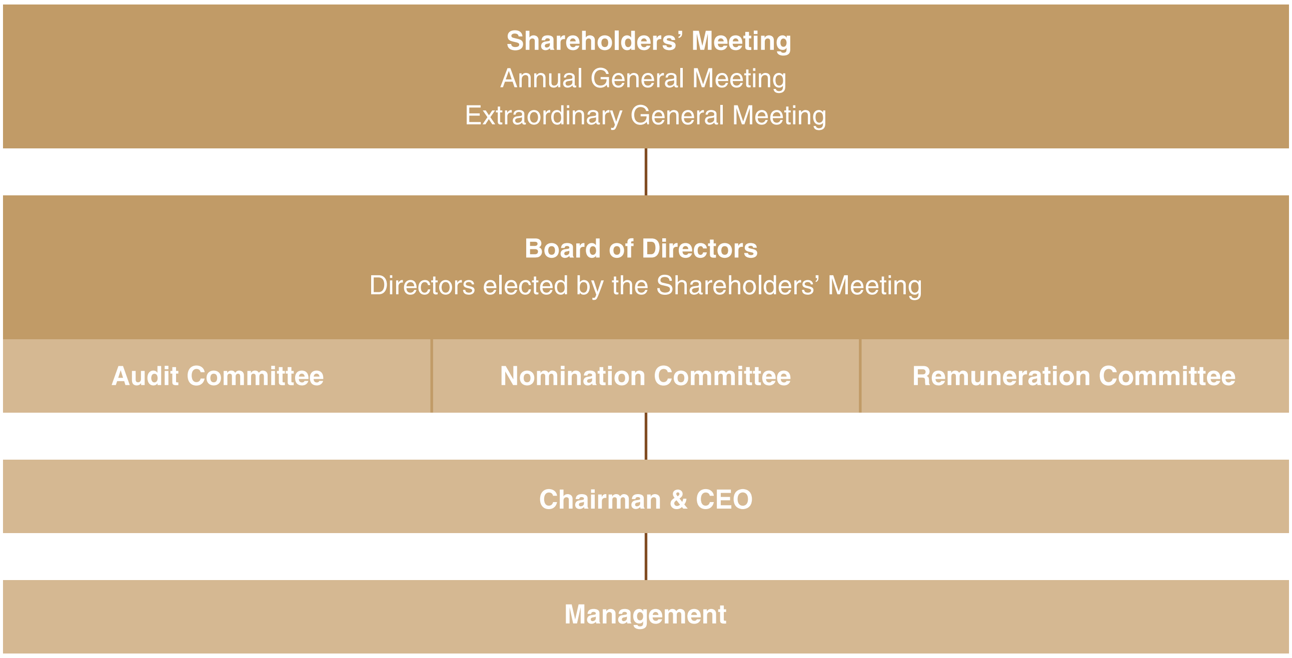
— the Audit Committee

— the Nomination Committee

— the Remuneration Committee

The Board appoints each of the committee members from amongst the Board members. The Board and each committee have the right to engage external expertise either in general or in respect to specific matters, if deemed appropriate.

Corporate Governance Structure



Composition of the Board

The Board consists of ten Directors, comprising five executive Directors ("ED"), one non-executive Director ("NED") and four independent non-executive Directors ("INED"). All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director are set out on pages 54 to 59 of this Annual Report.

Board Diversity Policy

1. *Objective*

The Nomination Committee (the "Committee") was constituted as a committee of the board of directors (the "Board") of L'OCCITANE INTERNATIONAL S.A. (the "Company"). The Committee has the delegated authority of the Board in respect of the functions and powers set out in these terms of reference. Under its terms of reference, the Committee shall identify candidates who are qualified or suitable to become a member of the board of director and make recommendations to the Board on the selection of candidates nominated for directorships.

This policy (the "Policy") sets out the approach to achieve diversity on the Board.

2. *Vision and Policy Statement*

The Company recognizes the benefits of board diversity and supports the principle that diversity can strengthen the performance of the Board, promote effective decision-making and better corporate governance and monitoring.

The Company believes that a diverse board will include and make good use of the difference in skills, experience and background, geographical and industry experience, ethnicity, gender, knowledge and length of service and other qualities of the members of the Board. These differences will be considered in determining the optimum composition of the Board and all Board appointments will be based on merit, having due regard to the overall effective function of the Board as a whole. The purpose of the Policy aims to achieve diversity on the Board including but not limited to genders, age, cultural and educational backgrounds, ethnicities, professional experience, skills, knowledge and lengths of service.

The Committee reviews and assesses the composition of the Board and makes recommendation to the Board on the appointment of new Directors. The Committee will also review the structure, size and diversity of the Board annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy. In identifying suitable candidates for appointment to the Board, the Committee will take into consideration the Company's business models and specific needs. Selection of candidates will be based on a range of diversity criteria and perspectives. The Committee will consider the balance of skills, experience, independence and knowledge of the Board and the diversity representation of the Board, how the Board works together as a unit, and other factors relevant to its effectiveness.

3. *Measurable Objectives*

The Committee will discuss and agree annually the relevant measurable objectives for achieving diversity on the Board and make recommendations to the Board for adoption. The ultimate decision will be based on merit against objective criteria and with due regard for the benefits of diversity on the Board.

4. *Review and Monitor of this Policy*

The Committee will monitor the implementation of the Policy and report to the Board on the achievement of the measurable objectives for achieving diversity under this Policy.

The Committee will review the Policy, as appropriate, and make recommendations on any required changes to the Board for consideration and approval.

Directors' Attendance at Board, Board Committee and General Meetings

The following is the attendance record of Directors at the Board, Board committee and general meetings held during FY2019:

		Attendance:				
Name	**Category**	**Board Meeting**	**Audit Committee Meeting**	**Nomination Committee Meeting**	**Remuneration Committee Meeting**	**General Meeting**
		Meeting Attended/ Eligible to Attend	Meeting Attended/ Eligible to Attend	Meeting Attended/ Eligible to Attend	Meeting Attended/ Eligible to Attend	Meeting Attended/ Eligible to Attend
Reinold Geiger	ED	10/12				1/1
André Hoffmann	ED	12/12		2/2		0/1
Silvain Desjonquères	ED	7/7				
Thomas Levilion	ED	12/12				1/1
Karl Guénard	ED	11/12				1/1
Martial Lopez	NED	12/12	4/4			0/1
Mark Broadley	INED	11/12	4/4		1/1	0/1
Jackson Ng	INED	12/12	4/4	2/2		0/1
Valérie Bernis	INED	11/12	2/2		0/1	
Pierre Milet	INED	11/12			1/1	0/1

Note:

(1) Mr. Silvain Desjonquères was appointed as an ED on 26 September 2018.

Minutes of the Board meetings are kept by the Company Secretary; all Directors have a right to access board papers and related materials and are provided with adequate information in a timely manner; this enables the Board to make informed decisions on matters placed before it.

Responsibilities of the Board

The Board is responsible for:

— Reviewing and approving the strategic direction of the Group established by the EDs in conjunction with the management;

— Reviewing and approving objectives, strategies and business development plans;

— Monitoring the performance of the CEO and the senior management;

— Assuming responsibility for corporate governance; and

— Reviewing the effectiveness of the internal control system of the Group.

Responsibilities of the Senior Management

The senior management under the leadership of the CEO is responsible for:

— Formulating strategies and business development plans, submitting to the Board for approval, and implementing such strategies and business development plans thereafter;

— Submitting annual budgets to the Board on regular basis;

— Reviewing salary increment proposals and remuneration policy and submitting to the Board for approval; and

— Assisting the Board in conducting the review of the effectiveness of the internal control systems of the Group.

CORPORATE GOVERNANCE REPORT

Company Secretary

Ms. Ming Wai Mok ("Ms. Mok"), a former director of TMF Hong Kong Limited, was appointed as joint company secretary on 24 March 2016. Ms. Mok resigned as the joint company secretary of the Company with effect from 19 October 2018.

Mr. Karl Guénard was appointed as joint company secretary on 1 September 2013. He is located in Luxembourg. Following Ms. Mok's resignation, Mr. Karl Guénard, the other joint company secretary of the Company who has met the qualification of a company secretary as required under Rule 3.28 of the Listing Rules, has remained in office as the sole company secretary of the Company.

Mr. Karl Guénard has complied with the company secretary training requirements under Rule 3.29 of the Listing Rules.

NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The NED has his term of appointment coming to an end of three years after his appointment to the Board, subject to re-election at the end of his three-year term.

The four INEDs are of high experience, with academic and professional qualifications in the field of accounting, finance or marketing. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. They have his/her term of appointment coming to an end of three years after his/her appointment to the Board, subject to re-election at the end of his/her three-year term. Each INED gives an annual confirmation of his/her independence to the Company and the Company considers each of them to be independent. They all fulfill the criteria of independence under Rule 3.13 of the Listing Rules.

INDUCTION AND ONGOING DEVELOPMENT

Newly appointed Directors receive an induction course to ensure their understanding of the Company's business and their awareness of a Director's responsibilities and obligations. Each member of the Board attended training on corporate governance, regulatory developments and other relevant topics during FY2019 and is frequently updated on developments in the statutory and regulatory regime and the business environment to assist in the discharge of their responsibilities.

COMMITTEES

As an integral part of good corporate governance, the Board has established audit, nomination and remuneration committees, each of which has adopted terms of reference.

To respect an amendment of the Listing Rules, terms of reference of the Audit Committee and Nomination Committees were amended and uploaded on the HKEX website and the Company's website on 8 February 2019.

During FY2019, each committee met and carried out its duties in accordance with its terms of reference. The authorities, functions, composition and duties of each committee are set out below:

Audit Committee

The Audit Committee has three members, Mr. Mark Broadley (Chairman), Mr. Jackson Ng and Mr. Martial Lopez. Mr. Martial Lopez is a NED, and the other two members are INEDs.

In compliance with Rule 3.21 of the Listing Rules, at least one member of the Audit Committee possesses appropriate professional qualifications in accounting or related financial management expertise in discharging the responsibilities of the Audit Committee.

All members have sufficient experience in reviewing audited financial statements as aided by the auditor of the Group whenever required.

The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the Group's financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

The following is a summary of the work performed by the Audit Committee during FY2019:

i. Review of the report from the auditor on the audit of the final results of the Group for FY2018;

ii. Review of the draft financial statements of the Group for FY2018;

iii. Review of the draft results announcement and annual report of the Group for FY2018;

iv. Review of the audit fees payable to the external auditor for FY2018;

v. Review of the external auditor's independence and transmission of a recommendation to the Board for the re-appointment of the external auditor at the forthcoming annual general meeting ("AGM");

vi. Review of the draft results announcement and interim report of the Group for the period ended 30 September 2018;

vii. Review of the financial statements for the period ended 31 December 2018;

viii. Review of the internal control system including the internal audit results analysis and the internal audit plan for 2018–2019, and report to the Board;

ix. Review of the Listing Rules modification affecting the Group in order to monitor appropriate corporate governance and oversaw the implementation of the Company's corporate governance manual. Under its terms of reference, the Audit Committee oversees the Company's corporate governance.

There have been four meetings of the Audit Committee during the Review Period: two of them were held prior to the publication of the financial reports (annual report and interim report) and two other meetings were specific to the internal control and corporate governance of the Company.

Nomination Committee

The terms of reference of the Nomination Committee were amended on 8 February 2019 to comply with the provisions set out in the CG Code and with the amended Listing Rules. The Nomination Committee has three members, who are Mr. Jackson Ng (Chairman), Mr. André Hoffmann and Mrs. Valérie Bernis. Mr. André Hoffmann is an ED, and the other two members are INEDs. The primary function of the Nomination Committee is to make recommendations to the Board on the appointment and removal of Directors, respecting the following Nomination Policy:

Objective

The Nomination Committee (the "Committee") was constituted as a committee of the board of directors (the "Board") of L'OCCITANE INTERNATIONAL S.A. (the "Company"). The Committee has the delegated authority of the Board in respect of the functions and powers set out in these terms of reference. Under its terms of reference, the Committee shall identify candidates who are qualified or suitable to become a member of the Board and make recommendations to the Board on the selection of candidates nominated for directorships.

Nomination Selection Criteria

(a) The Committee is authorized by the Board to determine the nomination of directors, the procedure, process and criteria to be adopted for the purposes of selecting and recommending candidates for directorship, and shall make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular, the chairman and the chief executive officer.

(b) When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Committee shall consider a variety of factors including without limitation the following in assessing the suitability of the proposed candidate:

- the skills required on the Board at that particular time;
- the relevant diversity considerations under its diversity policy ("Diversity Policy"), including but not limited to gender, age, cultural educational and professional background, skills, knowledge and experience;
- the candidate's personal and professional integrity, professional accomplishment, competencies, experience, skills and reputation in the industry, relevance for the Board;
- the nature of existing positions and relationships including Board positions that may impact the potential candidate's ability to exercise independent judgment or present any potential conflicts of interest;
- the number of existing directorships held by the potential candidate, and in particular on the boards of listed companies, as well as other commitments that may demand the potential candidate's attention;
- in case of independent non-executive director, compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules; and
- any other relevant factors as may be determined by the Committee or the Board from time to time.

(c) Non-executive director will receive a formal letter of appointment on his/her appointment to the Board.

Nomination Procedures

(a) The secretary of the Committee shall invite nominations of candidates from Board members if any, for consideration by the Committee. The Committee may also put forward candidates who are not nominated by Board members.

(b) Proposed candidate will be asked to submit the necessary personal information, together with his/her written consent to be appointed as a director and to the public disclosure of his/her personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a director.

(c) The selected candidates would generally be interviewed by the Committee with a view to identifying the right candidate for recommendation to the Board. The Committee shall require the candidates to expressly disclose the nature and extent of other activities or appointments which may give rise to conflict of interests. It shall consider any actual or potential conflicts of interest of a director and report any conflict decisions to the Board and attend to annual review of the directors' conflicts of interest.

(d) Following the interview, the Committee shall make its recommendations to the Board (and ultimately to the shareholders where required) having regard to the Committee's terms of reference. The Committee shall also give consideration to laws and regulations of all applicable jurisdictions and regulators in connection with the appointments to the Board. It is authorised by the Board to engage independent professional advisers and have access to such resources as it may consider appropriate.

(e) The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

(f) Any director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his/her appointment and be subject to re-election at such meeting, and any director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

(g) A shareholder of the Company can serve a notice to the Company within the lodgment period of its intention to propose a resolution to elect a certain person as a director. Details of the procedure has been set out in the "Procedure for Shareholders to Propose a Person for Election as a Director of the Company" published by the Company from time to time.

(h) A new Director would undergo a Board induction (in line with approved induction process of the Board) as soon as possible and preferably before their first Board meeting.

Review and Monitor of this Policy

(a) The Committee shall review the structure, size, composition (including skills, knowledge and experience) of the Board on a regular basis at least annually and diversity of the Board to ensure that it has a balance of expertise, skills and experience and diversity of perspective appropriate to the requirements for the business of the Company.

(b) The Committee shall keep under review the leadership needs of the Company, both executive and non-executive, with a view to ensuring the continued ability of the Company to complete effectively in the marketplace.

(c) The Committee shall keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates.

Regarding the proposal of nomination of Mr. Silvain Desjonquères as ED and of re-election of Mr. Reinold Geiger, Mr. André Hoffmann and Mr. Karl Guénard as EDs and the proposal of re-election of Mr. Martial Lopez as NED at the FY2018 AGM, two Nomination Committee meetings were held during FY 2019.

Remuneration Committee

The terms of reference of the Remuneration Committee were amended on 29 March 2012 to comply with the provisions set out in the CG Code. The Remuneration Committee has three members, who are Mr. Pierre Milet (Chairman), Mr. Mark Broadley, and Mr. Silvain Desjonquères (since 23 October 2018). Mr. Silvain Desjonquères is an ED, and the other two members are INEDs.

The primary duties of the Remuneration Committee are to evaluate the performance of and make recommendations to the Board on the remuneration packages of the Directors and senior management and evaluate and make recommendations to the Board on employee benefit arrangements.

The following is a summary of the work performed by the Remuneration Committee during FY2019:

i. Review of the repartition and cost of the Long Term Incentive Plan 2016 (stock options and free share plans).

ii. Review of the repartition and cost of the Long Term Incentive Plan 2018 (free share plan).

iii. Consideration of a share (stock options and free shares) and bonus plan with recommendation to the Board for general guidelines.

iv. Review of the Directors' and senior management's compensation, with recommendation to the Board for approval.

There has been one meeting of the Remuneration Committee during the Review Period.

The following is a general description of the emolument policy and long term incentive schemes of the Group as well as the basis of determining the emoluments payable to the Directors:

i. The remuneration of the Directors is determined by the Board which receives recommendations from the Remuneration Committee. Under our current compensation arrangements, the EDs receive compensation in the form of salaries, bonus subject to performance and share-based payments. One of the EDs receives service fees. The NED and all the INEDs receive Directors' fees.

ii. The remuneration the Directors have received (including fees, salaries, discretionary bonus, share based payments, housing and other allowances, service fees and other benefits in kind) for FY2019 was approximately €3,463,000. The aggregate amount of fees, salaries, discretionary bonus, share-based payments, housing and other allowances, and other benefits in kind paid to the five highest paid individuals of the Group, including certain Directors, for FY2019 was approximately €3,646,000.

We have not paid any remuneration to the Directors or the five highest paid individuals as inducement to join or upon joining us as a compensation for loss of office in respect of FY2019. Further, none of the Directors has waived any remuneration during the same period.

AUDITOR'S REMUNERATION

The fees in relation to the audit and related services for FY2019 provided by PricewaterhouseCoopers, the external auditor of the Company, amounted to approximately €1,290,000 and €405,000 respectively. There were no non-audit services provided by the auditor during the year.

	€'000
Annual audit and interim review services	1,290
Audit related services	405
TOTAL	1,695

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges that it holds responsibility for:

— Overseeing the preparation of the financial statements of the Group with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group; and

— Selecting suitable accounting policies and applying the selected accounting policies consistently with the support of reasonable and prudent judgment and estimates.

The Board ensures the timely publication of the financial statements of the Group.

The management provides explanations and information to the Board to enable it to make an informed assessment of the financial and other information to be approved.

The Board endeavours to ensure a balanced, clear and understandable assessment of the Group's position and prospects to extend the Group's financial reporting including annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as information required to be disclosed pursuant to statutory requirements and applicable accounting standards.

The statement of the auditors of the Company about its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 78 to 82 of this Annual Report.

The Board is responsible for keeping proper accounting records, for safeguarding the assets of the Company and the Group and for taking reasonable steps for the prevention of fraud and other irregularities.

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board places great importance on internal controls and is responsible for establishing and maintaining adequate internal controls over the Group's financial reporting and assessing the overall effectiveness of those internal controls.

The Internal Audit Department provides an independent review of the adequacy and the effectiveness of the risk management and internal control systems. The audit plan is discussed and agreed every year with the Audit Committee. In addition to its agreed annual schedule of work, the Internal Audit Department conducts other special reviews as required. Internal Audit reports are sent to relevant Directors, external auditors and management of the audited entity. Moreover, summary reports of each audit are sent to all members of the Audit Committee.

The system of risk management and internal control is designed to provide reasonable assurance against human errors, material misstatements, losses, damages, or fraud, and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives. During FY2019, the internal control deviations were addressed effectively and action plans implemented to reduce the risks. The Audit Committee was satisfied that appropriate actions were undertaken and the overall risk management and internal control systems have functioned effectively as intended.

The Board has conducted a review of the effectiveness of the Group's risk management and internal control systems and considers that they are effective and adequate as a whole. The Board further considers that there were no issues relating to the material controls and risk management functions of the Group.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy"). According to the Dividend Policy, in considering the proposal and declaring dividends, the Board shall take into account the following factors of the Group:

- financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans;
- interests of shareholders;
- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

For the avoidance of any doubt and as outlined above, there can be no assurance that dividends will be paid in any particular amount for any given period.

In addition, any final dividend for a financial year will be subject to shareholders' approval.

INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS

The Company attaches great importance to communication with Shareholders. To this end, a number of means are used to promote greater understanding and dialogue with the investment community. The Company holds group meetings with analysts in connection with the Company's annual and interim results. In addition, designated senior executives maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's development, subject to compliance with the applicable laws and regulations, including the two results announcements. In addition, the Directors also made presentations and held group meetings with investors at investor forums in Hong Kong and overseas.

Further, the Company's website, group.loccitane.com, contains an investors section which offers timely access to the Company's press releases, other business information and information on the Company's corporate governance structure and practices. For efficient communication with Shareholders and in the interest of environmental preservation, Shareholders are encouraged to refer to the Company's corporate communications on the Company's website.

No significant changes have been made to the Company's constitutional documents during the year under review.

SHAREHOLDERS' RIGHTS

Procedure for Shareholders to convene a General Meeting

Any one or more Shareholder(s) who together hold not less than 5 per cent of the paid-up capital that carries the right to vote at general meetings may convene a general meeting by depositing a written request signed by such Shareholders and addressed to the attention of the Company's Company Secretary at the registered office of the Company in Luxembourg or at the principal place of business of the Company in Hong Kong, the addresses of which are set below.

Such request must specify the objects of the meeting. If the Board does not within two calendar days from the date of deposit of the request proceed duly to convene the meeting to be held within a further 28 calendar days, the Shareholders signing the request (or any of them representing more than one-half of the total voting rights of all Shareholders signing the request) may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board. No general meeting convened by request of the Shareholders may be held later than three months after the date of deposit of the request.

Procedure for Shareholders to make enquiries to the Board

Shareholders may make enquiries to the Board in writing by sending such enquiries to the attention of the Company's Company Secretary at the registered office of the Company in Luxembourg or at the principal place of business of the Company in Hong Kong, the addresses of which are set out below. The Company Secretary will forward enquiries to the Chairman for consideration.

In addition, Shareholders in attendance at any general meeting of the Company may make enquiries at such meeting to the Chairman of the Board, the chairman of the various Board committees, or to other Directors in attendance at such meeting.

Procedure for Shareholders to put forward proposals at General Meetings

Upon a written request by (i) one or more Shareholder(s) representing not less than 2.5 per cent of the total voting rights of all Shareholders who at the date of such request have a right to vote at the meeting to which the request relates, or (ii) not less than 50 Shareholders holding shares in the Company on which there has been paid up an average sum, per Shareholder, of not less than HKD2,000, the Company shall, at the expense of the Shareholders making the request, (a) give to Shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may be properly moved and is intended to be moved at that meeting, and (b) circulate to Shareholders entitled to receive notice of any general meeting a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with in the meeting.

Such request must be signed by all the Shareholders making the request (or two or more copies between them containing the signatures of all the Shareholders making the request) and deposited at the registered office of the Company in Luxembourg or at the principal place of business of the Company in Hong Kong, the addresses of which are set below.

Such request must be deposited (i) not less than six weeks before the meeting in question in the case of a request proposing that a resolution be adopted at the meeting, and (ii) not less than one week before the meeting in the case of any request that does not propose that a resolution be adopted at the meeting.

In addition, one or more Shareholder(s) who together hold at least 10 per cent of the Company's issued and outstanding shares may request that one or more additional items be put on the agenda of any general meeting. Such request must be sent to the registered office of the Company in Luxembourg by registered mail not less than five days before the meeting.

Except pursuant to the procedures described above, a Shareholder may not make a motion at a general meeting.

Procedure for election to the office of Director upon Shareholder proposal

A Shareholder who intends to propose a candidate for election to the office of Director shall provide the Company's Company Secretary at the registered office of the Company in Luxembourg or at the principal place of business of the Company in Hong Kong, the addresses of which are set below, with a written notice reflecting his intention to propose a person for election to the office of Director.

The notice shall be delivered by the Shareholder at the registered office of the Company in Luxembourg or at the principal place of business of the Company in Hong Kong, the addresses of which are set out below, during a period commencing no earlier than the day after the dispatch of the convening notice of the meeting scheduled for such election and ending not later than seven days prior to the date of such meeting. Such notice must be delivered by a Shareholder (not being the person proposed) who is entitled to attend and vote at the meeting. In addition, the candidate proposed for election shall deliver to the Company's Company Secretary at the registered office of the Company in Luxembourg or at the principal place of business of the Company in Hong Kong, the addresses of which are set below, a signed written notice reflecting his willingness to be elected as Director.

In accordance with Article 10.1 of the articles of association of the Company (the "Articles of Association"), the appointment of the Director will be made by way of a shareholders' general meeting of the Company and by ordinary resolution adopted at a simple majority of the votes cast.

Environmental, Social and Governance (ESG) Report

To answer to its ambition, the Group has developed a sustainable policy and since the financial year ended 31 March 2011, the Group has been establishing an annual ESG report. This report with philanthropy and sustainable sourcing reports are accessible on the website of the Company on the following address: group.loccitane.com, under the section of "investors/financial information/reports". This report will follow the recommendation of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") especially Appendix 27 of the Listing Rules. Consequently KPIs have been identified and progress indicators will be put in place in the coming financial years.

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L-1724 Luxembourg

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Causeway Bay
Hong Kong


L'OCCITANE
MASQUE PURIFIANT
PURIFYING MASK
L'OCCITANE
ECLAT

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board is responsible for and has general powers over the management and conduct of the Company's business. The table below shows certain information in respect of the Board:

Name	***Age***	***Position***
Reinold Geiger	71	Executive Director, Chairman and Chief Executive Officer
André Hoffmann	63	Executive Director and Vice-Chairman
Silvain Desjonquères	52	Executive Director and Group Managing Director
Thomas Levilion	59	Executive Director and Group Deputy General Manager, Finance and Administration
Karl Guénard	52	Executive Director and Company Secretary
Martial Lopez	59	Non-Executive Director
Valérie Bernis	60	Independent Non-Executive Director
Charles Mark Broadley	55	Independent Non-Executive Director
Pierre Milet	76	Independent Non-Executive Director
Jackson Chik Sum Ng	58	Independent Non-Executive Director

Reinold Geiger
Executive Director,
Chairman and
Chief Executive Officer

Mr. Reinold Geiger was appointed as an executive Director with effect from 22 December 2000 and is the Company's Chairman and Chief Executive Officer. Mr. Geiger is primarily responsible for the Group's overall strategic planning and the management of the Group's business. Mr. Geiger joined the Group in 1996 as Chairman and controlling shareholder. Mr. Geiger is a director and managing director ("administrateur délégué") of the Company, L'Occitane Groupe S.A. ("LOG") and LOG Investment S.A. ("LOGI"), president of L'Occitane Innovation LAB SAS, a member of the board of directors or managers of LimeLife Co-Invest Sarl, L'Occitane (Suisse) S.A., L'Occitane Australia Pty. Ltd., L'Occitane Japon K.K. and L'Occitane Russia. He is also the chairman of L'Occitane Inc. and L'Occitane LLC and the president of the Fondation d'entreprise L'Occitane. Since joining L'Occitane, Mr. Geiger has developed the Group from a largely domestic operation based in France to an international business. He has spent time travelling to the Group's worldwide locations in order to implement this growth strategy, where he has established the Group's subsidiaries and strong relationships with the local management. In June 2008, Mr. Geiger was awarded the accolade of "INSEAD entrepreneur of the year" for his international development strategy of the Group. Mr. Geiger began his career at the American Machine and Foundry Company in 1970. In 1972 he left to start his own business, and was involved in the distribution of machinery used in the processing of rubber and plastic, which he sold in 1978. Mr. Geiger then established and developed AMS Packaging SA, which specialised in packaging for the high end perfumes and cosmetics market. This company was floated on the Paris stock exchange in 1987 and Mr. Geiger left the company entirely in 1990. Between 1991 and 1995, he worked for a packaging company with operations primarily based in France and developed it into an international business. Mr. Geiger graduated from the Swiss Federal Institute of Technology in Zürich, Switzerland with a degree in engineering in 1969 and from INSEAD in Fontainebleu, France with a master's degree in business administration in 1976.

DIRECTORS AND SENIOR MANAGEMENT

André Hoffmann
Executive Director and Vice-Chairman

Mr. André Hoffmann was appointed as an executive Director with effect from 2 May 2001 and was further appointed as Vice-Chairman with effect from 19 April 2016 and is also a director of LOG and LOGI. Mr. Hoffmann is primarily responsible for the Group's strategic planning. He was previously in charge of the Group's business in Asia-Pacific between June 1995 and December 2017 as Managing Director, Asia Pacific. Mr. Hoffmann is the chairman of L'Occitane Trading (Shanghai) Limited, L'Occitane (Far East) Limited, L'Occitane (Korea) Limited and L'Occitane Taiwan Limited. He is also a director of L'Occitane Singapore Pte. Limited, L'Occitane Australia Pty. Limited, L'Occitane Japon K.K., L'Occitane (China) Limited and L'Occitane (Macau) Limited. He has over 30 years' experience in the retail and distribution of cosmetics, luxury products and fashion in Asia-Pacific. He is a director of Pacifique Agencies (Far East) Limited, which was a joint venture partner with the Company for the distribution of L'Occitane products in the Asia-Pacific region between 1995 and 2004. Between 1979 and 1986, Mr. Hoffmann worked in various sales management roles at the GA Pacific Group, a business specialising in the investment and management of retailing, wholesaling, trading, manufacturing and distribution operations and the hotel and tourism trade in Asia-Pacific. Mr. Hoffmann graduated from the University of California at Berkeley, USA in 1978 with a bachelor of arts degree in economics.

Silvain Desjonquères
Executive Director and Group Managing Director

Mr. Silvain Desjonquères is the Group Managing Director, responsible for the overall management of the Company. Mr. Desjonquères joined the Group in April 2018. He has over 28 years of experience in Fast Moving Consumer Goods ("FMCG"), prêt-à-porter, retail and e-commerce sectors, and has held senior positions in marketing, consulting and as Chief Executive Officer in international companies. Before joining the Company, Mr. Desjonquères worked as an independent investor, administrator and advisor. Prior to that, he was the president and chief executive officer of Redcats USA (now FullBeauty Brands) from 2010 to 2014, leading a successful digital transformation and reviving growth. Between 2002 and 2009, Mr. Desjonquères worked at La Halle, Vivarte Group, where he joined as chief marketing officer, and moved on to become the chief merchandising officer and lastly the chief executive officer. He also worked at L'Oreal Group as Marketing Vice President, Latin America. Mr. Desjonquères holds a Master's degree in Business Administration and General Management from the ESSEC Business School Paris. Mr. Desjonquères has also been actively involved in a number of charitable or social organisations, including "Action Against Hunger, USA" and "Kinomé — forest & life".

Thomas Levilion
Executive Director and Group Deputy General Manager, Finance and Administration

Mr. Thomas Levilion was appointed as an executive Director with effect from 30 September 2008 and is the Group Deputy General Manager, Finance and Administration. He is primarily responsible for the Group's finance functions worldwide. Mr. Levilion joined the Group in March 2008 and is the managing director ("administrateur délégué") of the Company. Furthermore, he is a manager (a "gérant") of M&L Distribution S.à.r.l. as well as the President of Verveina SAS. Between 1988 and 2007, Mr. Levilion worked at Salomon S.A., which was a subsidiary of Adidas AG and was subsequently acquired by the Amer Sports Corporation, where he was the controller and the VP controller and subsequently the chief financial officer. During this time he gained experience in global supply chains, turn-arounds, re-engineering of organisations and mergers and acquisitions. He has a master's degree in business administration from the Ecole des Hautes Etudes Commerciales in Paris, France, where he majored in finance, and a postgraduate degree in scientific decision making methods from the University of Paris-Dauphine, France.

Karl Guénard
Executive Director and Company Secretary

Mr. Karl Guénard was a non-executive Director of the Group from 30 June 2003. Mr. Guénard joined the Group in September 2013. Since 1 September 2013, he has been an executive Director and Company Secretary of the Group, he also has been further member of the board of directors or managers of LOG, LOGI, LOI Participations and LimeLife Co-Invest Sàrl. Between 2000 and 2013, Mr. Guénard worked at Edmond de Rothschild Group, where he was a senior vice president of the Banque Privée Edmond de Rothschild Europe and responsible for the financial and engineering department. Between 1998 and 2000, he was a manager of the financial engineering department at Banque de Gestion Privée Luxembourg (a subsidiary of Crédit Agricole Indosuez Luxembourg). Prior to this, between 1993 and 1998, Mr. Guénard was a funds and corporate auditor. Mr. Guénard is a chartered accountant. He holds a master's degree in economics and management sciences from the University of Strasbourg, France.

DIRECTORS AND SENIOR MANAGEMENT

Martial Lopez
Non-Executive Director

Mr. Martial Lopez was appointed as a non-executive Director with effect from 30 September 2009 and is a consultant of the Group. Prior to that, Mr. Lopez had been an executive Director since 22 December 2000. Mr. Lopez takes care of specific finance projects. Mr. Lopez joined the Group in April 2000 as our Group's chief financial officer and was promoted to senior vice president in charge of audit and development in 2008 before he became a consultant of the Group. Mr. Lopez gained over 15 years' audit experience prior to joining the Group. He spent three years at Ankaoua & Grabli in Paris, France and 12 years at Befec-Price Waterhouse in Marseille, France as a senior manager. Between 1996 and 1998, he was the senior manager in charge of Price Waterhouse, Marseille until the merger between Price Waterhouse and Coopers & Lybrand. Mr. Lopez graduated from the Montpellier Business School ("Ecole Supérieure de Commerce") in France in 1983 and holds a diploma in accounting and finance ("Diplôme d'Etudes Supérieures Comptables et Financières").

Valérie Bernis
Independent Non-Executive Director

Mrs. Valérie Bernis was appointed as an independent non-executive Director with effect from 28 November 2012. She was responsible for Public Relations and Press for French Prime Minister Edouard Balladur (1993–95) (after being a member of his team when he was Minister of the Economy, Finance and Privatization (1986–88)). In 1988, she became Executive Vice President — Communications of Cerus, part of the De Benedetti Group. In 1996 she joined Compagnie de SUEZ as Executive Vice President — Communications, then in 1999, she became Executive Vice-President Financial and Corporate Communications and Sustainable Development. During the same period, she served for 5 years as Chairman and CEO of Paris Première, an iconic French TV channel. From 2001 until May 2016, Mrs. Bernis was an Executive Vice-President of GDF SUEZ (recently renamed as Engie), in charge of Marketing and Communications. She was also the Vice-President of the Engie's Foundation. She is a Member of the boards of Suez Environnement Company (since 2008), L'Arop (since 2013), and Atos (since 2015). She is Officier de l'Ordre National de la Légion d'Honneur (2011), Commandeur de l'Ordre National du Mérite (2016) and Chevalier des Palmes académiques et des Arts et Lettres. Mrs. Bernis graduated from Paris Institut Supérieur de Gestion (ISG) in 1982.

Charles Mark Broadley
Independent Non-Executive Director

Mr. Charles Mark Broadley was appointed as an independent non-executive Director with effect from 30 September 2008. He started his career in Investment Banking in Europe and Asia before becoming the Finance Director of The Hong Kong & Shanghai Hotels. Subsequently, he founded a private equity business focused on the hotel sector and is now an active investor in a number of businesses. Mr. Broadley graduated in law from Cambridge University, England.

Pierre Milet
Independent Non-Executive Director

Mr. Pierre Milet has been appointed as an independent non-executive Director with effect from 29 January 2013. Mr. Milet was a member of the executive board and a managing director of Clarins from 1988 until 10 March 2010. On 8 February 2010, Mr. Milet was appointed the deputy managing director of Financière FC, the holding company of Clarins and as the representative of Financière FC, in its capacity as a member of the supervisory board of Clarins. Clarins is a French cosmetics company that was listed on the Paris Stock Exchange from 1984 to 2008, and is now a privately owned company controlled by the Courtin-Clarins family and is no longer listed on any stock exchange. He also served as company secretary of Clarins from 1983 to 1988 when he was appointed the corporate chief financial officer of Clarins. In these capacities, Mr. Milet oversaw all accounting and financial aspects of the Clarins Group's business, as well as negotiated acquisitions and joint ventures. Mr. Milet also has substantial experience in the cosmetics industry gained partly from experience at Max Factor, serving successively as the chief financial officer and president of their French subsidiary from 1975 to 1982. Mr. Milet has a master's degree in business administration from Ecole des Hautes Etudes Commerciales (France) where he majored in finance.

Mr. Milet was a non-executive Director from 25 January 2010 until 27 November 2012, when he resigned to create a casual vacancy which enabled the Board to appoint Mrs. Bernis as an independent non-executive Director. Mr. Milet was initially appointed as a non-executive Director because of his extensive experience in the cosmetic sector. At the time of his initial appointment to the Board, he was designated a non-executive Director and not an independent non-executive Director due to his connections with Clarins and their substantial shareholding in the Company. From August 2011, Clarins ceased to be a shareholder of the Company and also ceased all commercial relationships with the Company. Mr. Milet has also ceased acting in the majority of his roles in connection with the Clarins Group. For this reason he has been appointed as an independent non-executive Director and both the Board and the Nomination Committee have confirmed that they believe he is independent of the Company. Other than in relation to his past role on the Board, Mr. Milet fulfils all of the indicative criteria of independence set out in Rule 3.13 of the Listing Rules.

Jackson Chik Sum Ng
Independent Non-Executive Director

Mr. Jackson Chik Sum Ng was appointed as an independent non-executive Director with effect from 25 January 2010. Mr. Ng has extensive experience in accounting and financial management. He was previously the chief financial officer of Modern Terminals Limited. Mr. Ng previously worked at Coopers & Lybrand and also served as the group financial controller of Lam Soon Group, as the finance director of East Asia of Allergan Inc., a United States pharmaceutical company. Mr. Ng is a fellow of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Ng was a non-executive director of Tradelink Electronic Commerce Limited and was an independent non-executive director of Computech Holdings Limited. He holds a master of science degree in Finance from the Chinese University of Hong Kong and a master's degree in business administration from the Hong Kong University of Science and Technology.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Alain Buzzacaro

Mr. Alain Buzzacaro, aged 49, is the Group Chief Technology Officer. Mr. Buzzacaro joined the Group in January 2019, overseeing the Group's information technology function, including sell-out & digital ecosystem, core IT systems, data capabilities, infrastructure and infosec. He has over 25 years of solid experience in software engineering and deployed successfully Agile methodologies. He previously held senior positions at OCTO Technologies, France Télévisions, LesFurets.com, and Bureau Veritas. Mr. Buzzacaro holds a bachelor degree of science in computer science from INSA Engineer school of Toulouse, France.

Adrien Geiger

Mr. Adrien Geiger, aged 34, is the L'Occitane en Provence Global Brand Director. Mr. Geiger joined the Group in 2014 as Product Manager, and progressed to Digital Director shortly after. He was then Global Brand Director, in charge of marketing strategy, customer experience and revamping the e-commerce website of L'Occitane en Provence. Before joining the Group, Mr. Geiger worked for Électricité de France, a French energy group, for 3 years. Mr. Geiger graduated from the University of Oxford, UK with a degree in engineering and from the Wharton School in Pennsylvania, USA with an MBA in digital marketing. Adrien is the son of Mr. Reinold Geiger, Chairman of the Group, and brother of Mr. Nicolas Geiger, President of L'Occitane Japan.

Nicolas Geiger

Mr. Nicolas Geiger, aged 38, is the President of L'Occitane Japan. Mr. Geiger joined the Group in 2011 as Marketing and Retail Director in Brazil and was then promoted to Managing Director of Brazil in 2014. Nicolas continues to be in charge of the development of the L'Occitane au Brésil brand. Mr. Geiger holds a Master's degree in Engineering, Economics and Management from the University of Oxford, UK and an MBA from INSEAD. Nicolas is the son of Mr. Reinold Geiger, Chairman of the Group, and brother of Mr. Adrien Geiger, L'Occitane en Provence Global Brand Director.

Lorenzo Giacomoni

Mr. Lorenzo Giacomoni, aged 50, is the Group Operations Vice President. Mr. Giacomoni joined the Group in October 2012, overseeing the Group's supply chain, including demand planning, stock management, order to delivery, warehousing and distribution, indirect procurement as well as the Group's information technology function. He has over 20 years of solid experience in FMCG and beauty sectors, and previously held senior positions in supply chain at SC Johnson Wax, Beiersdorf, Reckitt & Colman and Coty. Mr. Giacomoni holds a master's degree in industrial technology engineering from the University of Milan, Italy.

Jean-François Gonidec

Mr. Jean-François Gonidec, aged 62, is the Group's Deputy General Manager principally in charge of supply chain management. From January 2014, he is a "General Manager" ("Directeur Général") of Laboratoires M&L. Mr. Gonidec joined the Group in March 2009 and has extensive experience in project management and in managing a production plant and its supply chain. In addition, he has also assumed responsibilities as financial controller in the course of his career. After having worked in different functions and for different legal entities of the Danone Group during a period of 18 years, he gained further experience at other organisations including the Group Madrange between March 2007 and February 2009 and at Pierre Fabre Dermo Cosmétique between March 2001 and February 2007. Mr. Gonidec graduated from INSA LYON with a degree in engineering in 1981.

Marcin Jerzy Jasiak

Mr. Marcin Jerzy Jasiak, aged 52, holds both Polish and Swiss nationality. He is the President of Greater Europe Area, including Western, Central and Eastern Europe and Russia. Mr. Jasiak manages also the Group's B-to-B and export divisions. Mr. Jasiak joined the Group in March 2003 as a director for export in Geneva and subsequently became the managing director of STREAM region, and President of Greater Europe Business Unit in 2019. Prior to joining the Group, Mr. Jasiak was a consultant at KPMG specializing in due diligence and audit. He joined Procter & Gamble, Inc. in 1993 where he worked at different marketing positions in Poland, Germany and Switzerland. Mr. Jasiak graduated from the University of Warsaw, Poland with two master's degrees, in English Philology and management and marketing, and from the University of Illinois at Urbana-Champaign, USA with a master's degree in business administration. Mr. Jasiak is based in Geneva, Switzerland.

Lina Ly-Dutron

Ms. Lina Ly-Dutron, aged 47, is the Group's Managing Director for Asia Pacific. Ms. Ly-Dutron recently joined the Group in January 2018. She has about 20 years of experience in Asia, starting her career as Brand Manager for Sanofi China, followed by 2 years as Chief Representative of Bluebell to set up their office in China. In 2002, she started her career in luxury beauty as General Manager for Chanel's Cosmetic Division in China. From 2008 to 2017, Ms. Ly-Dutron held various management positions at L'Oréal Group; first as Division Manager for Lancôme in Travel Retail Asia Pacific, then General Manager of L'Oreal Luxe Division Hong Kong and lastly as General Manager of Decleor & Carita in the USA. Ms. Ly-Dutron holds a Masters Degree from the Lincoln International Business School and a D.E.S.S. from the Sorbonne, as well as a Bachelor Degree in Chinese language and civilization from the Institut National Des Langues et Civilisations Orientales in Paris.

Armelle Saint-Raymond

Mrs. Armelle Saint-Raymond, aged 52, is the Group Human Resources Vice President. Mrs. Saint-Raymond joined the Group in January 2018. She has over 25 years of experience in the human resources field, having held senior Human Resources positions in different divisions of French cosmetics group, Groupe Rocher, and at US industrial group, 3M. Mrs. Saint-Raymond graduated from École supérieure de commerce de Lille with Human Resources specialization, and from CELSA Sorbonne University with a Master's degree in Human Resources Management. She also obtained qualifications in Coaching by Transformance and in Neuro-Linguistic Programming.

"THE DIRECTORS SUBMIT THEIR REPORT TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2019."

PRINCIPAL ACTIVITIES

The Company is a global, natural and organic ingredient-based cosmetics and well-being products enterprise with strong regional roots in Provence. The Company is committed to bringing products of the highest quality under the L'Occitane brand to its customers around the world. The Company designs, manufactures and markets a wide range of cosmetics and well-being products based on natural and organic ingredients sourced principally from or near Provence.

An analysis of the Group's performance for FY2019 by operating segments is set out in note 5 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the Management Discussion & Analysis on pages 12 to 33 of this Annual Report. Description of possible risks and uncertainties that the Group may be facing can be found in the Chairman's Statement on pages 6 to 7 of this Annual Report. Also, the financial risk management objectives and policies of the Group can be found in Note 2.13 to the consolidated financial statements. Particulars of important events if any affecting the Group that have occurred since the end of the financial year ended 31 March 2019 are provided in Note 32 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Balance Sheet and cash-flow review on pages 25 to 27 of this Annual Report. In addition, discussions on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Chairman's Statement on page 6 and Corporate Governance Report on page 36 and in this Directors' Report on page 62 and in the ESG report available on the Group's corporate website in due course.

DIRECTORS' REPORT

RESULTS AND DIVIDENDS

The results of the Group for FY2019 are set out in the Consolidated Statements of Income on page 83 of this Annual Report.

The Board recommends a final dividend of €0.0297 per Share. The payment shall be made in Euros, except that payment to Shareholders whose names appear on the register of members in Hong Kong shall be paid in Hong Kong dollars. The relevant exchange rate will be the opening buying telegraphic transfer rate of Hong Kong dollars to Euros as announced by the Hong Kong Association of Banks (www.hkab.org.hk) on the day of the approval of the dividend.

The final dividend will be subject to approval by the Shareholders at the forthcoming AGM to be held on 25 September 2019. The record date to determine which Shareholders will be eligible to attend and vote at the forthcoming AGM will be on 25 September 2019. The register of members of the Company will be closed from Friday, 20 September 2019 to Wednesday, 25 September 2019, both days inclusive, during which period no share transfers can be registered. All transfers accompanied by the relevant share certificate(s) must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited ("Computershare"), at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 19 September 2019.

Subject to the Shareholders approving the recommended final dividend at the forthcoming AGM, such dividend will be payable on Friday, 18 October 2019 to Shareholders whose names appear on the register of members on Tuesday, 8 October 2019. To determine eligibility for the final dividend, the register of members will be closed from Wednesday, 2 October 2019 to Tuesday, 8 October 2019, both days inclusive, during which period no share transfers can be registered. In order to be entitled to receive the final dividend, all transfers accompanied by the relevant share certificate(s) must be lodged with Computershare, not later than 4:30 p.m. on Monday, 30 September 2019.

The final dividend will be paid after retention of the appropriate withholding tax under Luxembourg Laws. In the circular containing the notice convening the AGM, Shareholders will be provided with detailed information about procedures for reclaiming all or part of the withholding tax in accordance with the provisions of the double tax treaty between Luxembourg and Hong Kong.

FIVE YEARS FINANCIAL SUMMARY

The five years financial summary of the Group is set out on page 184 of this Annual Report.

DISTRIBUTABLE RESERVES

As at 31 March 2019, the Company's reserves available for distribution to Shareholders in accordance with the Articles of Association as adopted on 15 April 2010 and last amended on 30 September 2014 amounted to approximately €642,114,240.

DONATIONS

Charitable and other donations made by the Group during FY2019 amounted to €1,661,886.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Grand-Duchy of Luxembourg.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During FY2019, the Company transferred out of treasury a total of 369,700 Shares held in treasury pursuant to the employees' free share plan of the Company. The Company held 15,912,720 shares in treasury on 31 March 2019. Save as disclosed above, neither the Company nor its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during FY2019.

On 4 October 2013, the Hong Kong Stock Exchange granted a conditional waiver (the "Waiver") to the Company in respect of Rule 10.06(5) of the Listing Rules to allow it, following any repurchase of Shares, to elect to hold its own Shares in treasury instead of automatically cancelling such Shares. As a consequence of such Waiver, the Hong Kong Stock Exchange has agreed certain consequential modifications to other Listing Rules applicable to the Company.

Shares held in treasury may subsequently be sold for cash, transferred pursuant to an employees' share scheme or cancelled.

Full details of the Waiver and the conditions attached thereto were set out in the announcement issued by the Company on 4 November 2013 and can be found on the Company's website at group.loccitane.com and on the Hong Kong Stock Exchange's website at www.hkexnews.hk.

DIRECTORS' REPORT

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 March 2019 are set out in note 33 to the consolidated financial statements.

DIRECTORS

The Directors of the Company during FY2019 and up to the date of this Annual Report were:

Executive Directors

Mr. Reinold Geiger
(Chairman and Chief Executive Officer)
(appointed on 22 December 2000)
Mr. André Hoffmann
(appointed on 2 May 2001 and further appointed as Vice-Chairman on 19 April 2016)
Mr. Silvain Desjonquères
(appointed on 26 September 2018)
Mr. Thomas Levilion
(appointed on 30 September 2008)
Mr. Karl Guénard
(appointed on 30 June 2003 as Non-Executive Director and designated as Executive Director on 1 September 2013)

Non-Executive Director

Mr. Martial Lopez
(appointed on 22 December 2000 and designated as Non-Executive Director on 30 September 2009)

Independent Non-executive Directors

Mr. Charles Mark Broadley
(appointed on 30 September 2008)
Mr. Jackson Chik Sum Ng
(appointed on 25 January 2010)
Mrs. Valérie Bernis
(appointed on 28 November 2012)
Mr. Pierre Milet
(appointed on 29 January 2013)

In accordance with code provision A.4.2 as set out in Appendix 14 of the Listing Rules, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. In addition, all Directors appointed to fill a casual vacancy should be subject to election by Shareholders at the first general meeting after their appointment. In accordance with Article 10.1 of the Articles of Association, the Directors shall be elected by the Shareholders at a general meeting, which shall determine their number and term of office. The term of office of a Director shall be not more than three years, upon the expiry of which each shall be eligible for re-election.

BIOGRAPHICAL INFORMATION OF DIRECTORS

Brief biographical information of the Directors are set out in the "Directors and Senior Management" section on pages 54 to 59 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has or is proposed to have a service contract with any member of the Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, none of the Directors had any interests in a business which competes, either directly, or indirectly, with the business of the Company or the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2019, the following Directors or chief executive of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) (i) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provision of the SFO), (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or (iii) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code:

(a) Interests in the shares of the Company

Name of Director	Capacity and Nature of Interest	Number of Shares/ underlying Shares held or controlled	Approximate % of Shareholding (Note 2)
Reinold Geiger (Note 1)	Interest in controlled corporation, beneficial Interest and deemed Interest	1,095,993,322 (long position)	74.21%
André Hoffmann	Beneficial interest	2,877,461 (long position)	0.19%
Thomas Levilion	Beneficial interest	1,945,300 (long position)	0.13%
Karl Guénard	Beneficial interest	354,400 (long position)	0.02%
Jackson Chik Sum Ng	Beneficial interest	80,000 (long position)	0.01%
Martial Lopez	Beneficial interest	60,000 (long position)	0.00%
Pierre Milet	Beneficial interest	50,000 (long position)	0.00%

Notes:

(1) *Mr. Reinold Geiger is the ultimate beneficial owner of 1,148,750 Shares and of the entire issued share capital of Cime S.C.A. which in turn has 100% interest in Société d'Investissements CIME S.A. ("CIME"), which in turn has beneficial interest and deemed interest in approximately 75.63% of the entire issued share capital of LOG (being beneficial owner of 10,947,137 shares, having deemed interest in 655,722 treasury Shares being held by LOG and directly in 253 shares). Mr. Reinold Geiger is therefore deemed under the SFO to be interested in all the shares registered in the name of LOG, which holds 1,078,549,641 Shares and controls 15,912,720 treasury shares held by the Company. Mr. Geiger also has a beneficial interest in shares under option (382,211 underlying Shares). See details in Share Option Plan section.*

(2) *Based on guidance received from the SFC, the disclosure of interest calculations shown in the table above have been calculated on the basis of the Company's total issued share capital including 15,912,720 Shares that are held in treasury and do not have voting rights whilst they are held in treasury.*

(b) Interests in the shares of the associated corporations

Long Position in the shares of LOG

Name of Director	Capacity and Nature of Interest	Number of Shares/ underlying Shares held or controlled	Approximate % of Shareholding (Note 2)
Reinold Geiger	Beneficial interest and deemed interest	11,603,112 (Note 1)	75.63%
André Hoffmann	Beneficial interest and deemed interest	2,868,676	18.70%
Silvain Desjonquères	Beneficial interest	27,700	0.18%
Thomas Levilion	Beneficial interest	25,887	0.17%
Martial Lopez	Beneficial interest	12,800	0.08%
Karl Guénard	Beneficial interest	8,509	0.06%

Notes:

(1) Comprised of 253 shares held by Mr. Reinold Geiger, 10,947,137 shares held by CIME and 655,722 treasury shares held by LOG. Mr. Geiger is the ultimate beneficial owner of the entire issued share capital of CIME; Mr. Geiger is therefore deemed under the SFO to be interested in all the shares in LOG held by CIME. As ultimate controlling shareholder of LOG, Mr. Geiger is also deemed to be interested in the treasury shares being held by LOG.

(2) The approximate percentage shareholdings in the share capital of LOG are calculated on the basis of the total number of 15,341,954 shares issued, inclusive of 655,722 treasury shares held by LOG.

Save as disclosed herein, as at 31 March 2019, none of the Directors and chief executive of the Company, or any of their spouses, or children under 18 years of age, had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations recorded in the register required to be kept by the Company under section 352 of the SFO or required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

INTERESTS IN THE SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS

As at 31 March 2019, the register of substantial Shareholders maintained under section 336 of the SFO showed that the Company had been notified of the following substantial Shareholders' interests or short positions, other than a Director or chief executive of the Company, in the Shares or underlying Shares:

Name of Shareholders	Capacity and Nature of Interest	Number of Shares/ underlying Shares held or controlled	Approximate % of Shareholding (Note 3)
Cime Management Sarl	Interest in controlled corporation and deemed interest	1,094,462,361 (long position) (Note 1)	74.10%
Cime S.C.A.	Interest in controlled corporation and deemed interest	1,094,462,361 (long position) (Note 1)	74.10%
Société d'Investissements CIME S.A.	Interest in controlled corporation and deemed interest	1,094,462,361 (long position) (Note 1)	74.10%
LOG	Interest in controlled corporation and deemed interest	1,094,462,361 (long position) (Note 1)	74.10%
ACATIS Investment Kapitalverwaltungsgesellschaft mbH	Executor or administrator	89,223,750 (long position) (Note 2)	6.04%

Notes:

(1) Each of Cime Management SARL (indirectly) and Cime S.C.A (directly) has 100% interest in shareholding of CIME and CIME has an interest in approximately 75.63% of the total issued share capital of LOG (being beneficial owner of 10,947,137 shares and having deemed interest in 655,722 treasury shares being directly or indirectly held by LOG). Cime S.C.A. is the controlling corporation of CIME and CIME is the controlling corporation of LOG and Cime S.C.A. and CIME are therefore deemed under the SFO to be interested in all the 1,078,549,641 Shares held by LOG. As suggested by SFC, being the controlling corporations of the Company, Cime Management SARL, Cime S.C.A., CIME and LOG have deemed interest in the 15,912,720 treasury Shares being held by the Company.

(2) The Shares were first acquired by Universal-Investment-Gesellschaft mbH and then subsequently transferred to the new investment management company Acatis KVG.

(3) Based on guidance from HKEX, the disclosure of interest calculations shown in the table above have been calculated on the basis of the Company's total issued share capital including 15,912,720 shares that are held in treasury and do not have voting rights whilst they are held in treasury.

Save as disclosed herein, as at 31 March 2019, the Company had not been notified of any substantial Shareholder (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept under section 336 of the SFO.

ISSUED SHARES IN THE YEAR

Details of the Shares issued for the year ended 31 March 2019 are set out in note 16 to the consolidated financial statements.

SHARE OPTION PLANS

On 30 September 2010, a meeting of the Shareholders authorised the adoption of a share option plan (the "Share Option Plan 2010"), which expired and was terminated on 29 September 2013 and was replaced by another share option plan (the "Share Option Plan 2013") which was adopted on 25 September 2013. This Share Option Plan 2013 expired on 24 September 2016 and was replaced by another share option plan (the "Share Option Plan 2016") which was adopted on 28 September 2016.

The purpose of the Share Option Plan 2016 is to provide employees of the Group, all its Directors (including non-executive Directors) and Shareholders (together, the "Eligible Persons") with an opportunity to have a proprietary interest in the Company through being granted share options under the Share Option Plan 2016 rules (the "Options"), which will motivate the Eligible Persons to optimise their performance, effectiveness and efficiency for the benefit of the Group and attract and retain or otherwise maintain ongoing business relationships with those Eligible Persons whose contributions are or will be beneficial to the long-term growth of the Group. The maximum number of Shares in respect of which Options may be granted under the Share Option Plan 2016 shall not exceed 29,291,184 Shares, being 2% of the Company's issued share capital (excluding shares held in treasury) as at 30 September 2016.

As at 31 March 2019, the total number of shares granted under the Share Option Plan 2016 was 18,000,100, leaving a balance of 11,291,084 Options representing 0.76% of the issued Shares as at date of this Annual Report available for grant in future. No share options were granted under the Share Option Plan 2016 during this year. The Share Option Plan 2016 will expire on 27 September 2019 and its remaining life is around 3 months.

Under the Share Option Plan 2016 the total number of Shares to be issued upon exercise of the Options granted to each participant in any 12-month period must not exceed 1% of the Shares in issue. The exercise price shall be at a price determined by the Board at its absolute discretion and shall be no less than the higher of:

(i) the closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange on the offer date;

(ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the offer date; and

(iii) the nominal value of a Share on the date of grant.

The Board considers that it is not appropriate to state the value of all Options that can be granted pursuant to the Share Option Plan 2016 as a number of variables which are crucial for the calculation of the Option value have not been determined. Such variables include but are not limited to the exercise price, vesting period, exercise period and the conditions that an Option is subject to. The Board believes that any calculation of the value of the Options based on a number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

Particulars and movements of share options granted under the Share Option Plans 2010, 2013 and 2016 (the "2010, 2013 and 2016 Options") during the twelve months ended 31 March 2019 were as follows.

Name/Category of Participant	As of 01/04/2018	Number of share options Granted during the year	Cancelled or forfeited during the year	Exercised during the year	As of 31/03/2019	Date of grant	Exercise Period (Note 1)	Exercise Price per Share (HK$)	Price immediately preceding the date of grant (Note 2) (HK$)
Directors									
Reinold Geiger	105,000	–	–	–	105,000	4-Apr-11	04/04/2015–03/04/2019	19.84	19.84
	277,211	–	–	–	277,211	28-Nov-12	28/11/2016–28/11/2020	24.47	24.35
André Hoffmann	105,000	–	–	–	105,000	4-Apr-11	04/04/2015–03/04/2019	19.84	19.84
	277,211	–	–	–	277,211	28-Nov-12	28/11/2016–28/11/2020	24.47	24.35
Thomas Levilion	105,000	–	–	–	105,000	4-Apr-11	04/04/2015–03/04/2019	19.84	19.84
	118,000	–	–	–	118,000	28-Nov-12	28/11/2016–28/11/2020	24.47	24.35
	311,500	–	–	–	311,500	4-Dec-13	04/12/2017–03/12/2021	17.62	17.62
	91,000	–	–	–	91,000	24-Feb-15	24/02/2019–23/02/2023	19.22	19.22
	488,200	–	–	–	488,200	23-Mar-16	23/03/2020–22/03/2024	14.36	14.00
	418,600	–	–	–	418,600	10-Feb-17	10/02/2021–10/02/2025	15.16	15.03
	413,000	–	–	–	413,000	29-Mar-18	29/03/2022–29/03/2026	14.50	14.50
Karl Guénard	90,500	–	–	–	90,500	4-Dec-13	04/12/2017–03/12/2021	17.62	17.62
	97,600	–	–	–	97,600	23-Mar-16	23/03/2020–22/03/2024	14.36	14.00
	83,700	–	–	–	83,700	10-Feb-17	10/02/2021–10/02/2025	15.16	15.03
	82,600	–	–	–	82,600	29-Mar-18	29/03/2022–29/03/2026	14.50	14.50
Jackson Chik Sum Ng	50,000	–	–	–	50,000	4-Apr-11	04/04/2015–03/04/2019	19.84	19.84
Sub-total (Note 3)	3,114,122	–	–	–	3,114,122				
Others									
Employees	2,553,875	–	(1,399,550)	–	1,154,325	4-Apr-11	04/04/2015–03/04/2019	19.84	19.84
	1,440,000	–	(468,500)	–	971,500	26-Oct-12	26/10/2016–26/10/2020	23.60	23.60
	169,000	–	(169,000)	–	–	28-Nov-12	28/11/2016–28/11/2020	24.47	24.35
	5,222,250	–	(1,806,250)	–	3,416,000	4-Dec-13	04/12/2017–03/12/2021	17.62	17.62
	332,800	–	(185,800)	–	147,000	24-Feb-15	24/02/2019–23/02/2023	19.22	19.22
	6,073,900	–	(2,288,900)	–	3,785,000	23-Mar-16	23/03/2020–22/03/2024	14.36	14.00
	8,846,600	–	(2,330,200)	–	6,516,400	10-Feb-17	10/02/2021–10/02/2025	15.16	15.03
	6,899,800	–	(1,307,400)	–	5,592,400	29-Mar-18	29/03/2022–29/03/2026	14.50	14.50
Sub-total (Note 3)	31,538,225	–	(9,955,600)	–	21,582,625				
Total	34,652,347	–	(9,955,600)	–	24,696,747				

Notes:

(1) As a general rule, the vesting period of the 2010, 2013 and 2016 Options is set at four years and the exercise period is set at four years after the date of vesting. The Share Option Plan 2010 was terminated on 29 September 2013, and the Share Option Plan 2013 was terminated on 24 September 2016. The Board was however entitled to grant Options to Eligible Persons under the Share Option Plan 2016 subject to such conditions as the Board may think fit, including in respect to the vesting and exercise of such 2016 Options.

(2) Being the higher of the closing price of the Shares quoted on the Stock Exchange on the trading day immediately prior to the date of grant of the 2010, 2013 or 2016 Options, and the average closing price for the five business days immediately preceding the date of grant.

(3) The weighted average fair value of Options granted under the 2010 Share Option Plan on 4 April 2011, 26 October 2012, 28 November 2012, under the 2013 Share Option Plan on 4 December 2013, 24 February 2015 and 23 March 2016 and under the 2016 Share Option Plan on 10 February 2017 and 29 March 2018 were approximately €0.44, €0.45, €0.47, €0.31, €0.40, €0.31, €0.36 and €0.36 respectively. The following significant assumptions were used to derive the fair value, using the Black-Scholes option pricing model:

Date of grant	Expected volatility (%)	Expected life	Risk-free interest rate (%)	Expected dividend yield (%)
4 April 2011	25%	5 years	1.92%	20% of budgeted profit attributable to the equity holders
26 October 2012	25%	5 years	0.50%	30% of budgeted profit attributable to the equity holders
28 November 2012	25%	5 years	0.50%	30% of budgeted profit attributable to the equity holders
4 December 2013	25%	5 years	1.00%	35% of budgeted profit attributable to the equity holders
24 February 2015	25%	5 years	1.00%	35% of budgeted profit attributable to the equity holders
23 March 2016	25%	5 years	1.00%	35% of budgeted profit attributable to the equity holders
10 February 2017	22%	5 years	1.92%	35% of budgeted profit attributable to the equity holders
29 March 2018	22%	5 years	2.50%	35% of budgeted profit attributable to the equity holders

In total, share-based compensation expense of €5,855,000 was included in the consolidated statement of comprehensive income for the year ended 31 March 2019 (year ended 31 March 2018: €3,521,000). These expenses included the amortisation of the fair value of the share-based awards in the form of Options granted to the Directors and employees under our 2013 and 2016 Share Option Plans.

FREE SHARE PLANS

On 30 September 2010, a meeting of the Shareholders authorised the adoption of a free share plan (the "Free Share Plan 2010"), which expired and was terminated on 29 September 2013 and replaced by another free share plan (the "Free Share Plan 2013") which was adopted on 25 September 2013. This Free Share Plan 2013 expired on 24 September 2016 and was replaced by another free share plan (the "Free Share Plan 2016") which was adopted on 28 September 2016. In view of the balance of free shares available under the Free Share Plan 2016, the Shareholders approved the adoption of a free share plan (the "Free Share Plan 2018") at the annual general meeting of the Company on 26 September 2018. Upon the approval of the Free Share Plan 2018, no further Free Shares would be granted under the Free Share Plan 2016. The purpose of the Free Share Plan 2018 is to provide employees of the Group (the "Employees") with an opportunity to have a proprietary interest in the Company through being granted free shares under the Free Share Plan 2018 rules (the "Free Shares"), which will motivate the relevant Employees to optimise their performance, effectiveness and efficiency for the benefit of the Group and attract and retain or otherwise maintain ongoing business relationships with those Employees whose contributions are or will be beneficial to the long-term growth of the Group. The maximum number of Free Shares that may be granted under the Free Share Plan 2018 shall not exceed 7,303,412 Shares, being 0.5% of the Company's issued share capital (excluding shares held in treasury) as at 26 September 2018.

On 4 December 2013, the Company granted 887,500 Free Shares pursuant to the Free Share Plan 2013 to certain eligible Employees (as defined in the rules of the Free Share Plan 2013). The Free Shares were vested on 4 December 2017.

On 24 February 2015, the Company granted 840,900 Free Shares pursuant to the Free Share Plan 2013 to certain eligible Employees (as defined in the rules of the Free Share Plan 2013). The Free Shares were vested on 24 February 2019.

On 23 March 2016, the Company granted 921,400 Free Shares pursuant to the Free Share Plan 2013 to certain eligible Employees (as defined in the rules of the Free Share Plan 2013). The Free Shares will vest on 24 March 2020.

On 29 March 2018, the Company granted 5,559,500 Free Shares pursuant to the Free Share Plan 2016 to certain eligible Employees (as defined in the rules of the Free Share Plan 2016). The Free Shares will vest on 29 March 2022.

None of the Free Shares had been granted under the Free Share Plan 2018 as at 31 March 2019.

TREASURY SHARES

On 4 October 2013, the Hong Kong Stock Exchange granted the Waiver to the Company in respect of Rule 10.06(5) of the Listing Rules to allow it, following any repurchase of shares, to elect to hold its own Shares in treasury instead of automatically cancelling such Shares. As a consequence of the Waiver, the Hong Kong Stock Exchange has agreed certain consequential modifications to other Listing Rules applicable to the Company.

Shares held in treasury may subsequently be sold for cash, transferred pursuant to an employees' share scheme or cancelled.

Full details of the Waiver and the conditions attached thereto were set out in the announcement issued by the Company on 4 November 2013 and can be found on the Company's website at group.loccitane.com and on the Hong Kong Stock Exchange's website at www.hkexnews.hk.

The Company confirmed that during FY2019, the Company was in compliance with the conditions of the Waiver.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed in the paragraphs headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES" and "SHARE OPTION PLANS" in this Annual Report, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executive of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

At the end of the year or at any time during FY2019, there was no transaction, arrangement or contract of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party, and in which a Director had, whether directly or indirectly, a material interest.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 March 2019 and up to the date of this Annual Report.

PERMITTED INDEMNITY PROVISION

The Company's By-laws provide that all Directors and officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty. Directors' and officers' liability insurance is arranged to cover the Directors and officers of the Company and its subsidiaries against any potential costs and liabilities arising from claims brought against them.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the Directors' Report regarding the grant of Share Options and Free Shares during the year ended 31 March 2019, the Company has not entered into any other equity-linked agreement.

CONNECTED TRANSACTIONS

The Company has entered into certain contracts with its connected persons (as defined under Chapter 14A of the Listing Rules). These transactions were monitored and managed by the Company in accordance with the Listing Rules.

During the year, the Group had the following non-exempted continuing connected transactions with Patisseries Paris Saint-Sulpice P2S2 ("P2S2"):

(1) Sublease agreement

On 26 July 2017, the Group (as sub-lessor) entered into a sub-lease agreement with P2S2 for an initial period of 3 years from 1 August 2017 to 20 July 2020. Rentals for the property subleasing were determined after arm's length negotiations between the parties with reference to the prevailing market rent for comparable premises. The Group recharged rentals and fees of €1,625,848 for the year ended 31 March 2019.

(2) Paris supply and distribution agreement

On 8 December 2017, the Group (as purchaser) entered into a supply and distribution agreement with P2S2 for the Champs-Elysées shop in Paris, France for an initial period from 7 December 2017 to 20 July 2020. P2S2 shall supply Pierre Hermé products to the Champs-Elysées shop of the Group. The parties also agreed to reimburse each other for certain expenses relating to the operation of the shop. For the year ended 31 March 2019, P2S2 invoiced the Group €1,858,000 for supply of Pierre Hermé products, €1,576,000 for services related to sales of products.

(3) London supply and distribution agreement

On 8 December 2017, the Group (as purchaser) entered into a supply and distribution agreement with P2S2 for the Regent Street shop in London, UK for an initial period from 15 December 2017 to 14 December 2020. For the year ended 31 March 2019, P2S2 invoiced the Group €36,000 for the supply of Pierre Hermé products and €26,000 for the services provided.

P2S2 is a wholly-owned subsidiary of Pierre Hermé, which is indirectly owned as to 40% by L'Occitane Groupe S.A. ("LOG"), the controlling shareholder of the Company. Mr. Reinold Geiger, the Chairman of the Company, being the ultimate shareholder of LOG, is then considered to have material interest in the above mentioned continuing connected transactions by virtue of his deemed interests in P2S2.

The pricing and the terms of the above transactions have been determined in accordance with pricing policies and guidelines as set out in the respective announcements. Proper internal control procedures are in place to identify, approve and record all these transactions. The Independent Non-executive Directors have reviewed all the above continuing connected transactions and confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) either on normal commercial terms or, on terms no less favourable to the Group than terms available to or from independent third parties; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to rule 14A.56 of the Listing Rules, the Board of Directors engaged the Company's auditor to perform certain procedures in respect of the continuing connected transactions set out above in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has, based on the procedures performed, issued an unqualified letter containing his findings and conclusions in respect of the continuing connected transactions to the Board of Directors. Save as disclosed above, none of the transactions disclosed as related party transactions in Note 30 to the consolidated financial statements is a connected transaction or a continuing connected transaction which is subject to the reporting and disclosure requirements under the Listing Rules. The Company has complied with the disclosure requirements governing connected transactions under the Listing Rules.

BANK LOANS AND OTHER BORROWINGS

Details of the Group's bank loans and other borrowings as at 31 March 2019 are set out in note 17 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The nature of the Group's activities is that the percentage of sales or purchases attributable to the Group's five largest customers or suppliers is significantly less than 30% of the total and the Directors do not consider any one customer or supplier to be influential to the Group.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes of the Group are set out in note 18 to the consolidated financial statements.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct for dealing in the securities of the Company by the Directors. Having made specific enquiry to all Directors, they have confirmed that they had complied with the required standard of the Model Code throughout the Review Period.

CORPORATE GOVERNANCE REPORT

The Corporate Governance Report is set out on pages 36 to 51 of this Annual Report.

CONTINGENT LIABILITIES

Details of contingent liabilities are set out in notes 28.2 to the consolidated financial statements.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 32 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of this Annual Report, there was a sufficient prescribed public float of more than 25% of the issued share capital of the Company under the Listing Rules during the Review Period.

AUDITOR

The financial statements were audited by PricewaterhouseCoopers who will retire as auditor of the Company at the conclusion of the forthcoming AGM and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company will be proposed at the forthcoming AGM.

HUMAN RESOURCES

As at 31 March 2019, the Group had 8,601 employees (31 March 2018: 8,672 employees).

The Group ensures that all levels of employees are paid competitively and are rewarded in accordance with the Group's salary, incentive and bonus schemes. Options and Free Shares may also be offered to eligible employees. Training schemes are available where appropriate.

By order of the Board

Reinold Geiger
Chairman
17 June 2019

CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
L'Occitane International S.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of L'Occitane International S.A. (the "Company") and its subsidiaries (the "Group") as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union (IFRSs).

What we have audited
The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 March 2019;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in shareholders' equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Revenue recognition

For the year ended 31 March 2019, the Group has revenue of €1,427 million. As described in the note 2.21 to the consolidated financial statements, the revenue derived from two operating segments:

(a) "Sell-out" segment comprises the sales of the products directly to the final customers mainly through a worldwide network of stores and the Group's website. Sell-out accounted for approximately 75% of the total revenue;

(b) "Sell-in and B-to-B" segment comprises the sales of the products to an intermediate (mainly distributors, wholesalers, TV show channels and travel retailers). This segment also comprises sales of products to corporate customers and the sales of the Group's products to an intermediate who will provide them as free amenities to its final customers.

Sales of goods to the customers are recognised when control of the product has transferred. We focused on this area due to the risks arising from the large volume of transactions generated from the sale of different products to a significant number of customers that take place in many different locations.

This area required significant audit attention to test the occurrence and accuracy of this kind of transactions.

Customer loyalty programs are used by the Group to provide customers with incentives to buy their products.

Each time a customer buys goods, or performs another qualifying act, the Group grants the customer award credits. The Group accounts for award credits as a separately identifiable component of the sales transactions. This separate component is recognised as deferred revenue. The Group then recognizes revenue in respect of the award credits in the periods which awards credits are redeemed. We focused on this area due to the risk arising from the volume of award credits generated in different locations and from the management estimates about the total number of award credits expected to be redeemed.

Sales of goods to intermediates are recognised when control of the product has transferred, which usually happens upon pick up of the products from a warehouse and the wholesale accepts the products, and there is no unfulfilled obligation that could affect the client's acceptance of the products. We focused on this area due to the risk of revenue being recognised inappropriately close to the year-end.

How our audit addressed the Key audit matter

We assessed and tested the effectiveness of management's controls in respect of the Group's sales transactions. In addition, we tested the general IT control environment and related automated control of the Group's systems.

We assessed the compliance of the Group's revenue recognition policies with IFRSs and tested the application of those policies.

We tested the different revenue streams as follows:

For retail sales, our procedures included:

(a) Reconciliation between the revenue recorded in the point-of-sale system and the general ledger;

(b) Reconciliation between the revenue recorded and cash collection;

(c) Test the number and the fair value of award credits recognized in deferred revenue.

For sell-in and B-to-B sales, our procedures included:

(a) Testing of the relevant supporting documents (sales order, bill of lading, invoice and/or payments) for a sample of revenue transactions covering different clients;

(b) Confirmation of a sample of client's outstanding invoices at the balance sheet date;

(c) Testing to assess whether revenue was recognised in the correct reporting period. We tested recognition of revenue based on the transfer of control to the intermediaries and the accounting period in which products were delivered by reconciling a sample of revenue items to contract and shipping documents.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

Key audit matters *(continued)*

Key audit matter

Assessment of impairment on non-current assets and goodwill; and onerous contract provision

As at 31 March 2019, the Group has goodwill of €1,011 million and intangible assets of €80.1 million including key moneys for €30.9 million and trademarks for €15.5 million and leasehold improvements for €58.9 million in tangible assets.

These areas required significant audit attention due to the size of these balances and because the Group's assessment of the recoverable amounts of the group's Cash Generating Units (the stores) involves significant management judgments about the future performance of the business (e. g. forecasted sales based on stores' location, expectations of market developments) and the discount rates applied to future cash flow forecast (notes 2.5, 2.6, 2.7 and 4.1 of the consolidated financial statements).

In addition to the impairment loss recorded on stores, Group also assesses if certain operating lease contracts of these stores are onerous contracts (when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from it). An €4.5 million provision is recorded at year-end for onerous contracts and we focused on this area due to the judgmental nature of this provision, involving significant management estimates such as the estimated future operating loss or the lease period (notes 2.18 (b) of the consolidated financial statements).

How our audit addressed the Key audit matter

(a) We assessed Group's process for identifying indicators of impairment of goodwill and non-current assets;

(b) When triggering events were identified such as change in future use of an asset, a detailed impairment review was performed. We discussed the changes in use or changes in development plans with management. We reviewed and tested the process by which management's future cash flow forecasts were prepared.

We corroborated key assumptions to confirm the changes in use assumptions (future revenue growth rate, terminal growth rate, EBITDA, discount rate) were reasonable and we checked the impairment charges and releases;

(c) We assessed Group's process for identifying onerous leases as well as factors considered and determined whether appropriate provision had been recorded.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated annual report including the consolidated Management Discussion & Analysis and consolidated Directors' report but does not include the consolidated financial statements and our audit report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

Responsibilities of the Management and those charged with governance for the consolidated financial statements

The Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as the Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management;
- conclude on the appropriateness of the Management' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern;

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements *(continued)*

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The consolidated Management Discussion & Analysis and consolidated Directors' report are consistent with the consolidated financial statements and have been prepared in accordance with applicable legal requirements.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 17 June 2019

Magalie Cormier

CONSOLIDATED STATEMENTS OF INCOME

Year ended 31 March *In thousands of Euros, except per share data*	*Notes*	***2019***	***2018***
Net Sales	(5.2)	**1,426,874**	**1,319,366**
Cost of sales		(239,901)	(220,968)
Gross profit		**1,186,973**	**1,098,398**
% of net sales		*83.2%*	*83.3%*
Distribution expenses	(21)	(700,374)	(639,457)
Marketing expenses	(21)	(186,042)	(179,195)
Research & development expenses	(21)	(17,879)	(17,548)
General and administrative expenses	(21)	(132,542)	(123,048)
Share of profit/(loss) from joint ventures accounted for using the equity method		–	150
Other (losses)/gains — net	(22)	611	1,687
Operating profit		**150,747**	**140,987**
Finance income	(23)	479	2,207
Finance costs	(23)	(4,075)	(3,013)
Foreign currency gains/(losses)	(24)	1,073	(4,222)
Profit before income tax		**148,224**	**135,959**
Income tax expense	(25)	(30,655)	(39,453)
Profit for the year		**117,569**	**96,506**
Attributable to:			
Equity owners of the Company		118,186	96,313
Non-controlling interests		(617)	193
Total		**117,569**	**96,506**
Earnings per share for profit attributable to the equity owners of the Company during the year *(expressed in Euros per share)*			
Basic	(26)	0.081	0.066
Diluted	(26)	0.081	0.066
Number of shares used in earnings per share calculation			
Basic	(26)	1,461,052,171	1,460,682,471
Diluted	(26)	1,465,920,934	1,461,891,614

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Year ended 31 March *In thousands of Euros, except per share data*	*Notes*	***2019***	***2018***
Profit for the year		**117,569**	**96,506**
Changes in the fair value of equity investments at fair value through other comprehensive income	(3.3)	**(576)**	**–**
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses) on defined benefit obligation	(25.5)	(21)	349
		(597)	**349**
Items that may be subsequently reclassified to profit or loss			
Cash flow hedges fair value gains/(losses)		(77)	109
Currency translation differences	(25.5)	11,080	(33,065)
		11,003	**(32,956)**
Other comprehensive income for the year, net of tax		**10,406**	**(32,607)**
Total comprehensive income for the year		**127,975**	**63,899**
Attributable to:			
Equity owners of the Company		127,753	65,118
Non-controlling interests		222	(1,219)
Total		**127,975**	**63,899**

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 25.5.

The above currency translation differences include €895,000 of exchange gains that form part of the Company's net investment in foreign entities.

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

ASSETS *In thousands of Euros*	*Notes*	***31 March 2019***	***31 March 2018***
Property, plant and equipment	(7)	198,662	175,920
Goodwill	(8)	1,011,139	226,646
Intangible assets	(9)	80,109	76,556
Deferred income tax assets	(25.2)	61,051	62,882
Other non-current assets	(10)	57,581	40,253
Non-current assets		**1,408,542**	**582,257**
Inventories	(11)	202,827	156,479
Trade receivables	(12)	143,392	109,401
Other current assets	(13)	64,758	68,485
Derivative financial instruments	(14)	50	155
Cash and cash equivalents	(15)	144,442	385,712
Current assets		**555,469**	**720,232**
TOTAL ASSETS		**1,964,011**	**1,302,489**

EQUITY AND LIABILITIES *In thousands of Euros*	*Notes*	***31 March 2019***	***31 March 2018***
Share capital	(16)	44,309	44,309
Additional paid-in capital	(16)	342,851	342,851
Other reserves		(93,524)	(105,376)
Retained earnings		724,132	649,189
Capital and reserves attributable to the equity owners		**1,017,768**	**930,973**
Non-controlling interests		66,464	7,828
Total equity		**1,084,232**	**938,801**
Borrowings	(17)	569,378	80,595
Other financial liabilities	(6.3)	14,011	13,158
Other non-current liabilities	(18)	34,448	31,743
Deferred income tax liabilities	(25.2)	4,050	3,473
Non-current liabilities		**621,887**	**128,969**
Trade payables	(19)	141,247	125,455
Social and tax liabilities		70,078	68,785
Current income tax liabilities		10,731	5,532
Borrowings	(17)	8,562	7,434
Derivative financial instruments	(14)	849	493
Provisions	(20)	7,124	9,690
Other current liabilities	(18)	19,301	17,330
Current liabilities		**257,892**	**234,719**
TOTAL EQUITY AND LIABILITIES		**1,964,011**	**1,302,489**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

					Attributable to equity owners of the Company								
					Other reserves								
In thousands of Euros (except "Number of Shares")	*Notes*	Number of shares	Share capital	Additional paid-in capital	Share based payments	Hedging reserve	Cumul. Currency Transl. Diff.	Excess of consideration in transaction with non-controlling interests	Actuarial gains/ (losses)	Other reserves	Profit for the year	Non-controlling interests	TOTAL EQUITY
Balance at 31 March 2017		**1,476,964,891**	**44,309**	**342,851**	**19,232**	**(2,089)**	**(11,185)**	**(48,821)**	**(727)**	**(22,535)**	**598,845**	**465**	**920,345**
Comprehensive income													
Profit for the year		–	–	–	–	–	–	–	–	–	96,313	193	96,506
Other comprehensive income													
Currency translation differences		–	–	–	–	–	(31,653)	–	–	–	–	(1,412)	(33,065)
Actuarial gain on defined benefit obligation	(25.5)	–	–	–	–	–	–	–	349	–	–	–	349
Cash flow hedge fair value gain, net of tax		–	–	–	–	–	–	–	–	109	–	–	109
Total comprehensive income for the year		***-***	***-***	***-***	***-***	***-***	***(31,653)***	***-***	***349***	***109***	***96,313***	***(1,219)***	***63,899***
Transactions with owners													
Allocation of prior year earnings		–	–	–	–	–	–	–	–	–	–	–	–
Dividends declared		–	–	–	–	–	–	–	–	–	(46,181)	(76)	(46,257)
Contribution from the parent	(16.3)	–	–	–	2,174	–	–	–	–	–	–	–	2,174
Distribution of 545,500 free shares		–	–	–	–	(883)	–	–	–	883	–	–	–
Acquisition of 2,583,250 treasury shares		–	–	–	–	–	–	–	–	(4,422)	–	–	(4,422)
Employee share option: value of employee services	(16.3)	–	–	–	1,347	–	–	–	–	–	–	–	1,347
Non-controlling interests in capital increase		–	–	–	–	–	–	–	–	–	–	424	424
Total contributions by and distributions to owners of the Company		***-***	***-***	***-***	***3,521***	***(883)***	***-***	***-***	***-***	***(3,539)***	***(46,181)***	***348***	***(46,734)***
Acquisition of Limelight business		–	–	–	–	–	–	(150)	–	–	–	8,446	8,296
Non-controlling interests recorded as a liabilities	(6.3)	–	–	–	–	–	–	(7,005)	–	–	212	(212)	(7,005)
Total transactions with owners		***-***	***-***	***-***	***-***	***-***	***-***	***(7,155)***	***-***	***-***	***212***	***8,234***	***1,291***
Balance at 31 March 2018		**1,476,964,891**	**44,309**	**342,851**	**22,753**	**(2,972)**	**(42,838)**	**(55,976)**	**(378)**	**(25,965)**	**649,189**	**7,828**	**938,801**

The accompanying notes are an integral part of these consolidated financial statements.

In thousands of Euros (except "Number of Shares")	Notes	Attributable to equity owners of the Company										Non-controlling interests	TOTAL EQUITY
					Other reserves								
		Number of shares	Share capital	Additional paid-in capital	Share based payments	Hedging reserve	Cumul. Currency Transl. Diff.	Excess of consideration in transaction with non-controlling interests	Actuarial gains/ (losses)	Other reserves	Profit for the year		
Balance at 31 March 2018		**1,476,964,891**	**44,309**	**342,851**	**22,753**	**(2,972)**	**(42,838)**	**(55,976)**	**(378)**	**(25,965)**	**649,189**	**7,828**	**938,801**
Comprehensive income													
Profit for the year		–	–	–	–	–	–	–	–	–	118,186	(617)	117,569
Other comprehensive income													
Currency translation differences		–	–	–	–	–	10,241	–	–	–	–	839	11,080
Actuarial gain on defined benefit obligation	(25.5)	–	–	–	–	–	–	–	(21)	–	–	–	(21)
Changes in the fair value of equity investments at fair value through other comprehensive income	(3.3)	–	–	–	–	–	–	–	–	(576)	–	–	(576)
Cash flow hedge fair value gain, net of tax		–	–	–	–	–	–	–	–	(77)	–	–	(77)
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	***10,241***	**-**	***(21)***	***(653)***	***118,186***	***222***	***127,975***
Transactions with owners													
Allocation of prior year earnings		–	–	–	–	–	–	–	–	–	–	–	–
Dividends declared		–	–	–	–	–	–	–	–	–	(43,400)	(34)	(43,434)
Distribution of 369,700 free shares		–	–	–	–	(598)	–	–	–	598	–	–	–
Contribution from the parent	(16.3)	–	–	–	1,647	–	–	–	–	–	–	–	1,647
Employee share option: value of employee services	(16.3)	–	–	–	3,130	–	–	–	–	–	–	1,078	4,208
Transactions with non-controlling interests		–	–	–	–	–	–	–	–	117	–	(400)	(283)
Total contributions by and distributions to owners of the Company		**-**	**-**	**-**	***4,777***	***(598)***	**-**	**-**	**-**	***715***	***(43,400)***	***644***	***(37,862)***
Non-controlling interests recorded as a liabilities		–	–	–	–	–	–	(5,804)	–	–	157	(157)	(5,804)
Transaction with non-controlling interests in Elemis		–	–	–	–	–	–	3,195	–	–	–	57,927	61,122
Total transactions with owners		**-**	**-**	**-**	**-**	**-**	**-**	***(2,609)***	**-**	**-**	***157***	***57,770***	***55,318***
Balance at 31 March 2019		**1,476,964,891**	**44,309**	**342,851**	**27,530**	**(3,570)**	**(32,597)**	**(58,585)**	**(399)**	**(25,903)**	**724,132**	**66,464**	**1,084,232**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended 31 March *In thousands of Euros*	*Notes*	***2019***	***2018***
Cash flows from operating activities			
Profit for the year from continuing operations		117,569	96,506
Adjustments to reconcile profit for the year to net cash from operating activities			
Depreciation, amortization and impairment	(27.2)	65,660	64,309
Deferred income taxes	(25.1)	3,933	11,130
Unwinding of discount on other financial liabilities	(23)	349	550
Share based payment	(21)	5,854	3,521
Change in the fair value of derivatives	(14), (24)	384	158
Other losses/(gains) — net	(27.1)	781	(432)
Net movements in provisions	(27.3)	(446)	(1,804)
Share of (profit)/loss of joint ventures	(6.1)	–	(150)
Other adjustment	(8)	(1,020)	–
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation)			
Inventories		(28,189)	(16,304)
Trade receivables		(9,332)	(8,624)
Trade payables		(6,526)	24,134
Social and tax liabilities		(681)	8,435
Current income tax assets and liabilities		9,482	(5,380)
Other assets and liabilities, net		10,869	(5,713)
Net cash inflow/(outflow) from operating activities		**168,687**	**170,336**
Cash flows from investing activities			
Acquisition of subsidiaries and businesses, net of cash acquired	(6.1), (6.2)	(800,476)	(105,113)
Acquisition of financial assets	(6.1), (6.2)	(13,740)	(4,721)
Purchases of property, plant and equipment	(7)	(67,696)	(65,738)
Purchases of intangible assets	(9)	(16,370)	(30,469)
Proceeds from sale of fixed assets	(27.1)	1,712	2,633
Change in deposits and key moneys paid to the landlords		(2,445)	895
Change in non-current receivables and liabilities		(1,503)	(215)
Net cash inflow/(outflow) from investing activities		**(900,518)**	**(202,728)**

Year ended 31 March *In thousands of Euros*	*Notes*	***2019***	***2018***
Cash flows from financing activities			
Transactions with non-controlling interests	(6.2), (6.3)	55,822	–
Proceeds from non-controlling interests		(283)	424
Dividends paid to equity owners of the Company	(16.5)	(43,400)	(46,181)
Dividends paid to non-controlling interests		(34)	(76)
Purchase of treasury shares	(16.2)	–	(4,422)
Proceeds from borrowings	(17), (27.8)	492,874	72,973
Repayments of borrowings	(17), (27.8)	(3,528)	(57,984)
Net cash inflow/(outflow) from financing activities		**501,451**	**(35,266)**
Exchange gains/(losses) on cash, cash equivalents and bank overdrafts	(27.7)	(10,890)	619
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(241,270)**	**(67,039)**
Cash, cash equivalents and bank overdrafts at beginning of the year		**385,712**	**452,751**
Cash and cash equivalents		*385,712*	*452,751*
Cash, cash equivalents and bank overdrafts at end of the year		**144,442**	**385,712**
Cash and cash equivalents		*144,442*	*385,712*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. THE GROUP

L'Occitane International S.A. (the "Company") and its consolidated subsidiaries (hereinafter referred to as the "Group") design, manufacture and market, under the trademarks "L'Occitane", "Melvita", "LimeLife" and "Elemis" a wide range of cosmetic products, perfumes, soaps and fragrant products for the home based on natural or organic ingredients.

The Group also designs and markets another range of fragrant products for the home, cosmetic products, perfumes, soaps and natural products, under the trademarks, "Erborian" and "L'Occitane au Brésil". These products are marketed primarily through external distribution.

L'Occitane International S.A. is a Luxembourg Société Anonyme registered in the Luxembourg Trade and Commercial Register, Grand Duchy of Luxembourg under the R.C.S. Number: B-80 359. The address of the Company is as follows: 49, Boulevard Prince Henri, L-1724 Luxembourg.

The Group is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements have been approved by the Board of Directors for issue on 17 June 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Basis of preparation and changes in accounting principles

The consolidated financial statements of the Group and the Company-alone balance sheets have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board which are similar, for operations conducted by the Group, to International Financial Reporting Standards as adopted by the European Union. IFRS are available in the internet site of the European Commission as follows:

http://ec.europa.eu/internal_market/accounting/ias_en.htm

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative financial instruments) at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed below:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1. Basis of preparation and changes in accounting principles *(continued)*

(a) New amended standards and interpretation adopted or early adopted (if mentioned) by the Group

The Group has applied the following amended standards and standards that are effective for the first time for the Group for the financial period beginning 1 April 2018:

A number of new or amended standards became applicable for the current reporting period and the Group had to analyse the impacts of the following standards:

- IFRS 9 Financial Instruments, and
- IFRS 15 Revenue from Contracts with Customers

The impact of the adoption of these standards and the new accounting policies are disclosed below. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

IFRS 15 Revenue from Contracts with Customers — Impact of adoption

The Group has adopted IFRS 15 Revenue from Contracts with Customers which resulted in accounting policies described below. The Group adopted the simplified approach for the comparative period as at 1 April 2018, without restating comparatives and with no impact on the Group's retained earnings. The main impact is related to provision for returned goods.

Provision for returned goods

Considering that the returned goods would not be resalable, the Group previously recognized a provision for returns which was measured on the amount of sales. The provision was recorded in 'provisions" and was reclassified from 'provisions' to 'Other current liabilities' for an amount of €844,000 as at 1 April 2018.

IFRS 9 Financial Instruments — Impact of adoption

IFRS 9 replaces the provisions of IAS39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1. Basis of preparation and changes in accounting principles *(continued)*

(a) New amended standards and interpretation adopted or early adopted (if mentioned) by the Group (continued)

IFRS 9 Financial Instruments — Impact of adoption *(continued)*

On 1 April 2018 the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

- For the available-for-sales assets: the Group elected to present in other comprehensive income ("OCI") changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, on 1 April 2018 assets with a fair value of €11,625,000 were reclassified from available-for-sale financial assets to financial assets at fair value through OCI. Until 31 March 2018, no fair value gains or losses were recognized for the available-for-sale financial assets. Therefore no reclassification was recognized in the reserve as at 1 April 2018.

- The foreign currency forwards in place as at 31 March 2018 were not qualified as cash flow hedges and the change in the fair value of those derivative financial instruments was recorded in the statement of income. Therefore the adoption of IFRS 9 does not result in any change.

- The interests rate swaps in place as at 31 March 2018 were qualified as cash flow hedges and the change in the fair value was recorded in other comprehensive income. The adoption of IFRS 9 does not result any change.

Impairment of financial assets

The Group was required to revise its impairment methodology under IFRS 9 for each of classes of assets. There is no material impact of the change in impairment methodology on the Group's retained earnings and equity.

The new accounting policies are set out below. In accordance with the transitional provisions of IFRS 9 paragraph 7.2.15, comparative figures have not been restated.

New accountings policies applicable from April 1, 2018

Classification

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI, or through profit or loss), and

- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1. Basis of preparation and changes in accounting principles *(continued)*

(a) New amended standards and interpretation adopted or early adopted (if mentioned) by the Group (continued)

New accountings policies applicable from April 1, 2018 ***(continued)***

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

The change in the fair value of derivatives designated as hedging instrument is recognised as follows:

- The effective portion of changes in the fair value of derivatives designated as hedging instruments has been recognized in the statement of comprehensive income for an amount net of tax;
- The ineffective portion that arises from derivatives designated as hedging instruments is recognized in the consolidated statement of income, within "Finance income"/"Finance costs" for interest derivatives and within "Foreign currency gains/(losses)" for currency derivatives.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Dividends from such investments continue to be recognised in the income statement as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised within "Finance income" and "Finance costs in the consolidated statement of income.

Derivatives and hedging activities

The interest rate swaps in place as at 31 March 2018 qualified as cash flow hedge under IFRS 9. The Group's risk management strategic and hedge documentation are aligned with the requirements of IFRS 9 and these relationships are therefore traded as continuing hedges.

The fair value adjustment is recorded in other comprehensive income.

Impairment of financial assets

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1. Basis of preparation and changes in accounting principles *(continued)*

(a) *New amended standards and interpretation adopted or early adopted (if mentioned) by the Group (continued)*

Other standards or amendments

Standard	Topic	Key requirements
Amendments to IFRS 2	Classification and Measurement of share-based payment transactions	This amendment clarifies the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the classification principles in IFRS 2. Where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority, the whole award will be treated as if it was equity-settled provided it would have been equity-settled without the net settlement feature. Entities with the following arrangements are likely to be affected by these changes: — Equity-settled awards that include net settlement features relating to tax obligations — Cash-settled share-based payments that include performance conditions, and — Cash-settled arrangements that are modified to equity-settled share-based payments.
Amendments to IFRS 15	Classification to IFRS 15	The amendments in Clarifications to IFRS 15 'Revenue from Contracts with Customers' address three of the five topics identified (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts.
Amendments to IAS 28	Long-term interests in associates and joint ventures	The International Accounting Standards Board (IASB) has published 'Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)' to clarify that an entity applies IFRS 9 'Financial Instruments' to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The above amended standard does not have any material impact on the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1. Basis of preparation and changes in accounting principles *(continued)*

(b) New standards and interpretations not yet adopted by the Group

A number of new standards and amendments to standards and interpretations are effective for the fiscal years beginning after 31 March 2019 and have not been applied in preparing these consolidated financial statements, including:

IFRS 16 Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group has set up a project team which has reviewed all of the group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the group's operating leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of €485,117,000, see note 29.

For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately €408,000,000 on 1 April 2019, lease liabilities of €408,000,000 (after adjustments for prepayments and accrued lease payments recognised as at 31 March 2019).

The difference between the lease commitments as of March 2019 and the lease liabilities under IFRS 16 is notably due to the discounting effect and short term leases not considered in IFRS 16.

The Group expects that net profit after tax would increase by approximately €5,500,000 for the fiscal year ending 30 March 2020 as a result of adopting the new rules. Adjusted EBITDA used to measure segment results is expected to increase by approximately €118,000,000, as the operating lease payments were included in EBITDA, but the amortization of the right-of-use assets and interest on the lease liability are excluded from this measure.

These amounts are based on preliminary estimates and might be modified.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

The Group will apply the standard from its mandatory adoption date of 1 April 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

Other standards

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on the foreseeable future transactions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2. Principles of consolidation

The accounts of all companies included within the scope of consolidation are closed on 31 March.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liability incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement at the acquisition date. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through statement of income.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the statement of income.

(b) Separate financial statement

For the Company alone balance sheets, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2. Principles of consolidation *(continued)*

(c) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Put options arrangements

For puts on non-controlling interests issued after 2010, the accounting is as follows:

- The present value of the cash payments related to the potential exercise of put options issued by the Group over non-controlling interests are accounted for as "other financial liabilities";
- The initial amount was recognised at fair value within "other financial liabilities" with a corresponding charge directly to "equity". The change in estimates in the fair value of the financial liability is recorded with a corresponding adjustment to "equity";
- In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to "equity".

When the put option is written as part of a business combination and when the control over the subsidiary is acquired, no non-controlling interests is recognized in respect of the shares subject to the put option.

Such options are subsequently measured at amortised cost, using the effective interest rate method, in order to accrete the liability up to the amount payable under the option at the date at which it first become exercisable. The charge arising is recorded as a financing cost.

(d) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in statement of income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

(e) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition. The Group's investment in associates included goodwill identified on acquisition. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit/(loss) of an associate" in the statement of income.

Any dilution gain or loss arising in investments in associates is recognized in the consolidated statement of income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.3. Foreign currency translation

(a) Functional and presentation currency

Items included in the Consolidated Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Consolidated Financial Statements are presented in Euros.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation of items are remeasured. The exchange rates prevailing at these dates are approximated by a single rate per currency for each day (unless these rates are not reasonable approximations of the cumulative effect of the rates prevailing on the transaction dates). Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income under the line "Foreign currency gains/(losses)", except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in statement of income as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

(c) Group companies

None of the Group's entities has the functional currency of a hyperinflationary economy.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

ii. Income and expenses for each statement of income are translated at an estimated monthly average exchange rate (unless this rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

iii. All resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations including monetary items that form part of the reporting entity's net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are included in "Cumulative currency translation differences" within shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognized in the statement of income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.4. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chairman & Chief Executive Officer (CEO) and the Managing Director that make strategic decisions.

They review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Chairman & CEO and the Managing Director consider the business from both a channel and a geographic perspective by country. Financial information is available for both, however the channels are the operating segments.

From a channel perspective, management assesses the performance of two operating segments, which are Sell-out and Sell-in and Business to Business:

- Sell-out comprises the sales of the products directly to the final customers. These sales are mainly done in the Group's stores and/or through the Group's website;
- Sell-in comprises the sales of the products to an intermediate. These intermediates are mainly distributors, wholesalers, TV show channels and travel retailers. This segment also comprises sales of products to corporate customers which will give them out as presents, for example to their customers or employees;
- Business to business (B to B) comprises the sales of the Group's products to an intermediate who will provide them as free amenities to its final customers. These intermediates are mainly airlines companies and hotels.

In accordance with the aggregation criteria of IFRS 8, the operating segments Sell-in and B-to-B have been aggregated into a single reportable segment as the distribution channels and the credit risks are similar.

From a geographical perspective, management assesses the performance of the different countries.

2.5. Intangible assets

(a) Goodwill

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units or groups of cash generating units, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the geographical and operating segment level.

(b) Key moneys

Key moneys are entry rights to be paid prior to starting up a store. When the key money is paid to the previous tenant, it is classified within intangible assets and is amortized using the straight-line method over a period of 10 years (which is deemed to approximate the average lease term) or over the lease term if shorter, or over the lease term taking into account the renewal option (for flagships).

In case the key money is paid to the landlord, then it is deemed to be an additional rental payment and is classified as a prepaid expense (current and non-current) and amortized on a straight-line basis over the rent period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.5. Intangible assets *(continued)*

(c) Contractual customer relationship

These assets result from business combinations when the Group, at the acquisition date, allocates the cost of the business combination by recognizing the acquiree's identifiable intangible assets. The contractual customer relationship is amortized using the straight-line method over the average period of the expected relationship with the client which usually ranges between 3 years and 5 years.

(d) Trademarks

These assets result from business combinations when the Group, at the acquisition date, allocates the cost of the business combination by recognizing the acquiree's identifiable intangible assets. When the Group intends to sell products under the acquired trademarks and when there is no foreseeable limit to the period over which the trademarks are expected to generate net cash inflows for the Group, then it is considered that trademarks have an indefinite useful life. Therefore, trademarks are not amortized but tested annually for impairment.

Trademark is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or group of cash generating units that are expected to benefit from the trademark.

(e) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized using the straight-line method over their estimated useful lives (not exceeding 5 years).

Costs that are directly associated with the production and testing of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Directly attributable costs include the software development employee costs and an appropriate portion of relevant overheads. These costs are amortized using the straight-line method over their estimated useful lives. The main ERP of the Group (SAP) is amortized over 10 years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

(f) Commercial websites

Development costs that are directly attributable to the design and testing of commercial websites are recognised as intangible fixed assets and are amortized over their estimated useful lives, which does not exceed 3 years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.5. Intangible assets *(continued)*

(g) Research and development costs

Research costs are expensed when incurred.

Development costs relating to a development project are recognised as an intangible asset when the following criteria are met:

- It is technically feasible to complete the project so that it will be available for use or sale;
- Management intends to complete the project and use or sell it;
- There is an ability to use or sell the project;
- It can be demonstrated how the project will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the project are available;
- The expenditure attributable to the project during its development can be reliably measured.

In view of the large number of development projects and uncertainties concerning the decision to launch products relating to these projects, the Group considers that some of these capitalisation criteria are not met and the development costs are expensed when incurred.

2.6. Property, Plant and Equipment

All property, plant and equipment (PP&E) are stated at historical cost less depreciation and impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the statement of income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other tangible assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Tangible assets	Estimated useful lives
Buildings	20 years
Equipment and machinery	Between 5 and 10 years
Information system equipment and cash registers	3 years
Leasehold improvements	Between 5 and 10 years
Leasehold improvements related to the stores	5 years
Furniture and office equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.6. Property, Plant and Equipment *(continued)*

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has all the substantial risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the start of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in current and non-current obligations under finance leases. The interest element of the finance cost is charged to the statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

2.7. Impairment of non-financial assets

(a) Intangible assets (other than goodwill and trademarks) and property, plant and equipment

Intangible assets that are subject to amortization and property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. In assessing the fair value, an external valuation is obtained or management's best estimate is used to the extent the assumptions used by management reflect market expectations.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units: CGUs):

- For testing the asset's carrying amount of the stores (mainly: key moneys, architect/decorator costs, leasehold improvements, furniture), the cash-generating unit is the store;
- For the corporate assets (assets other than those related to the stores) where a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

Intangible assets (other than goodwill and trademarks) and property, plant and equipment that have been subject to impairment in the previous period are reviewed for a possible reversal of the impairment at each reporting date (notes 7, 8 and 9). Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years.

(b) Goodwill and trademarks

Goodwill and trademarks are allocated to cash generating units either by operating segment or by operating segment and by country. Cash generating units to which goodwill and trademarks have been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.8. Deposits

Deposits are recorded at their historical value. Impairment is recorded if the net present value is higher than the estimated recoverable amount. The impact for not discounting is not material.

2.9. Assets held for sale and assets directly associated with discontinued operations

Non-current assets or disposal groups are classified as assets held for sale or directly associated with discontinued operations and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through a continuing use and a sale is considered highly probable.

2.10.Inventories

Inventories are carried at the lower of cost or net realizable value (net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses); with cost being determined principally on the weighted average cost basis. The cost of inventories comprises the cost of raw materials, direct labour, depreciation of machines and production overheads (based on normal operating capacity). It excludes borrowing costs.

Inventories also include (a) distribution and marketing promotional goods that are intended to be sold to third parties and (b) mini products, pouches and boxes that are essentially bundled and sold together with regular products.

The Group regularly reviews inventory quantities on hand for excess inventory, discontinued products, obsolescence and declines in net realizable value below cost and records an allowance within "cost of sales" against the inventory balance for such declines.

2.11.Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. The amount of the loss on a trade receivable is recognized in the income statement within "Distribution expenses".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.12.Financial assets

Under IFRS 9, the Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through OCI ('FVOCI') — debt instrument;
- Fair value through OCI ('FVOCI') — equity instrument; or
- Fair value through profit and loss ('FVTPL').

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and the contractual terms of cash-flows. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Type of financial assets	Nature of classification	Measurement
At amortised costs		
Trade receivables	Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration (plus transactions costs that are directly attributable to the acquisition of the financial asset) that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.	These assets are subsequently measured at amortised cost using the effective cost interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Other financial assets at amortised cost	The Group classified its financial assets as at amortised cost only if both of the following criteria are met: • The asset is held within a business model whose objective is to collect the contractual cash flows, and • The contractual terms give rise to cash flows that are solely payments of principal and interest.	These assets are subsequently measured at amortised cost using the effective cost interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognized in profit or loss (note 23).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.12. Financial assets *(continued)*

Type of financial assets	Nature of classification	Measurement
At fair value through OCI or profit and loss		
Financial assets at fair value through other comprehensive income — Debt instruments	Debt securities where the contractual cash flows are solely payment of principal and interest and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.	At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI (movements in the carrying amount). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss (note 23).
Financial assets at fair value through other comprehensive income — Equity instruments	On initial recognition of an equity instrument, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.	At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. The Group subsequently measures all equity instruments at fair value. Changes in the fair value of financial assets at fair value OCI. Dividends from such investments continue to be recognised in the income statement as other income when the Group's right to receive payments is established. Where the Group's management have elected to present fair value gains and losses on equity instruments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment (note 23).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.12. Financial assets *(continued)*

Type of financial assets	Nature of classification	Measurement
Financial assets at fair value through profit and loss	All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.	At initial recognition, the Group measures a financial asset at its fair value. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss (note 23).

Impairment for financial assets

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 March 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has not identified any specific relevant factors to adjust the historical loss rates.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due. Impairment losses on trade receivables are presented as net impairment losses within operating profit in the line "administrative expenses". Subsequent recoveries of amounts previously written off are credited against the same line item.

Debt investments

All of the entity's debt investments at amortised cost and FVOCI are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.13. Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- Hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the economic relationship between the hedging instruments and the hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair value of the various derivative instruments used for hedging purposes is disclosed in note 14. Movements on the hedging reserve in other comprehensive income are shown in the consolidated statement of changes in shareholders' equity.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the hedged item is more than 12 months; it is classified as a current asset or liability when the maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the statement of income within "finance income" or "finance costs" for interest derivatives and within "foreign currency gains/(losses)" for currency derivatives.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item is recognised within OCI in the costs of hedging reserve within equity. In some cases, the Group may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.13. Derivative financial instruments and hedging activities *(continued)*

(b) Cash flow hedge (continued)

Amounts accumulated in equity are reclassified in the statement of income in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the statement of income within “finance income” or “finance costs”.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of income within “finance income” or “finance costs” for interest derivatives and within “foreign currency gains/(losses)” for currency derivatives.

(c) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of income within “foreign currency gains/(losses)”.

Gains and losses accumulated in equity are included in the statement of income when the foreign operation is partially disposed of or sold.

The Group does not use net investment hedges.

(d) Derivatives at fair value through profit and loss

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of these derivative instruments are recognized immediately in the statement of income within “finance income”, “finance costs” or “foreign currency gains/(losses)”.

2.14. Cash and cash equivalents

Cash and cash equivalents include cash in hand, short-term deposits and other short-term highly liquid investments with original maturities of three months or less.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.15. Share capital

Ordinary shares are classified as equity. There are no preference shares.

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group’s entity purchases the Group’s equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Group’s equity owners. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Group’s equity owners.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.16. Dividend distribution

Dividend distribution to the Group's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders.

2.17. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year of less. If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.18. Provisions

Within the normal framework of their activities, the Group and its subsidiaries are subject to various forms of litigation and legal proceedings. The Group sets aside a provision based on its past experience and on facts and circumstances known at the balance sheet date. Provisions for customer and warranty claims, dismantling and restoring obligations, restructuring costs and legal claims are recognized when:

— The Group has a present legal or constructive obligation as a result of past events;

— It is probable that an outflow of resources will be required to settle the obligation;

— And the amount has been reliably estimated.

If any, restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

(a) Provision for costs of dismantling and restoring

When the lease agreement includes an obligation to restore the leased property into original condition at the end of the lease term or to compensate for dilapidation, a provision for the estimated discounted costs of dismantling and restoring or settlement is recorded over the length of the lease.

Depending upon the nature of the obligation in the lease agreement, it may be considered that the alterations occurred when entering the lease. In this case the liability is immediately recorded at the inception of the lease and the same amount is included in property, plant and equipment. This item is then depreciated over the lease term.

(b) Provision for onerous contracts

The lease contracts used by the Group are mostly lease contracts for the stores. The store is the cash generating unit used for testing the asset's carrying amount of the non-financial assets (note 2.7). Certain operating lease contracts are onerous contracts when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from it. In this case, in addition to the impairment loss recognised on the non-current assets dedicated to that contract, the present obligation is recognised and measured as a provision.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.19.Employee benefits

(a) Pension obligations

The Group operates various pension schemes under both defined benefits and defined contribution plans:

- A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation;
- A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. In a defined contribution plan, the Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Defined benefit plans

The only significant regime with defined benefits concerns the retirement indemnities in France. The employees receive a lump sum which varies according to the seniority and the other elements of the collective agreement from which they depend.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses resulting from experience adjustments and changes in the actuarial assumptions that are used to calculate the obligations (excluding the estimated return on the plan's assets) are fully recognized within "Other comprehensive income" in the period in which they arise (refer note 2.1).

Past-service costs are recognized immediately in the statement of income.

Defined contribution plans

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Other post-employment obligations

The Group does not provide any other post-employment obligations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.19.Employee benefits *(continued)*

(c) Share-based compensation

L'Occitane Groupe S.A., the parent of the Company, operates a number of share-based compensation plans which are granted to employees of the Group and its subsidiaries.

The Group has also authorized free share and share option plans over its own equity instruments whose characteristics are described in note 16.

Equity settled share-based compensations

The fair value of the employee services received in exchange for the grant of the equity instruments is recognized as an expense over the vesting period.

The total amount of the expense is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the statement of income, with a corresponding adjustment to equity in other reserves.

The market conditions and non-vesting conditions are taken into account in the valuation of the option at the grant date and are not updated for the subsequent closings.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the equity instruments are exercised.

The grant by the parent company of share-based compensations over its equity instruments to the employees of the Company or subsidiaries undertakings in the Group is treated as a capital contribution from the parent company. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as share-based compensation expense, with a corresponding effect in equity attributable to the equity owners of the Company as a "contribution from the parent".

(d) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: a) when the Group can no longer withdraw the offer of those benefits; and b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.19.Employee benefits *(continued)*

(e) Profit-sharing and bonus plans

The Group recognizes a provision where legally, contractually obliged or where there is a past practice that has created a constructive obligation.

(f) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2.20.Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawn-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.21.Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

Revenue for sales invoiced when the transfer of control has not occurred is deferred in the balance sheet under the "deferred revenue" line, in "other current liabilities".

Revenue is recognized as follows:

(a) Sales of goods — retail (sell-out business segment)

The Group operates a chain of retail stores. Revenue from the sale of goods is recognized when a Group sells a product to the customer at the store.

Payment of the transaction price is due immediately when the customer purchases the products.

It is not the Group's policy to sell its products to the end retail customer with a right of return. However, in some countries, the entity may retain an insignificant risk of ownership through a retail sale when a refund is offered/return good is accepted if the customer is not satisfied. Revenue in such cases is recognized at the time of the sale provided the entity can reliably estimate future returns and the Group recognizes a liability in "Other current liabilities" for returns against revenue based on previous accumulated experience and other relevant factors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.21. Revenue recognition *(continued)*

(b) Sales of goods — wholesale and distributors (sell-in and B-to-B business segments)

Sales are recognized when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The products are sometimes sold with conditional discounts. Sales are recorded based on the price specified in the sales contracts/invoices, net of the estimated conditional discounts.

No element of financing is deemed present as the sales are made with a credit term of maximum 90 days.

When the customer has a right to return the product within a given period, the Group is obliged to refund the purchase price. A refund liability for the expected refunds to customers is recognized as adjustment to 'net sales' in 'Other current liabilities'.

(c) Sale of gift-certificates

In some territories, in the ordinary course of the Group's activities, the Group sells gift certificates. The revenue is recognized when the customer redeems the gift certificates for buying goods (the product is delivered to the customer).

As long as customers do not redeem these gift certificates, the revenue for sales is deferred in the balance sheet.

Gift certificates that exceed the validity period are recognized in the statement of income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.21. Revenue recognition *(continued)*

(d) Loyalty program

The Group accounts for award credits as a separately identifiable component of the sales transaction(s) in which they are granted. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the components, i.e. the goods sold (revenue) and the award credits granted (deferred revenue). The allocation is made by reference to the relative stand alone values of the components, i.e. the amounts for which each component could be sold separately.

The fair value of the award credits is estimated by reference to the discount that the customer would obtain when redeeming the award credits for goods. The nominal value of this discount is reduced to take into account:

- any discount that would be offered to customers who have not earned award credits from an initial sale;
- the proportion of award credits that are expected to be forfeited by customers.

The Group recognises revenue in respect of the award credits in the periods, and reflecting the pattern, in which award credits are redeemed. The amount of revenue recognised is based on the number of award credits that have been redeemed relative to the total number expected to be redeemed.

The part of the consideration allocated to goods sold is recorded in Gross sales of products in the income statement and the deferred revenue is recorded in 'Other current liabilities' in the balance sheet.

(e) Consideration paid to distributors

In some cases, the Group can enter into arrangements with distributors where payments are made to compensate for certain promotional actions.

As such payments cannot usually be separated from the supply relationship, the Group recognises the consideration paid as a deduction of revenue.

2.22. Distribution expenses

The line "Distribution expenses" in the statement of income includes expenses relating to stores, mainly: employee benefits, rent and occupancy, depreciation and amortization, freight on sales, promotional goods, credit card fees, maintenance and repair, telephone and postage, travel and entertainment, doubtful receivables, start-up costs and closing costs.

Distribution promotional goods include testers and bags and are expensed when the Group has access to those items.

2.23. Marketing expenses

The line "Marketing expenses" in the statement of income includes mainly the following expenses: employee benefits, advertising expenses and promotional goods.

Marketing promotional goods include press kits, gifts with purchases, samples, commercial brochures and decoration items used to prepare the windows and are expensed when the Group has access to those items.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.24. Research and Development costs

The line "Research and Development costs" in the statement of income includes mainly the following expenses: employee benefits and professional fees.

2.25. Accounting of rent expenses

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease beginning at the date when the lessee is entitled to exercise its right to use the leased asset.

Certain rents can be variable according to the turnover. In this case, the supplementary and variable part of the rent is recorded in the period during which it becomes likely that the additional rent will be due.

Should the landlord grant free rent — in particular during the first months of the lease during the construction of the store — the free part is recognized on a straight-line basis over the remaining duration of the lease. Similarly, in the case of escalation clauses (progressive lease payments), lease payments are recognized as an expense on a straight-line basis. The counterpart is recorded in "liabilities linked to operating leases" in "non-current liabilities".

2.26. Start-up and pre-opening costs of stores

Start-up costs and pre-opening costs of the stores are expensed when incurred under the line "Distribution expenses" in the statement of income. These costs mainly include the following: broker and/or lawyer fees, rent paid before the opening date, travel expenses relating to the opening team.

2.27. Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are first deferred in non-current liabilities and then classified as a reduction of the fixed asset when it is put in service. The government grant is then credited to the income statement on a straight-line basis over the expected lives of the related assets.

2.28. Foreign currency gains/(losses)

The line "foreign currency gains/(losses)" in the statement of income relates to:

- Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year end of the exchange rates of monetary assets and liabilities denominated in foreign currencies (note 2.3 (b)). These foreign currency gains and losses are mainly related to the financing of the subsidiaries;
- Gains or losses arising from changes in the fair value of the foreign exchange derivatives at fair value through profit and loss (note 2.13 and note 14);
- Gains or losses arising from the ineffective portion of changes in the fair value of foreign exchange derivatives that are designated as hedging instruments (note 2.13 and note 14).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.29.Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, no deferred income tax is accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax asset against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity of different taxable entities where there is an intention to settle the balances on a net basis.

2.30.Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity owners of the Group by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

3. FINANCIAL RISK MANAGEMENT

3.1. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(a) Market risk

Foreign exchange risk

The Group conducts its distribution activities worldwide. Sales made by the subsidiaries are denominated in their local currency. The production sites are located in France and, consequently, a major part of the costs of production or purchase is denominated in Euros. The Group is thus exposed to foreign exchange risk on its commercial transactions, whether known or forecasted.

As at 31 March 2019, the exposure to foreign exchange risk on the statement of financial position is as follows:

In thousands of Euros	EUR	JPY	HKD	USD	GBP	CNY	BRL	TWD	CHF	CAD	Other	Total
Trade receivables	28,157	21,130	14,943	16,132	13,088	23,430	10,259	3,816	191	1,254	10,992	143,392
Other current receivables	29,575	754	1,014	8,974	3,129	2,339	13,771	539	62	80	4,521	64,758
Cash and cash equivalents	43,079	16,153	4,158	17,466	15,420	8,236	1,706	1,179	1,056	2,849	33,140	144,442
Monetary assets	**100,811**	**38,037**	**20,115**	**42,572**	**31,637**	**34,005**	**25,736**	**5,534**	**1,309**	**4,183**	**48,653**	**352,592**
Borrowings	509,196	–	–	39,074	7,566	–	152	5,192	5,276	6,533	4,951	577,940
Trade payables	79,077	7,342	5,005	12,830	17,964	6,898	2,918	1,090	343	945	6,835	141,247
Social and tax liabilities	35,014	6,081	2,490	6,531	15	5,328	5,171	953	60	462	7,973	70,078
Monetary liabilities	**623,287**	**13,423**	**7,495**	**58,435**	**25,545**	**12,226**	**8,241**	**7,235**	**5,679**	**7,940**	**19,759**	**789,265**
Gross exposure in the statement of financial position before hedging	**(522,476)**	**24,614**	**12,620**	**(15,863)**	**6,092**	**21,779**	**17,495**	**(1,701)**	**(4,370)**	**(3,757)**	**28,894**	**(436,673)**

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1. Financial risk factors *(continued)*

(a) Market risk (continued)

Foreign exchange risk *(continued)*

As at 31 March 2018, the exposure to foreign exchange risk on the statement of financial position is as follows:

In thousands of Euros	EUR	JPY	HKD	USD	GBP	CNY	BRL	TWD	CHF	CAD	Other	Total
Trade receivables	36,589	18,477	10,232	2,553	1,260	17,589	9,268	3,484	306	524	9,119	109,401
Other current receivables	29,544	1,029	2,201	9,150	5,600	2,223	13,087	544	53	40	6,073	69,544
Cash and cash equivalents	291,165	14,318	3,996	26,195	4,788	10,474	2,235	1,565	5,855	1,595	23,526	385,712
Monetary assets	**357,298**	**33,824**	**16,429**	**37,898**	**11,648**	**30,286**	**24,590**	**5,593**	**6,214**	**2,159**	**38,718**	**564,657**
Borrowings	14,681	–	–	39,283	10,758	–	332	5,020	5,603	5,347	7,005	88,029
Trade payables	77,937	6,686	6,216	10,240	6,922	5,821	2,605	1,316	426	1,086	6,200	125,455
Social and tax liabilities	39,217	5,167	2,094	3,825	393	3,805	6,285	1,238	118	330	7,372	69,844
Monetary liabilities	**131,835**	**11,853**	**8,310**	**53,348**	**18,073**	**9,626**	**9,222**	**7,574**	**6,147**	**6,763**	**20,577**	**283,328**
Gross exposure in the statement of financial position before hedging	**225,463**	**21,971**	**8,119**	**(15,450)**	**(6,425)**	**20,660**	**15,368**	**(1,981)**	**67**	**(4,604)**	**18,141**	**281,329**

The Group invoices its subsidiaries in their local currencies, whenever possible, in order to centralize the foreign exchange risk at the Group Level. The Group foreign risk is split between trading operations related to commercial transactions with subsidiaries and financing operations related to intercompany financing.

Commercial transactions

The Group treasury's risk management policy is to hedge systematically the transaction risk (amounts invoiced) at a minimum of 80%.

The economic risk (amounts forecasted) is hedged depending on market conditions and anticipations from management. All decisions to hedge economic risk are formally approved by the Group CFO.

The Group uses forward contracts to hedge the main part of its foreign risk exposure and currency options on a maximum of 40% of its exposure on its main currencies (USD, GBP, JPY, CNY and RUB). All decisions to use foreign exchange derivatives based products are formally approved by the Group CFO.

The Group only designates the spot component of foreign currency forwards in hedge relationships. The spot component is determined with reference to relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is defined as the forward points. It is discounted, where material.

The intrinsic value of foreign currency options is determined with reference to the relevant spot market exchange rate. The differential between the contracted strike rate and the discounted spot market exchange rate is defined as the time value. It is discounted, where material.

There is no such instruments at year end.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1. Financial risk factors *(continued)*

(a) *Market risk (continued)*

Foreign exchange risk *(continued)*

Financing operations

The Group treasury's risk management policy is to maximize natural hedging using multicurrency bank facilities whenever possible.

For the currencies not covered by multicurrency bank facilities, the Group treasury's risk management policy is to finance subsidiaries in their local currencies, whenever possible, and to hedge the corresponding exposure for a maximum hedging cost of 7%.

During the fiscal year 2019 and 2018 and on 31 March 2019 and 2018, if the Euro had weakened/strengthened by 10% in comparison to the currencies listed below with all other variables held constant, equity, net sales and post-tax profit for the year would have been higher/lower as illustrated below:

In thousands of Euros	**Currency translation differences (other comprehensive income)**		**Net sales**		**Profit of the year**	
March 31,	***2019***	***2018***	***2019***	***2018***	***2019***	***2018***
USD	3,210	1,578	24,280	18,027	1,580	912
JPY	11,968	12,902	22,212	21,893	6,460	7,225
HKD	17,068	7,666	12,510	10,747	14,945	5,683
CNY	12,265	12,159	17,807	15,912	8,800	8,811
GBP	2,402	1,904	6,246	6,178	1,880	1,428

The above sensitivity does not take into consideration the effect of a higher/lower euro on the fair market value of the foreign currency derivative instruments and on realized exchange gains and losses. The fair value of these derivatives at period end is not material.

Cash flow and fair value interest rate risk

The cash is currently invested in treasury deposits at short term and take profit of any increase in euro interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The analysis of the borrowings by category of rate is provided in note 17.5.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the differences between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

In accordance with debt covenants described in note 17.2, the margin of certain bank borrowings can change.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1. Financial risk factors *(continued)*

(a) Market risk (continued)

Cash flow and fair value interest rate risk *(continued)*

Based on the simulations performed, on 31 March 2019 and 2018, if interest rates had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings (note 23).

In thousands of Euros	***2019***	***2018***
Sensitivity of finance costs	679	413
Sensitivity of finance income	1,243	1,343
Sensitivity of the post-tax profit	439	685

The above sensitivity takes into consideration the impact of the interest rate derivatives existing at 31 March 2019 and 2018 on the interest expense but does not take into consideration the effect of a higher/lower interest rate on the fair market value of the derivatives designed to manage the cash flow interest risk floating-to-fixed interest rate swaps. The fair value of these derivatives at period end is not material.

Price risk

The Group is not significantly exposed to commodity price risk.

The Group is also exposed to price risk arising from investments in financial assets such as equity, fixed income, private equity, real estate, or multi assets funds. The investments are done in accordance with the limits and rules set by the Financial Investments Policy.

On 31 March 2019, the Group has no significant investment in external equity securities.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1. Financial risk factors *(continued)*

(b) Credit risk

Credit risk is managed on group basis, except for credit risk relating to account receivables balances. Each local entity is responsible for monitoring and analysing the credit risk of their clients. Standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments, carried at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL), derivative financial instruments and deposits with bank and financial institutions, as well as credit exposures to wholesale and retail customers.

The Group has no significant concentrations of credit risk for customers:

- For customers in the Sell-in and B-to-B segments, sales are made with credit terms generally from 60 and 90 days and the Group maintains adequate allowances for potential credit losses and follows regularly the solvency of its counterpart. As of 31 March 2019 and 2018, the Group did not have any significant concentration of business conducted with a particular customer that could, if suddenly eliminated, severely impact the operations of the Group;
- For customers in the Sell-out segment, the Group's sales to end customers are made in cash or via major credit cards and no credit terms are generally granted to the end customers. When the Sell-out sales are generated in department stores, a credit term is granted to the department store until the cash is transferred to the Group. This credit term is generally from 30 to 90 days;
- All significant cash deposits are made with major financial institutions having an investment grade rating and invested in fixed term deposits with fixed negotiations terms and interest rate or mutual funds. The Group has temporary exposure to non-investment grade institutions on payments made by customers in certain countries, until the Group transfers such amounts to investment grade institutions. Cash and cash equivalents and derivatives financial instruments are concentrated on few independently rated parties with a minimum rating of "BBB-" (investment Grade) except in countries rated below BBB-.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1. Financial risk factors *(continued)*

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

On 18 July 2014, the Company signed a multi-currency revolving facility agreement for an amount of €400 million with a five-year maturity plus an option of extension for 2 additional years.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flow. The liquidity reserves as at 31 March 2019 are as follows:

31 March *In thousands of Euros*	***2019***	***2018***
Cash and cash equivalents and bank overdrafts	144,442	385,712
Undrawn borrowing facilities (note 17.6)	161,917	332,358
Liquidity reserves	**306,359**	**718,070**

Surplus cash held by the Group is invested in call accounts, certificates of deposit, money market funds and securities or any other financial assets authorised by the Financial Investments Policy.

The repayment of certain bank borrowings depends on a financial ratio (note 17.2).

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

In thousands of Euros	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Borrowings (note 17)	8,562	4,118	549,949	15,311	577,940
Trade payables (note 19)	141,247	–	–	–	141,247
Interests payments on borrowings	5,777	5,606	7,262	240	18,885
Total on 31 March 2019	**155,586**	**9,724**	**557,211**	**15,551**	**738,072**
Borrowings (note 17)	7,434	–	75,689	4,906	88,029
Trade payables (note 19)	125,455	–	–	–	125,455
Interests payments on borrowings	1,499	548	180	46	2,273
Total on 31 March 2018	**134,388**	**548**	**75,869**	**4,952**	**215,757**

The interests payments on borrowings are based on the existing interest rates as at 31 March 2019. The net book value is close to the fair value.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.2. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity owners, return capital to equity owners, issue new shares or sell assets to reduce debt.

3.3. Fair value estimation

Fair value of financial instruments

The table below presents the net book value and fair value of some of the Group's financial instruments, with the exception of cash, trade receivables, and trade payables as well as accrued expenses (their carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values given their short maturities):

	31 March 2019		***31 March 2018***	
In thousands of Euros	**Net book value**	**Fair value**	**Net book value**	**Fair value**
Assets				
Available-for-sale financial assets (a)	–	–	10,625	10,625
Financial assets at fair value through other comprehensive income (FVOCI)	24,754	24,754	–	–
Other non-current receivables	32,827	32,827	40,253	40,253
Derivative financial instruments (b)	50	50	155	155
Total assets	57,631	57,631	51,033	51,033
Liabilities				
Floating rate	577,941	577,941	88,029	88,029
Total borrowings	577,941	577,941	88,029	88,029
Derivative financial instruments (b)	849	849	493	493
Total liabilities	849	849	493	493

(a) The available-for-sale financial assets fair value was determined as indicated below

(b) The fair value of financial instruments is determined as indicated below.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3. Fair value estimation *(continued)*

Fair value measurement hierarchy

IFRS 13 for financial instruments requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value:

	31 March 2019			*31 March 2018*		
In thousands of Euros	**Level 1(a)**	**Level 2(b)**	**Level 3(c)**	**Level 1(a)**	**Level 2(b)**	**Level 3(c)**
Assets						
Derivatives at fair value through profit and loss (note 14)	–	50	–	–	155	–
Available-for-sale financial assets	–	–	–	–	–	10,625
Financial assets at fair value through other comprehensive income (FVOCI) (note 10)	–	11,861	12,893	–	–	–
Cash equivalents	4,712	–	–	1,999	–	–
Total assets	**4,712**	**11,911**	**12,893**	**1,999**	**155**	**10,625**
Liabilities						
Derivatives at fair value through profit and loss (note 14)	–	849	–	–	(493)	–
Total liabilities	**–**	**849**	**–**	**–**	**(493)**	**–**

(a) The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by external counterparties using methods and assumptions that are based on market conditions existing at each balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(c) If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Estimates are used for, but not limited to, depreciation, amortization and impairment of non-current assets (notes 2.5, 2.6 and 2.7), allocation of the excess of the cost of an acquisition over the carrying value of the net assets acquired to key moneys (note 2.5) and to contractual customer relationship (note 2.5), valuation of inventories (note 2.10), allowance of inventories (note 2.10), measurement of provisions (note 2.18) and onerous contracts (note 2.18), allowance of trade receivables (note 2.11), revenue recognition (note 2.21), current and deferred income taxes (note 2.29), fair value of the derivative instruments (note 2.13), valuation of share-based compensation (note 16.3) and contingencies (note 28).

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

4.1. Impairment test of non-current assets

Impairment test for intangible assets (including goodwill and trademarks), and property, plant and equipment are performed in accordance with the accounting policy stated in note 2.7. The recoverable amounts of cash-generating units (CGU) have been determined on the basis of value-in-use calculations. These calculations used cash flow projections approved by management.

The key assumptions used for value-in-use calculations are as follows:

- Forecasted sales are determined for each store based on its location. This may vary significantly from one location to another or from one country to another. Management determined budgeted net sales, gross margin and operating cash flows based on past performance and its expectations of market developments;
- The terminal value is based on a long term growth rate of 1% (1% in the fiscal year ended 31 March 2018);
- The pre-tax discount rate of 10% (10% in the fiscal year ended 31 March 2018). The same pre-tax discount rate has been used for all the segments as:
  - All the products are produced mainly in France;
  - Most of the financing is done centrally, and;
  - The specific local market risks are embedded in the cash flows projections.

The cash flow projections used to test the goodwill related to the Melvita acquisition are based on forecasted sales supported by actual or targeted openings or decision to open Melvita stores in several countries and on a five-year plan prepared by management. The key assumptions of these cash flow projections relate to the increase in the number of stores and in the net sales.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

4.2. Depreciation and amortization periods

The main intangible and tangible assets of the Group relate to the stores. The amortization period of key money is based on 10 years (which is deemed to approximate the average lease term including the renewal option) or over the lease term of the related store, if shorter and the depreciation period of tangible assets takes into consideration the expected commercial lives of the store or the lease term if shorter. These assets are tested for impairment in accordance with the accounting policy stated in note 2.7.

4.3. Allowance on inventories

The Group regularly reviews inventory quantities on hand for excess inventory, discontinued products, obsolescence and declines in net realizable value below cost and records an allowance against the inventory balance for such declines.

When the annual inventory count takes place on a date different from the closing date, the quantity on hand is adjusted to take into account the shrinkage rate (after deduction of non-recurring differences) over the period between the date of the stocktaking and the balance sheet date.

4.4. Legal claims

The estimates for provisions for litigation are based upon available information and advice of counsel and are regularly reviewed on this basis by management (see notes 20 and 28).

4.5. Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such a determination is made.

5. SEGMENT INFORMATION

5.1. Operating segments

The measure of profit or loss for each operating segment followed by the executive committee is their operating profit.

The segments information as at 31 March 2019 and 2018 is as follows:

31 March 2019 *In thousands of Euros*	**Sell-out**	**Sell-in and B-to-B**	**Other reconciling items**	**Total**
Net sales	**1,075,580**	**351,294**	**–**	**1,426,874**
In % of total	*75.4%*	*24.6%*	–	*100%*
Gross profit	**935,670**	**251,800**	**(497)**	**1,186,973**
% of net sales	*87.0%*	*71.7%*	–	*83.2%*
Distribution expenses	(583,324)	(59,714)	(57,336)	(700,374)
Marketing expenses	(55,611)	(11,451)	(118,980)	(186,042)
Research & development expenses	–	–	(17,879)	(17,879)
General and administrative expenses	–	–	(132,542)	(132,542)
Other (losses)/gains — net	466	(66)	211	611
Operating profit	**297,201**	**180,569**	**(327,023)**	**150,747**
% of net sales	*27.6%*	*51.4%*	*N/A*	*10.6%*

31 March 2018 *In thousands of Euros*	**Sell-out**	**Sell-in and B-to-B**	**Other reconciling items**	**Total**
Net sales	**987,788**	**331,578**	**–**	**1,319,366**
In % of total	*74.9%*	*25.1%*	–	*100%*
Gross profit	**865,080**	**233,961**	**(643)**	**1,098,398**
% of net sales	*87.6%*	*70.6%*	–	*83.3%*
Distribution expenses	(534,114)	(55,089)	(50,254)	(639,457)
Marketing expenses	(51,966)	(9,675)	(117,554)	(179,195)
Research & development expenses	–	–	(17,548)	(17,548)
General and administrative expenses	–	–	(123,048)	(123,048)
Share of profit/(losses) from joint operations	–	–	150	150
Other (losses)/gains-net	797	(91)	981	1,687
Operating profit	**279,797**	**169,106**	**(307,916)**	**140,987**
% of net sales	*28.3%*	*51.0%*	*N/A*	*10.7%*

There are no significant inter-segment transfers or transactions.

In addition, the "other reconciling items" column includes amounts corresponding to central functions unrelated to a specific business segment (mainly the central distribution warehouses, central marketing and most of general and administration expenses).

5. SEGMENT INFORMATION *(CONTINUED)*

5.2. Geographic areas

(a) *Net sales by countries*

Net sales are allocated based on the country of the invoicing subsidiary.

31 March	***2019***		***2018***	
In thousands of Euros	**Total**	**In % of total**	**Total**	**In % of total**
Japan	222,119	*15.6%*	218,932	*16.6%*
United States	232,404	*16.3%*	172,160	*13.0%*
Hong Kong	136,973	*9.6%*	124,584	*9.4%*
China	178,072	*12.5%*	159,118	*12.1%*
France	102,952	*7.2%*	102,177	*7.7%*
United Kingdom	60,659	*4.3%*	59,837	*4.5%*
Luxembourg	65,495	*4.6%*	67,301	*5.1%*
Russia	51,247	*3.6%*	50,493	*3.8%*
Brazil	57,589	*4.0%*	60,208	*4.6%*
Taiwan	38,186	*2.7%*	39,433	*3.0%*
Other countries	281,178	*19.7%*	265,123	*20.1%*
Net sales	**1,426,874**	***100%***	**1,319,366**	***100%***

(b) *Net sales by brands*

Net sales are allocated based on the brand of products.

31 March	***2019***		***2018***	
In thousands of Euros	**Total**	**In % of total**	**Total**	**In % of total**
L'Occitane en Provence	1,247,153	*87%*	1,210,610	*92%*
LimeLife	83,780	*6%*	19,119	*1%*
Other brands	95,941	*7%*	89,637	*7%*
Net sales	**1,426,874**	***100%***	**1,319,366**	***100%***

5. SEGMENT INFORMATION *(CONTINUED)*

5.2. Geographic areas *(continued)*

(c) Assets

The following table shows the breakdown of certain non-current assets by geographical areas, allocated based on the country of the subsidiary owning the asset.

	Period ended 31 March					
	2019			*2018*		
31 March *In thousands of Euros*	**Property, Plant and Equipment**	**Goodwill**	**Intangible assets**	**Property, Plant and Equipment**	**Goodwill**	**Intangible assets**
Japan	12,432	20,858	126	9,703	19,787	57
United States	23,150	114,415	1,136	19,652	103,374	162
Hong Kong	4,428	2,743	–	3,632	2,369	–
China	2,288	1,498	118	1,195	1,499	165
France	95,589	38,440	45,626	91,963	38,440	48,858
Russia	3,233	29,464	130	3,178	30,208	147
United Kingdom	11,292	1,430	377	7,819	1,403	–
Luxembourg	1,764	772,064	26,360	2,027	–	20,224
Brazil	15,613	2,255	4,319	9,112	2,418	4,072
Taiwan	1,496	1,947	53	1,044	1,881	30
Other countries	27,377	26,025	1,864	26,595	25,267	2,841
Total	**198,662**	**1,011,139**	**80,109**	**175,920**	**226,646**	**76,556**

The calculation of the goodwill arising from the acquisition of Elemis is provisional and its allocation to cash generating units either by operating segment or by operating segment and by country will be finalized when the fair value of acquired assets and assumed liabilities will be finalized.

6. INFORMATION RELATING TO THE GROUP STRUCTURE

6.1. Changes in the group structure for the year ended 31 March 2019

6.1.1. Acquisition of Elemis

On 11 January 2019 the Group acquired 100% of interests in Elemis USA, Elemis Limited and Cosmetics Ltd ("Elemis") for a total consideration of €753.6 million (US$861 million) to expand the business in key geographical areas and penetrate a new distribution channel.

Purchase consideration in millions of Euros

The purchase consideration is as follows:

Cash paid	753.6
Ordinary shares issued	–
Contingent consideration	–
Percentage of interests	100%
Net assets identifiable acquired by the Group	**(8.7)**
Provisional goodwill	**762.3**

Assets and liabilities acquired

Figures *in €m*	***1 March 2019***
PP&E	7.7
Intangible assets	0.5
Inventories	15
Trade receivables	21.6
Prepaid expenses	1.4
Other non-current assets	0.2
Other current assets	0.5
Cash and cash equivalents	11.9
Trade payables	(16)
Social and tax liabilities	(51.4)
Other current liabilities	(0.1)
Net identifiable assets acquired	**(8.7)**
Less: non-controlling interests	–
Add: goodwill (provisional)	762.3
Net assets acquired	**753.6**

The above fair values are provisionally determined. Notably, the fair value of the acquired trademark and customer relationships and the assessment of the assumed tax risks are still under assessment by the Group management. The net identifiable assets acquired are based on the net book value of assets and liabilities as at 1 March.

The Group considers that the trade receivables acquired will be recovered.

The goodwill resulting from this business combination is attributable to the future synergies thanks to the penetration of a new channel distribution and the additional market stores in the USA and in the UK.

There is no deductible goodwill for tax purposes.

6. INFORMATION RELATING TO THE GROUP STRUCTURE *(CONTINUED)*

6.1. Changes in the group structure for the year ended 31 March 2019 *(continued)*

6.1.1.Acquisition of Elemis (continued)

Purchase consideration — cash outflow

The social and tax liabilities notably include an amount of 50.3 million of Euros of exit bonuses decided by the previous owner of Elemis before the acquisition. Those employee benefits were paid at the time of the acquisition notably with Elemis own cash for 10.1 million of Euros. The cash paid for those employee benefits is classified in the line ‘acquisition of subsidiaries and businesses, net of cash acquired’ in the statement of cash flows, together with the acquisition price of 753.6 million of Euros.

The combination of the acquisition price and the exit bonuses corresponds to a total a cash out flow of 793.8 million of Euros (US$907 million)

Revenue and profit contribution

The acquired business did not contribute to revenues and net profit to the Group for the period from 1 March 2019 to 31 March 2019. The amount is not material and will be recorded on FY2020 financial statements.

The acquired business would have contributed revenues of US$151.3 million and net profit of US$34.9 million for 12 months ending 31 December 2018.

Acquisition — related costs

The acquisition related costs amounted to €1,001,000 for the period ending 31 March 2019.

Sale of 7.7% of Elemis

On 6 March 2019, the Group sold 7.7% of Elemis to Chasselas Equity S.A. for a price of 61.1 million of Euros. This transaction has no impact on the exclusive control of the Group in Elemis. Therefore Chasselas Equity S.A. is a non controlling interest of Elemis.

The difference between the price amounting to 61.1 million of Euros and the part of the non controlling interests in the net assets of Elemis amounting to 57.9 million of Euros was recorded in other reserves in net equity for an amount of 3.2 million of Euros.

As part of this sale transaction, a call was granted to the Group to acquire the investment of Chasselas Equity S.A. in Elemis with three different exercise periods and a maximum price for each of them. As at 31 March 2019, the fair value of this call is not significant and has not been recorded: the time value is not significant and the intrinsic value is nil because the estimated fair value is lower than the maximum price. In June, the call was renegotiated between the parties with a fixed price for each exercise period. Therefore, the call will not be a derivative and will not be recorded in the consolidated financial statements.

6. INFORMATION RELATING TO THE GROUP STRUCTURE *(CONTINUED)*

6.1. Changes in the group structure for the year ended 31 March 2019 *(continued)*

6.1.2. Acquisition of Natural Cosmetics

On 30 April 2018, the Group acquired 100% of Natural Cosmetics from two shareholders to expand the business of LimeLife outside USA, which hold LimeLife Canada, Brazil, UK, and France. The total consideration paid amounts to €6,720,000. Management concluded that the acquisitions from the two shareholders are part of the same transaction and have consequently been accounted as a single operation; related goodwill has been calculated on the total price paid to both former shareholders.

Those entities and the Group are under common control (note 8.2) and the Group decided to account for this business combination by applying the acquisition method.

Purchase consideration in millions of Euros

The purchase consideration is as follows:

Cash paid	6.7
Percentage of interests	100%
Net assets identifiable acquired by the Group	**(2.4)**
Goodwill	**9.1**

Assets and liabilities acquired

The assets and liabilities recognized as a result of the acquisition is as follows:

Figures *in €m*	***30 April 2018***
Other current assets	0.2
Cash and cash equivalents	0.9
Trade payables	(0.3)
Borrowings	(0.4)
Other current liabilities	(2.9)
Net identifiable assets acquired	(2.4)
Add: goodwill	9.1
Net assets acquired	**6.7**

The goodwill resulting from this business combination was attributable to the future synergies thanks to the penetration of the international development of the sub segment sell-out.

Purchase consideration — cash outflow

No additional cash consideration was paid as part of the acquisition of the additional interests in Natural Cosmetics.

Revenue and profit contribution

The acquired business contributed revenues of €4,579,000 and net loss of (€4,046,000) to the Group for the period from 30 April 2018 to 31 March 2019.

Acquisition — related costs

No acquisition related costs were incurred.

6. INFORMATION RELATING TO THE GROUP STRUCTURE *(CONTINUED)*

6.1. Changes in the group structure for the year ended 31 March 2019 *(continued)*

6.1.3.Adjustment on the LimeLife goodwill recognized during the year ended 31 March 2018

During the year ended 31 March 2018, the Group acquired 60.48% of Limelight 2 LLC ('LimeLife USA') for a consideration of €114,224,000 (US$128 millions) through a contribution to its capital and gained joint control to expand the business model outside the USA.

The provisionally determined fair value of the net identifiable assets of the company at the date of acquisition was €19.4 million and the purchased goodwill amounted to €102.5 million. As at March 31 2019, the goodwill has been finally determined and amounts to €108,394,000.

As at 31 March 2019, in the statutory financial statements of LimeLife USA a goodwill amounting to €239 million was recognized. After further tax analysis it appears that 40% of this goodwill will be amortized over 15 years and tax-deductible.

Therefore a deferred tax liability is recognized over the 15 years for the difference between the accounting and the fiscal value of the goodwill. No deferred tax liability was recorded during the year ended 31 March 2019 since the accounting value of the goodwill was lower than the fiscal value.

6.1.4.Changes in ownership interests for LimeLife

The minority shareholders of LimeLife benefit of share-based compensation (note 16.3). As a consequence, the Group ownership in LimeLife decreased from 60.48% to 59.85% as at March 31, 2019. This resulted in an increase by €117,000 of the non-controlling interest in equity.

6.2. Changes in the group structure for the year ended 31 March 2018

Acquisition of LimeLife

On 24 May 2017 the Group acquired 40% of interests in LimeLife USA for a total consideration of €114,224,000 (US$128 millions) through a contribution to its capital and gained the joint control to expand the business model outside the USA. LimeLife is specialized in the distribution of professional makeup for artists and makeup enthusiasts in the USA.

On 12 December 2017 the Group acquired 20.48% of additional interests in LimeLife for a nil amount and gained the exclusive control. The counterparty to this nil amount was that the new structuring allows the minority shareholders to participate to the development of the international subsidiaries outside the USA. The Shareholder's agreement was also amended early in 2018 to avoid unresolved deadlock situations.

As consequences, there were two separate transactions with following impacts on the consolidated financial statements:

From June 2017 to December 2017, the investment in LimeLife was measured according to equity accounting method at the current exchange rate before the exclusive control was gained. An exchange loss was recorded in 'other comprehensive income' for an amount of €5,346,000. The Group's share of the statement of income in LimeLife amounting to €150,000 was classified in a specific line within the operating result.

On 12 December 2017, the previously held interest was remeasured to fair value for an amount of €114,270,000. The impact of this fair value adjustment amounting to €5,346,000 was recorded in the line 'Other gains/(losses) — net' of the statement of income together with the above exchange loss reclassified from the 'other comprehensive income'. The fair value of the previously held interest also forms one of the components that was used to calculate goodwill (see below the purchase consideration).

As of January 2018, LimeLife was fully consolidated.

6. INFORMATION RELATING TO THE GROUP STRUCTURE *(CONTINUED)*

6.2. Changes in the group structure for the year ended 31 March 2018 *(continued)*

Purchase consideration

in thousands of Euros

The purchase consideration is as follows:

Cash paid	–
Ordinary shares issued	–
Contingent consideration	–
Fair value of the previously held interests	114,270
Percentage of interests	60.48%
Net assets identifiable acquired by the Group	**11,763**
Goodwill	**102,507**

Assets and liabilities acquired

The assets and liabilities recognized as a result of the acquisition are as follows:

Figures *in €m*	***31 December 2017***
PP&E	0.6
Inventories	8.3
Trade receivables	0.7
Prepaid expenses	4.4
Other non-current assets	0.3
Cash and cash equivalents	9.4
Trade payables	(3.3)
Social and tax liabilities	(0.6)
Other current liabilities	(0.3)
Net identifiable assets acquired	**19.4**
Less: non-controlling interests	(7.7)
Add: goodwill	102.5
Net assets acquired	**114.3**

The above fair values are provisionally determined notably for deferred taxes. In the statutory financial statements of Limelight 2 LLC, a goodwill amounting to €254,972,000 is recognized. It may be deductible for tax purposes and may generate possible deferred tax assets amounting to €67,568,000. Due to the uncertainties on the tax treatment of this goodwill no deferred tax assets were recognized in the net identifiable assets acquired.

The goodwill resulting from this business combination is attributable to the future synergies thanks to the penetration of a new channel distribution.

The Group elected to recognize the non-controlling interests in at its proportionate share of the acquired net identifiable assets.

6. INFORMATION RELATING TO THE GROUP STRUCTURE *(CONTINUED)*

6.2. Changes in the group structure for the year ended 31 March 2018 *(continued)*

Purchase consideration — cash outflow

No additional cash consideration was paid as part of the acquisition of the additional interests in LimeLife.

Revenue and profit contribution

The acquired business contributed revenues of €19,119,000 and net profit of €380,000 to the Group for the period from 2 January 2018 to 31 March 2018.

If the acquisition had occurred on 1 April 2017, the acquired business would have contributed revenues of €66,751,000 and net profit of €2,405,000.

Acquisition — related costs

Acquisition related costs were capitalized for an amount of €150,000 during join control period. No additional costs were recorded in the income statement.

6.3. Other financial liabilities

For the year ended 31 March 2019

The following put options have been granted by the Group to the non-controlling interests:

In thousands of Euros	***31 March 2018***	**Payments relating to the excess exercise of the put options**	**Change in estimates in the valuation of the exercise price**	**Unwinding of discount (note 23)**	***31 March 2019***
Katalin Berenyi and Hojung Lee (Erborian)	9,449	(5,300)	5,804	–	9,953
Elizabeth Hajek (Austria)	3,709	–	–	349	4,058
Total other financial liabilities	**13,158**	**(5,300)**	**5,804**	**349**	**14,011**

One of the two put options relating to Erborian was revalued for an amount of €576,000 and then paid for an amount of €5,300,000 on 11 July 2018. The remaining minority shareholder entered in a litigation against the Group regarding the value of the put. The methodology used to determine the payment for the first minority shareholder was also used to estimate the new value of the liability relating to the other remaining minority shareholder for an amount of €9,953,000 as at 31 March 2019.

6. INFORMATION RELATING TO THE GROUP STRUCTURE *(CONTINUED)*

6.3. Other financial liabilities *(continued)*

For the year ended 31 March 2018

The following put options have been granted by the Group to the non-controlling interests:

In thousands of Euros	***31 March 2017***	**Dividend paid to the non-controlling interests**	**Change in estimates in the valuation of the exercise price**	**Unwinding of discount (note 23)**	***31 March 2018***
Katalin Berenyi and Hojung Lee (Erborian)	2,244	–	7,005	200	9,449
Elizabeth Hajek (Austria)	3,359	–	–	350	3,709
Total put options	**5,603**	**–**	**7,005**	**550**	**13,158**

One of the minority shareholders in Erborian has exercised her put option to require the acquisition of its shareholding of 18.7% by the Group. Due to a disagreement on the valuation of the shares, a claim was lodged against the Group. A first Luxembourg court decided in favour of the minority shareholder. The Group has disclaimed liability and is defending the action. Having received legal advice, the directors believe that a favorable outcome is probable and therefore the contingent liability was not taken into account in the above valuation of the other financial liability.

7. PROPERTY, PLANT AND EQUIPMENT

7.1. Year ended 31 March 2019

As of 31 March 2019, property, plant and equipment can be analysed as follows:

In thousands of Euros	Land	Buildings	Machinery and equipment	Other tangible assets	Leasehold improvements related to the stores	Other tangible assets related to the stores	Tangible assets in progress	Total
Cost as of 1 April 2018	**3,384**	**76,049**	**54,283**	**87,249**	**160,353**	**48,703**	**15,071**	**445,092**
Additions	1	154	5,407	10,238	24,351	7,443	20,102	67,696
Disposals	–	(52)	(488)	(2,531)	(21,488)	(6,936)	(521)	(32,016)
Acquisition of subsidiaries	–	–	78	16,088	–	–	–	16,166
Other movements	–	–	1,391	1,256	2,418	691	(5,756)	–
Exchange differences	–	–	47	2,211	6,435	1,611	(53)	10,251
Cost as of 31 March 2019	**3,385**	**76,151**	**60,718**	**114,511**	**172,069**	**51,512**	**28,843**	**507,189**
Accum. depreciation as of 1 April 2018	**-**	**(30,854)**	**(38,989)**	**(59,215)**	**(107,503)**	**(33,151)**	**-**	**(269,712)**
Depreciation	(3)	(4,827)	(5,618)	(11,289)	(23,039)	(7,333)	–	(52,109)
Impairment loss	–	–	–	(2,850)	–	–	–	(2,850)
Reversal of impairment loss	–	–	–	1,104	–	–	–	1,104
Disposals	–	56	368	2,384	21,294	6,750	–	30,852
Acquisition of subsidiaries		–	–	(73)	(8,429)	–	–	(8,502)
Other movements	3	–	–	(402)	(60)	57	–	(402)
Exchange differences	–	–	(38)	(2,344)	(3,975)	(551)	–	(6,908)
Accum. depreciation as of 31 March 2019	**-**	**(35,625)**	**(44,350)**	**(81,041)**	**(113,283)**	**(34,228)**	**-**	**(308,527)**
Net book value as of 31 March 2019	**3,385**	**40,526**	**16,368**	**33,470**	**58,786**	**17,284**	**28,843**	**198,662**
Including assets under finance leases:								
Property, plant & equipment, gross	898	20,871	4,789	350	–	–	–	26,908
Accumulated depreciation	–	(14,882)	(4,269)	(225)	–	–	–	(19,376)
Net book value assets under finance leases as of 31 March 2019	**898**	**5,989**	**520**	**125**	**-**	**-**	**-**	**7,532**

Main additions during the period are related to the leasehold improvements for the opening of 136 stores.

Excluding the costs of dismantling and restoring and the acquisitions under finance lease that are non-cash items, total cash additions amount to €67,696,000.

7. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

7.2. Year ended 31 March 2018

As of 31 March 2018, property, plant and equipment can be analysed as follows:

In thousands of Euros	Land	Buildings	Machinery and equipment	Other tangible assets	Leasehold improvements related to the stores	Other tangible assets related to the stores	Tangible assets in progress	Total
Cost as of 1 April 2017	**3,352**	**74,587**	**48,978**	**84,849**	**165,208**	**51,062**	**9,236**	**437,272**
Additions	32	956	4,043	10,396	31,187	8,130	11,178	65,922
Disposals	–	–	(481)	(4,606)	(21,960)	(5,972)	(293)	(33,312)
Acquisition of subsidiaries	–	–	84	405	–	–	–	489
Other movements	–	498	1,888	1,085	854	(109)	(4,216)	–
Exchange differences	–	8	(229)	(4,880)	(14,936)	(4,408)	(834)	(25,279)
Cost as of 31 March 2018	**3,384**	**76,049**	**54,283**	**87,249**	**160,353**	**48,703**	**15,071**	**445,092**
Accum. depreciation as of 1 April 2017	**–**	**(26,074)**	**(34,080)**	**(54,516)**	**(115,553)**	**(34,692)**	**–**	**(264,915)**
Depreciation	–	(4,780)	(5,383)	(10,821)	(22,897)	(7,821)	–	(51,702)
Impairment loss	–	–	–	(2,275)	–	–	–	(2,275)
Reversal of impairment loss	–	–	–	938	–	–	–	938
Disposals	–	–	306	3,841	21,315	5,725	–	31,187
Acquisition of subsidiaries	–	–	(7)	(33)	–	(15)	–	(55)
Other movements	–	–	–	(496)	(57)	841	–	288
Exchange differences	–	–	175	4,147	9,689	2,811	–	16,822
Accum. depreciation as of 31 March 2018	**–**	**(30,854)**	**(38,989)**	**(59,215)**	**(107,503)**	**(33,151)**	**–**	**(269,712)**
Net book value as of 31 March 2018	**3,384**	**45,195**	**15,294**	**28,034**	**52,850**	**15,552**	**15,071**	**175,380**
Including assets under finance leases:								
Property, plant & equipment, gross	898	20,871	4,758	350	–	–	–	26,877
Accumulated depreciation	–	(13,649)	(3,977)	(200)	–	–	–	(17,826)
Net book value assets under finance leases as of 31 March 2018	**898**	**7,222**	**781**	**150**	**–**	**–**	**–**	**9,051**

Main additions during the period are related to the leasehold improvements for the opening of 131 stores.

Excluding the costs of dismantling and restoring and the acquisitions under finance lease that are non-cash items, total cash additions amount to €65,738,000.

7.3. Classification of the depreciation of the tangible assets in the statement of income

Depreciation of the Group's property, plant and equipment has been charged to statement of income as follows:

31 March *In thousands of Euros*	***2019***	***2018***
Cost of goods sold	10,463	10,193
Distribution expenses	35,888	35,361
Marketing expenses	78	–
Research & development expenses	987	1,003
General and administrative expenses	4,693	4,605
Depreciation expenses	**52,109**	**51,162**

7. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

7.4. Impairment tests for property, plant and equipment

31 March *In thousands of Euros*	***2019***	***2018***
Accumulated impairment provision as of the beginning of the year	**(7,276)**	**(6,671)**
Impairment provision	(2,850)	(2,275)
Reversal of impairment provision (used)	1,104	938
Exchange differences	(604)	732
Accumulated impairment provision as of 31 March	**(9,626)**	**(7,276)**

Property, plant and equipment are allocated to the Group's cash-generating units (CGUs) and tested for impairment as described in note 2.7. The note 4.1 describes the key assumptions used for the value-in-use calculations.

An impairment loss amounting to €2,850,000 as at 31 March 2019 and €2,275,000 as at 31 March 2018 has been recorded within "distribution expenses" to adjust the carrying amount of certain fixed assets related to the stores (in the Sell-out operating segment).

The reversal of used impairment loss corresponds to stores that are closed.

8. GOODWILL

8.1. Goodwill variation analysis

Goodwill variation analysis is as follows:

31 March *In thousands of Euros*	***2019***	***2018***
Cost as of the beginning of the year	227,646	139,676
Acquisition of Elemis	762,333	–
Acquisition of Natural Cosmetics	9,076	–
Acquisition of Limelight	1,020	102,499
Exchange differences	12,064	(14,529)
Cost as of 31 March	**1,012,139**	**227,646**
Accumulated impairment as of the beginning of the year	**(1,000)**	**(1,000)**
Accumulated impairment as of 31 March	**(1,000)**	**(1,000)**
Net book value as of 31 March	**1,011,139**	**226,646**

8. GOODWILL *(CONTINUED)*

8.2. Goodwill breakdown

As of 31 March 2019, the breakdown of the Group's goodwill by country of origin is detailed as follows:

Geographic areas	**Net book value on 1 April 2018**	**Additions**	**Exchange differences**	**Net book value on 31 March 2019**
In thousands of Euros				
Sell-in				
France	13,898		–	13,898
Sell-out				
France	22,158	–	–	22,158
France — Erborian business	2,384	–	–	2,384
Japan	19,790	–	1,068	20,858
Russia	30,207	–	(743)	29,464
United States	5,492	–	529	6,021
United States — LimeLife	97,882	1,020	9,492	108,394
Luxembourg — Natural Cosmetics	–	9,076	858	9,934
Luxembourg — Elemis	–	762,333	–	762,333
Brazil	2,416	–	(161)	2,255
Canada	3,135	–	189	3,324
Netherlands	1,033	–	–	1,033
Hong Kong	2,370	–	373	2,743
Taiwan	1,882	–	65	1,947
United Kingdom	1,404	–	26	1,430
Ireland	2,715	–	–	2,715
China	1,498	–	–	1,498
Thailand	572	–	68	640
Poland	1,035	–	(22)	1,013
Spain	880	–	–	880
Australia	797	–	12	809
Belgium	323	–	–	323
Germany	130	–	–	130
Norway	5,181	–	10	5,191
Malaysia	9,464	–	300	9,764
TOTAL	226,646	772,429	12,064	1,011,139

The calculation of the goodwill arising from the acquisition of Elemis is provisional and its allocation to cash generating units either by operating segment or by operating segment and by country will be finalized when the fair value of acquired assets and assumed liabilities is finalized.

8.3. Impairment test for goodwill

As at 31 March 2019, the management is of the opinion that the value-in-use significantly exceeds the carrying value of goodwill by such a magnitude that no reasonably possible change in any of the key assumptions would eliminate the headroom.

9. INTANGIBLE ASSETS

9.1. Year ended 31 March 2019

As of 31 March 2019, intangible assets can be analysed as follows:

In thousands of Euros	Websites	Trademarks	Key moneys	Software	Contractual customer relationships	Intangible assets in progress	Other intangible assets	Total
Cost as of 1 April 2018	**82**	**16,087**	**68,657**	**55,216**	**1,761**	**7,429**	**7,585**	**156,816**
Additions	–	–	1,396	3,462	–	11,480	32	16,370
Disposals	(82)	–	(1,957)	(2,438)	–	(1,200)	–	(5,677)
Acquisition of subsidiaries	–	–	–	2,313	–	–	–	2,313
Other movements	–	–	1,044	1,701	–	(3,225)	559	79
Exchange differences	–	–	(391)	143	–	(2)	7	(243)
Cost as of 31 March 2019	**-**	**16,087**	**68,749**	**60,397**	**1,761**	**14,482**	**8,183**	**169,658**
Accumulated amortization and impairment as of 1 April 2018	**(82)**	**(611)**	**(36,353)**	**(36,107)**	**(1,761)**	**-**	**(5,346)**	**(80,260)**
Amortization	–	–	(3,447)	(7,342)	–	–	(1,016)	(11,805)
Impairment loss	–	–	–	–	–	–	–	–
Reversal of impairment loss	–	–	–	–	–	–	–	–
Disposals	82	–	1,828	2,438	–	–	–	4,348
Acquisition of subsidiaries	–	–	–	(1,829)	–	–	–	(1,829)
Other movements	–	–	–	(32)	–	–	–	(32)
Exchange differences	–	144	(109)	–	–	(6)	29	
Accumulated amortization and impairment as of 31 March 2019	**-**	**(611)**	**(37,828)**	**(42,981)**	**(1,761)**	**-**	**(6,368)**	**(89,549)**
Net book value as of 31 March 2019	**-**	**15,476**	**30,921**	**17,416**	**-**	**14,482**	**1,816**	**80,109**

The intangible assets in progress relate to purchased software to be used internally which are under development.

Additions mainly concern:

- Assets in progress for €11,480,000 are related mainly to software.
- Key moneys for an amount of €1,396,000.
- Software for an amount of €3,462,000.

The amount of intangible assets whose title is restricted or that are pledged as security for liabilities is nil as at 31 March 2019.

9. INTANGIBLE ASSETS *(CONTINUED)*

9.2. Year ended 31 March 2018

As of 31 March 2018, intangible assets can be analysed as follows:

In thousands of Euros	Websites	Trademarks	Key moneys	Software	Contractual customer relationships	Intangible assets in progress	Other intangible assets	Total
Cost as of 1 April 2017	**86**	**16,087**	**48,997**	**54,546**	**1,761**	**2,312**	**6,355**	**130,143**
Additions	–	–	20,905	2,630	–	6,578	356	30,469
Disposals	–	–	(1,103)	(2,341)	–	–	–	(3,444)
Acquisition of subsidiaries	–	–	–	356	–	–	–	356
Other movements	–	–	2,250	509	–	(1,456)	925	2,228
Exchange differences	(4)	–	(2,392)	(484)	–	(5)	(51)	(2,936)
Cost as of 31 March 2018	**82**	**16,087**	**68,657**	**55,216**	**1,761**	**7,429**	**7,585**	**156,816**
Accumulated amortization and impairment as of 1 April 2017	**(86)**	**(611)**	**(35,573)**	**(31,244)**	**(1,761)**	**-**	**(4,191)**	**(73,466)**
Amortization	–	–	(3,250)	(7,307)	–	–	(1,253)	(11,810)
Impairment loss	–	–	–	–	–	–	–	–
Reversal of impairment loss	–	–	–	–	–	–	–	–
Disposals	–	–	1,050	2,339	–	–	(21)	3,368
Acquisition of subsidiaries	–	–	–	(242)	–	–	–	(242)
Other movements	–	–	–	–	–	–	–	–
Exchange differences	4	–	1,420	347	–	–	119	1,890
Accumulated amortization and impairment as of 31 March 2018	**(82)**	**(611)**	**(36,353)**	**(36,107)**	**(1,761)**	**-**	**(5,346)**	**(80,260)**
Net book value as of 31 March 2018	**-**	**15,476**	**32,304**	**19,109**	**-**	**7,429**	**2,240**	**76,556**

The intangible assets in progress relate to purchased software to be used internally which are under development.

Additions mainly concern:

- Assets in progress for €5,400,000 are related mainly to software;
- Key moneys for an amount of €20,905,000. Such key moneys were mainly acquired in France;
- Software for an amount of €2,630,000.

The amount of intangible assets whose title is restricted or that are pledged as security for liabilities is nil as at 31 March 2018.

9.3. Classification of the amortization of the intangible assets in the statement of income

Amortization of the intangible assets has been charged to statement of income as follows:

31 March *In thousands of Euros*	***2019***	***2018***
Cost of goods sold	1,002	1,010
Distribution expenses	3,449	3,598
Marketing expenses	666	761
Research & development costs	8	16
General and administrative expenses	6,680	6,425
Amortization expenses	**11,805**	**11,810**

9. INTANGIBLE ASSETS *(CONTINUED)*

9.4. Impairment tests for intangible assets

Intangible assets are allocated to the Group's cash-generating units (CGUs) as described in note 2.7 and tested for impairment. The note 4.1 describes the key assumptions used for the value-in-use calculation.

31 March *In thousands of Euros*	***2019***	***2018***
Accumulated impairment provision as of the beginning of the year	(27)	(27)
Impairment provision	–	–
Reversal of impairment provision	–	–
Exchange differences	–	–
Accumulated impairment provision as of 31 March	**(27)**	**(27)**

10. OTHER NON-CURRENT ASSETS

The other non-current assets consist of the following:

31 March *In thousands of Euros*	***2019***	***2018***
Deposits	28,491	26,110
Available-for-sale financial assets	–	11,625
Equity investments at fair value through other comprehensive income (FVOCI)	24,754	–
Key moneys paid to the landlord	4,035	2,277
Loan to joint-venture	301	241
Other non-current assets	**57,581**	**40,253**

Key moneys paid to the landlord are deemed to be linked to the rent and are classified within prepaid expenses (current and non-current) (note 2.5).

Equity investments at fair value through other comprehensive income mainly correspond to the investment in MyGlamm for an amount of €12,893,000 and in funds for an amount of €11,861,000.

11. INVENTORIES

Inventories consist of the following items:

31 March *In thousands of Euros*	***2019***	***2018***
Raw materials and supplies	28,390	24,784
Finished goods and work in progress	184,059	140,528
Inventories, gross	**212,449**	**165,312**
Less, allowance	(9,622)	(8,833)
Inventories	**202,827**	**156,479**

12. TRADE RECEIVABLES

Trade receivables consist of the following:

31 March *In thousands of Euros*	***2019***	***2018***
Trade receivables, gross	144,845	110,508
Less, allowance for doubtful accounts	(1,453)	(1,107)
Trade receivables	**143,392**	**109,401**

Credit risk:

The carrying amounts of the Group's trade receivables approximate their fair value. At the balance sheet date, there is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, dispersed internationally. The maximum exposure to credit risk at each balance sheet date is the fair value of receivables set out above. The Group does not hold any collateral as security.

Ageing analysis of trade receivables from due date at the respective balance sheet date is as follows:

31 March *In thousands of Euros*	***2019***	***2018***
Current and past due within 3 months	143,086	109,338
3 to 6 months	1,335	641
6 to 12 months	114	155
Over 12 months	310	374
Trade receivables, gross	**144,845**	**110,508**

Movement of the Group's provision for impairment on trade receivables is as follows:

31 March *In thousands of Euros*	***2019***	***2018***
At beginning of the year	(1,107)	(1,920)
Provision for impairment	(692)	(419)
Reversal of impairment	381	1,191
Reclassification	0	(60)
Exchange differences	(35)	101
At end of the year	**(1,453)**	**(1,107)**

The creation and release of provision for impaired receivables have been included in distribution expenses.

The ageing of the provision for the impaired receivables from due date is as follows:

31 March *In thousands of Euros*	***2019***	***2018***
Within 3 months	837	522
3 to 6 months	237	192
6 to 12 months	78	108
Over 12 months	301	285
Impaired receivables	**1,453**	**1,107**

12. TRADE RECEIVABLES *(CONTINUED)*

The individually impaired receivables relate to wholesalers which are in unexpectedly difficult economic situations.

The ageing analysis of trade receivables from due date that was past due but not impaired as of 31 March 2019 and 2018 is as follows:

31 March *In thousands of Euros*	***2019***	***2018***
Within 3 months	7,519	9,166
3 to 6 months	1,098	449
6 to 12 months	36	47
Over 12 months	9	89
Trade receivables past due but not impaired	**8,662**	**9,751**

These trade receivables relate to a number of customers for whom there is no significant financial difficulty based on past experience, the overdue amounts can be recovered.

The Group considers that there is no recoverability risk on these past due receivables.

13. OTHER CURRENT ASSETS

The following table presents details of other current assets:

31 March *In thousands of Euros*	***2019***	***2018***
Value added tax receivable and other taxes and social items receivable	21,228	20,552
Prepaid expenses (a)	27,073	22,921
Income tax receivable (b)	6,583	10,463
Advance payments to suppliers	5,789	8,753
Other current assets	4,085	5,796
Total other current assets	**64,758**	**68,485**

(a) Prepaid expenses relate mainly to the pre-payment of rental expenses in relation to the stores.

(b) Income tax receivable is related to down payments of income tax that are higher than the final income tax expense expected to be paid for the period.

14. DERIVATIVE FINANCIAL INSTRUMENTS

Analysis of derivative financial instruments

Derivative financial instruments are analyzed as follows:

31 March	***2019***		***2018***	
In thousands of Euros	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Foreign exchange derivatives at fair value through profit and loss	18	849	46	493
Sub-total derivative financial instruments at fair value through profit and loss	**18**	**849**	**46**	**493**
Interest rate derivatives at fair value though other comprehensive income	32	—	109	—
Sub-total derivative financial instruments designated as hedging instruments	**32**	**—**	**109**	**—**
Current portion of derivative financial instruments	**50**	**849**	**155**	**493**

Derivatives for trading derivatives are classified as a current asset or liability. The fair value of a derivative designated as hedging instrument is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognized in the hedging reserve in other comprehensive income on forward foreign exchange contracts designated as hedging instruments as of the end of the period will be recognized in the statement of income in the period or periods during which the hedged forecast transaction will affect the statement of income. This is generally within the 12 months from the balance sheet date.

Derivatives at fair value through profit and loss

The change in fair value related to derivatives at fair value through profit and loss is as follows:

31 March *In thousands of Euros*	***2019***	***2018***
— within 'foreign currency gains/(losses)' for currency derivatives (note 24)	(384)	(158)
Total change in the fair value of derivatives at fair value through profit and loss : gains/(losses)	**(384)**	**(158)**

Derivatives designated as hedging instruments

There is derivatives designated at fair value through OCI.

14. DERIVATIVE FINANCIAL INSTRUMENTS *(CONTINUED)*

Notional amounts of derivatives

Foreign exchange derivatives

The notional principal amounts of the outstanding forward foreign exchange derivatives are (in thousands of Euros):

31 March *In Thousands of Euros*	***2019***	***2018***
Sale of currencies		
HKD	22,564	–
JPY	17,204	22,760
CNY	15,120	16,136
GBP	3,262	4,801
THB	2,639	2,429
RUB	2,471	1,970
BRL	2,280	–
AUD	2,023	1,528
MXN	1,500	1,010
USD	890	2,273
CZK	401	267
PLN	314	228
NOK	285	376
HUF	177	–
ZAR	121	41
SEK	120	173

15. CASH AND CASH EQUIVALENTS

The following table presents details of cash and cash equivalents:

31 March *In thousands of Euros*	***2019***	***2018***
Cash at bank and in hand	139,730	383,713
Cash equivalents	4,712	1,999
Cash and cash equivalents	**144,442**	**385,712**

Cash equivalents include highly liquid investments in short-term bank deposits.

The effective interest rates on cash at bank and in hand are as follows:

	2019	***2018***
Cash in Euros	Eonia or Euribor + margin	Eonia or Euribor + margin
Cash in foreign currencies	Libor/Local market rate + margin	Libor/Local market rate + margin

The effective interest rates on cash equivalents are as follows:

	2019	***2018***
Cash equivalents in Euros (short-term bank deposits)	Euribor/Local market rate	Euribor/Local market rate

16. CAPITAL AND RESERVES

L'Occitane International S.A. ("LOI") is a corporation incorporated in the Grand Duchy of Luxembourg. The authorized capital of the Company is €1,500,000,000 out of which €44,309,000 are issued as at 31 March 2019. At 31 March 2019, the Company's share capital is held by the company "L'Occitane Groupe S.A." ("LOG"), in a proportion of 73.02%.

All the shares of the Company are fully paid and benefit from the same rights and obligations.

16.1. Share capital and Additional paid-in capital

The changes in the number of shares, share capital and additional paid-in capital are summarized as follows:

In thousands of Euros except "Number of shares"	**Number of shares**	**Share capital**	**Additional paid-in capital**
Balance at 31 March 2018	**1,476,964,891**	**44,309**	**342,851**
Balance at 31 March 2019	**1,476,964,891**	**44,309**	**342,851**

16.2. Treasury shares

As at 31 March 2018, the Company held 16,282,420 Shares in treasury and the aggregate price of the purchased shares was deducted from equity as treasury shares reserve for an amount of €26,074,000.

During the fiscal year ending on 31 March 2019, the Company transferred out of treasury a total of 369,700 shares held in treasury pursuant to the employee's free share schemes of the Company.

As at 31 March 2019, the Company holds 15,912,720 Shares in treasury and the aggregate price of the purchased shares was deducted from equity as treasury shares reserve for an amount of €25,476,000.

16.3. Share-based payments

There are three types of share-based payments that were granted: (i) share-based payments related to LOI equity instruments, (ii) share-based payments related to LOG equity instruments and (iii) share-based payments related to LimeLife instruments.

(i) Main characteristics and detail of the plans with LOI equity instruments

During the fiscal year ended on 31 March 2019, no stock options nor free shares plans were granted.

Set out below are summaries of stock options plans:

	2019		***2018***	
	Average exercise price in HKD per share option	**Number of options**	**Average exercise price in HKD per share option**	**Number of options**
As at 1 April	16.29	34,652,347	16.84	32,002,707
Granted during the year	—	—	14.50	7,395,400
Exercised during the year	—	—	—	—
Forfeited during the year	16.62	(9,955,600)	17.21	(4,745,760)
As at 31 March	**16.15**	**24,696,747**	**16.29**	**34,652,347**

The stock options forfeited are related to the employees who left the Company before the end of the vesting period.

16. CAPITAL AND RESERVES *(CONTINUED)*

16.3. Share-based payments *(continued)*

(i) Main characteristics and detail of the plans with LOI equity instruments (continued)

Stock options outstanding at the end of the year have the following expiry date and exercise prices:

			Number of share options	
Grant date	**Expiry date**	**Exercise price**	***2019***	***2018***
4 April 2011	4 April 2015	19.84 HKD	1,387,825	1,481,875
4 April 2011	4 April 2015	19.84 HKD	117,000	117,000
4 April 2011	4 April 2015	19.84 HKD	14,500	1,320,000
26 October 2012	26 October 2016	23.60 HKD	971,500	1,440,000
28 November 2012	29 November 2016	24.47 HKD	672,422	841,422
4 December 2013	4 December 2017	17.62 HKD	3,818,000	5,624,250
23 February 2015	23 February 2019	19.22 HKD	238,000	423,800
21 March 2016	21 March 2020	14.36 HKD	4,370,800	6,659,700
02 February 2017	02 February 2021	15.16 HKD	7,018,700	9,348,900
29 March 2018	29 March 2022	14.50 HKD	6,088,000	7,395,400
Total			**24,696,747**	**34,652,347**

Free shares

Set out below are summaries of free shares plans:

	2019		***2018***	
	Average exercise price in HKD per free shares	**Number of free shares**	**Average exercise price in HKD per free shares**	**Number of free shares**
As at 1 April	14.81	6,692,000	16.76	1,969,000
Granted during the year	—	—	14.50	5,559,500
Vested during the year	14.32	(369,700)	17.62	(537,250)
Forfeited during the year	15.50	(380,400)	16.81	(299,250)
As at 31 March	**14.81**	**5,941,900**	**14.81**	**6,692,000**

Free shares outstanding at the end of the year have the following expiry date and exercise prices:

			Number of free shares	
Grant date	**Expiry date**	**Exercise price**	***2019***	***2018***
24 February 2015	24 February 2019	—	—	456,700
23 March 2016	23 March 2020	—	316,800	519,500
23 March 2016	23 March 2020	—	156,300	156,300
29 March 2018	29 March 2022	—	5,468,800	5,559,500
Total			**5,941,900**	**6,692,000**

(ii) Main characteristics and detail of the plans with LOG equity instruments

LOG, the parent company of L'Occitane International S.A. granted rights to its own equity instruments direct to L'Occitane International S.A. and its subsidiaries' employees.

16. CAPITAL AND RESERVES *(CONTINUED)*

16.3. Share-based payments *(continued)*

(iii) Total share-based compensation expense

During the year ended 31 March 2019, the share-based compensation expense recognized within the employee benefits is the following:

In thousands of Euros	***2019***	***2018***
LOI equity instruments	1,522	1,347
LOG equity instruments	1,647	2,174
LimeLife instruments	2,686	–
Social charges	392	328
Total (note 21)	**6,247**	**3,849**

The total remaining share-based compensation expense to be recognized within the future employee benefits is the following:

In thousands of Euros	***2019***	***2018***
LOI equity instruments	4,332	7,168
LOG equity instruments	1,563	8,148
LimeLife instruments	1,878	–
Total	**7,773**	**15,316**

16.4. Distributable reserves

On 31 March 2019, the distributable reserves of L'Occitane International S.A. amounted to €642,114,240 (€589,055,624 as at 31 March 2018).

16.5. Dividend per share

On 26 September 2018, the annual Shareholder's Meeting approved the distribution of €43,400,000 being €0.0297 per share (excluding 16,282,420 treasury shares) which was paid on 19 October 2018.

16.6. Additional paid in capital

Additional paid in capital includes:

- The additional paid in capital recognized in the statutory financial statements;
- The effect of valuing, at market value, the shares issued in exchange of acquisitions;
- The difference between the carrying amount net of tax and the nominal amount of the compound financial instruments converted to equity on 26 February 2007.

17. BORROWINGS

Borrowings include the following items:

31 March *In thousands of Euros*	***2019***	***2018***
FY 2019 Term loan	300,211	—
FY2019 Long term loan	21,532	—
FY 2015 Revolving facility	238,246	67,753
FY 2012 bank borrowing	5,715	6,429
Other bank borrowings	5,191	5,020
Finance lease liabilities	6,955	8,720
Current accounts with minority shareholders and related parties	90	107
Total	**577,940**	**88,029**
Less, current portion:		
— FY 2019 Term loan	(211)	—
— FY2019 Long term loan	(1,077)	—
— FY 2015 Revolving facility	(163)	(113)
— FY 2012 bank borrowing	(715)	(714)
— Other bank borrowings	(5,191)	(5,020)
— Finance lease liabilities	(1,205)	(1,587)
Total current	**(8,562)**	**(7,434)**
Total non-current	**569,378**	**80,595**

17.1. Maturity of non-current borrowings

For the years ended 31 March 2019 and 2018, maturity of non-current borrowings, can be broken down as follows:

In thousands of Euros	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total non-current**
FY 2019 Term loan	—	300,000	—	300,000
FY 2019 LongTerm loan	2,045	6,137	12,273	20,455
FY 2015 Revolving facility	—	238,083	—	238,083
FY 2012 bank borrowing	714	2,143	2,143	5,000
Current account with minority interests	90	—	—	90
Finance lease liabilities	1,268	3,587	895	5,750
Maturity on 31 March 2019	**4,117**	**549,950**	**15,311**	**569,378**
FY 2015 Revolving facility	67,640	—	—	67,640
FY 2012 bank borrowing	714	2,144	2,857	5,715
Current account with minority interests	107	—	—	107
Finance lease liabilities	1,162	3,922	2,049	7,133
Maturity on 31 March 2018	**69,623**	**6,066**	**4,906**	**80,595**

17. BORROWINGS *(CONTINUED)*

17.2. Credit facilities agreements

FY2019 Term Loan

On 31 January 2019, the Company signed a Term Loan Agreement for an amount of €300,000,000 with a 3 years maturity related to Elemis acquisition. An amount of €300,000,000 is drawn as at 31 March 2019.

Event of default resulting in the early repayment of the FY 2019 Term Loan agreement depends on the Leverage financial ratio, which is based on the annual Group consolidated financial statements. The leverage financial ratio is calculated as follows: Consolidated net debt/EBITDA. For the measurement of this ratio, the definitions to be used are as follows:

Consolidated net debt	Current and non-current borrowings (including finance leases and other commitments but excluding lease commitments within the scope of IFRS 16, long term employee benefits, raw materials commitments and grant to foundation) — cash and cash equivalents
EBITDA	Operating profit before depreciation, amortization and impairment and before net movements in provisions (excluding IFRS 16 impact)

The leverage ratio is to be lower than 2.0 and this level was respected as at 31 March 2019.

The FY 2019 Term Loan Agreement includes a repricing option. The interest rates depend on the above described Leverage financial ratio calculated every year after the consolidated financial statements of the Company are issued. The change in the ratio results in repricing the interest rate as follows:

Leverage financial ratio	**Repricing**
Ratio higher than 1.5	Euribor + Margin
Ratio being comprised between 1.0 and 1.5	Euribor + Margin — 0.15
Ratio being comprised between 0.5 and 1.0	Euribor + Margin — 0.25
Ratio lower than 0.5	Euribor + Margin — 0.35

During the fiscal year ended 31 March 2019, the interest rate was based on Euribor + Margin.

Directly attributable transaction costs related to the issuance of this FY 2019 Term Loan Agreement amounted to €1,200,000. As this financing is a Term Loan, the fees were capitalized as a deferred charge and amortized over the period of the Loan to which it relates.

FY2019 Long Term Loan

On 4 September 2018, the Group signed a long term loan agreement for an amount of €22.5 million with a 11-year maturity and that can be drawn only by M&L Distribution France. As at 31 October 2018, the bank borrowing was totally drawn. Two repayments occurred in December 2018 and March 2019 for amounts of €485,187 and €486,363. New balance of the FY 2019 Long Term Loan as at 31 March 2019 is €21,532,000.

The interest rate of the Long Term Loan is 0.97% (fixed rate).

The FY 2019 Long Term Loan is secured by a pledge on business assets related to 86 Champs Elysées Flagship Store in Paris.

17. BORROWINGS *(CONTINUED)*

17.2. Credit facilities agreements *(continued)*

FY2015 Revolving Facility

On 18 July 2014, the Company signed a multi-currency revolving facility agreement for an amount of €400 million with a five-year maturity plus an option of extension for 2 additional years. An amount of €238,082,723 is drawn as at 31 March 2019.

Event of default resulting in the early repayment of the FY 2015 Revolving facility agreement depends on the Leverage financial ratio which is based on the annual Group's consolidated financial statements. The leverage financial ratio is calculated as follows: Consolidated net debt/EBITDA. For the measurement of this ratio, the definitions to be used are as follows:

Consolidated net debt	Current and non-current borrowings (including finance leases and other commitments but excluding lease commitments within the scope of IFRS 16, long term employee benefits, raw materials commitments and grant to foundation) — cash and cash equivalents
EBITDA	Operating profit before depreciation, amortization and impairment and before net movements in provisions (excluding IFRS 16 impact)

The leverage financial ratio was initially to be lower than 3.5. Since 5 April 2017, the leverage ratio is to be lower than 2.0 and this level was respected as at 31 March 2019.

The FY 2015 Revolving facility includes a repricing option. The interest rates depend on the above described Leverage financial ratio calculated every year after the consolidated financial statements of the Group are issued. The change in the ratio results in repricing the interest rate as follows:

Leverage financial ratio	**Repricing**
Ratio higher than 1.5	Euribor/Libor + Margin — 0.35
Ratio being comprised between 1.0 and 1.5	Euribor/Libor + Margin — 0.50
Ratio being comprised between 0.5 and 1.0	Euribor/Libor + Margin — 0.60
Ratio lower than 0.5	Euribor/Libor + Margin — 0.70

During the fiscal year ended 31 March 2019, the interest rate was based on Euribor/Libor + Margin — 0.70.

Directly attributable transaction costs related to the issuance of this FY 2015 Revolving Facility and the option of extension for 2 additional years amounted to €1,300,000. As there is no evidence that it is probable that some or all the facility will be drawn down, the fees were capitalized as a deferred charge and amortized over the period of facility to which it relates.

FY2012 bank borrowing

On 20 June 2011, the Group signed a bank borrowing agreement for an amount of €10.0 million with a 15-year maturity and that can be drawn only by Laboratoires M&L (formerly known as L'Occitane S.A.). As at 31 March 2014, the bank borrowing was totally drawn (€10,000,000 as at 31 March 2013). Six repayments occurred in December 2013, 2014, 2015, 2016, 2017 and 2018 for an amount of €714,000 each. New balance of the FY 2012 bank borrowing as at 31 March 2019 is €5,714,286.

The interest rate of the bank borrowing is based on Euribor 3M + margin.

The FY 2012 bank borrowing is secured by a pledge on the land and building acquired by Laboratoires M&L to build the new logistic platform in Manosque, France (note 29.3).

17. BORROWINGS *(CONTINUED)*

17.3. Current accounts with non-controlling interests

Current accounts with non-controlling interests:

31 March *In thousands of Euros*	**Minority shareholder**	***2019***	***2018***
L'Occitane Nordic AB	Johan Nilsson	90	107
Total current accounts		**90**	**107**

17.4. Finance lease liabilities

Finance lease liabilities outstanding are analyzed as follows:

31 March *In thousands of Euros*	***2019***	***2018***
Within one year	1,164	1,663
One to two years	1,230	1,512
Two to three years	1,180	1,172
Three to four years	1,248	1,180
Four to five years	1,197	3,493
Thereafter	1,165	—
Total future minimum lease payments	**7,184**	**9,020**
Less, amount representing interest	(229)	(300)
Present value of finance lease liabilities	**6,955**	**8,720**
Less, current portion of finance lease liabilities	(1,205)	(1,587)
Non-current portion of finance lease liabilities	**5,750**	**7,133**

The main finance lease liability relates to the 2010 finance lease agreement in connection with (i) the acquisition of the existing land and building of Melvita for an amount of €4,934,000 and (ii) the extension and restructuring of the plant for an amount of €9,066,000. The lease term of the finance lease is 15 years and the interest rate is based on Euribor 3M (Euribor 3M + Margin for a part of the finance lease amounting to €9,334,000; Euribor 3M + Margin for a part of the finance lease amounting to €4,666,000). On 9 September 2011, the Company signed an additional clause to increase by €2,700,000 the total amount of the finance lease with the same conditions.

17. BORROWINGS *(CONTINUED)*

17.5. Effective interest rates

The effective interest rates at the balance sheet date were as follows:

	2019	*2018*
FY 2019 Term Loan	Euribor + Margin	–
FY 2019 Long Term Loan	Fixed Rate	–
FY 2015 bank borrowing	Euribor/Libor + Margin	Euribor/Libor + Margin
FY 2012 bank borrowing	Euribor 3M + Margin	Euribor 3M + Margin
Other borrowings	Mainly Euribor 3M + Margin	Mainly Euribor 3M + Margin
Bank overdrafts	Mainly Euribor 3M + Margin	Mainly Euribor 3M + Margin
Finance lease liabilities	Mainly Euribor 3M + Margin	Mainly Euribor 3M + Margin

17.6. Borrowing facilities

The Group has the following undrawn borrowing facilities:

31 March *In thousands of Euros*	***2019***	***2018***
Floating rate:		
— Expiring within one year	–	–
— Expiring beyond one year	161,917	332,358
Fixed rate:		
— Expiring within one year	–	–
— Expiring beyond one year	–	–
Total	**161,917**	**332,358**

17.7. Borrowing cash flow variations

The Group recognized the changes arising from cash flows and non-cash changes;

In thousands of Euros	***31 March 2018***	**Acquisition of subsidiaries**	**Cash flows**		**Exchange differences**	***31 March 2019***
			Proceeds	**Repayments**		
FY 2019 Term loan	–	300,000	–	–	–	300,000
FY 2019 Long term loan	–		21,532	(1,077)	0	20,455
FY 2015 Revolving facility	67,640	175,000	–	(8,975)	4418	238,083
FY 2012 bank borrowing	5,715	–	–	(715)	–	5,000
Finance lease liabilities	7,133	–	–	(1,383)	0	5,750
Current accounts with minority shareholders and related parties	107	–	–	(17)	–	90
Total	**80,595**	**475,000**	**21,532**	**(12,167)**	**4,418**	**569,378**

18. OTHER CURRENT AND NON-CURRENT LIABILITIES

Other current and non-current liabilities include the following:

31 March *In thousands of Euros*	***2019***	***2018***
Retirement indemnities	11,528	10,208
Long term employment benefits	785	672
Liabilities linked to operating leases (a)	14,907	14,496
Provisions for dismantling and restoring	7,178	6,292
Grants to a foundation	50	75
Total non-current liabilities	**34,448**	**31,743**
Grants to a foundation	142	159
Deferred revenue (b)	18,196	17,171
Right to returned goods (c)	963	—
Total current liabilities	**19,301**	**17,330**

(a) The liabilities linked to operating leases are related to (i) the impact of recognizing the lease payment as an expense on a straight-line basis (note 2.25); and (ii) incentives received from the lessors at the inception of the lease, which are recognized pro-rata over the lease term (note 2.25).

(b) Deferred revenue is related to (i) sales for which the transfer of ownership and related risks has not occurred at year-end; and (ii) the fair value of the consideration received allocated to the award credits granted in case of loyalty program.

(c) Provision for returned goods was previously recognized in provisions. According to IFRS15, it has been reclassified to "Other current liabilities".

18.1. Provision for retirement indemnities

Subsidiaries of the Group generally contribute to the national pension system, which is a defined contribution obligation. The expense recognized in connection with those defined contribution plans is classified in "social security" in the "employee benefits" (note 21).

In addition to these defined contribution plans, a defined benefit plan exists in France. A lump-sum payment is made on the date the employee reaches retirement age, such award being determined for each individual based upon factors such as years of service provided and projected final salary. There are no plan assets.

18. OTHER CURRENT AND NON-CURRENT LIABILITIES *(CONTINUED)*

18.1. Provision for retirement indemnities *(continued)*

Amounts recognized in the balance sheet and in the statement of income

The amounts recognized in the balance sheet are determined as follows:

31 March *In thousands of Euros*	***2019***	***2018***
Present value of unfunded obligations	11,528	10,208
Liability in the balance sheet	**11,528**	**10,208**

The movements in the defined benefit obligation over the year are as follows:

31 March *In thousands of Euros*	***2019***	***2018***
Beginning of the year	10,208	9,808
Current service cost	1,135	913
Interest cost	135	136
Actuarial (gains)/losses (note 25.5)	28	(577)
Exchange differences	59	(58)
Benefits paid	(37)	(14)
End of year	**11,528**	**10,208**

The amounts recognized in the income statement are as follows:

31 March *In thousands of Euros*	***2019***	***2018***
Current service cost	1,135	913
Interest cost	135	136
Total included in employee benefit expenses (note 21)	**1,270**	**1,049**

Main assumptions

The principal actuarial assumptions used were as follows:

31 March *In percentage*	***2019***	***2018***
Discount rate	1.55	1.65
Inflation rate	2.00	2.00
Future salary increases	3.00	3.00
Retirement age (in number of years)	**62–65**	**62–65**

18. OTHER CURRENT AND NON-CURRENT LIABILITIES *(CONTINUED)*

18.1. Provision for retirement indemnities *(continued)*

Main assumptions (continued)

The discount rate is set with reference to corporate bond yield: iBoxx Euro zone AA rated corporate bonds + 10 years.

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory. Mortality assumptions for France (the most important country) are based on the following table: Insee TD/TV 2009-11.

Assumptions regarding headcount turnover is based on historical statistics experienced by the French subsidiaries over the past years.

The sensitivity of the overall pension liability to changes in the principal assumptions is not material: an increase/decrease by 0.25% in the discount rate would result in an increase/decrease by €401,000 in the defined benefit obligation.

18.2. Provision for dismantling and restoring

As at 31 March 2019, provisions for dismantling and restoring costs are as follows:

In thousands of Euros	*31 March 2018*	Charged/(credited) to the statement of income (note 27.4): Provisions recorded in the statement of income	Unused amounts reversed	Used during the year	Provisions recorded as a component of tangible fixed assets	Reclassification	Exchange differences	*31 March 2019*
Provisions recorded over the length of the lease	2,270	398	–	(84)	–	(354)	194	2,424
Provisions recorded at the inception of the lease	4,022	–	–	–	553	–	179	4,754
Total	**6,292**	**398**	**-**	**(84)**	**553**	**(354)**	**373**	**7,178**

19. TRADE PAYABLES

The credit terms granted by the domestic suppliers to the production subsidiaries and to the distribution subsidiaries were usually 80 to 110 days and 30 to 60 days, respectively. The average credit terms granted by the overseas suppliers to the distribution subsidiaries were usually 30 days.

Ageing analysis of trade payables from due date at the respective balance sheet date is as follows:

31 March *In thousands of Euros*	***2019***	***2018***
Current and past due within 3 months	140,323	123,591
Past due from 3 to 6 months	388	1,036
Past due from 6 to 12 months	462	801
Past due over 12 months	74	27
Trade payables	**141,247**	**125,455**

20. PROVISIONS

As at 31 March 2019 provisions can be analyzed as follows:

In thousands of Euros	***31 March 2018***	**Additional provisions**	**Charged/(credited) to the income statement (note 27.4) Unused amounts reversed**	**Used during the year**	**Reclassification**	**Exchange differences**	***31 March 2019***
Social litigations (a)	1,294	446	(419)	(180)	(5)	(49)	1,087
Commercial claims (b)	623	185	(619)	(132)	(5)	(1)	51
Provision for returned goods (c)	844	–	–	–	(844)	–	–
Onerous contracts (d)	5,688	171	–	(1,801)	–	398	4,456
Tax risks	1,241	618	(219)	(43)	–	(67)	1,530
Total	**9,690**	**1,420**	**(1,257)**	**(2,156)**	**(854)**	**281**	**7,124**

(a) Social litigations relate mainly to litigations with employees in relation to staff benefits or potential claims from social security administrations authorities.

(b) Commercial claims relate mainly to claims from distributors.

(c) Provision for returned goods according to the application of the new standard IFRS 15 Revenue from Contracts with Customers has been accounted as ‘other current liabilities’.

(d) Onerous contracts relate to operating lease contracts for certain stores where the unavoidable costs of meeting the obligations under the lease agreement exceed the economic benefits expected to be received from it. The increase is mainly related to few stores whose lease terms are after 2020.

In the Directors’ opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at each balance sheet date.

No reimbursement is expected in connection with these provisions and accordingly no corresponding asset was recognized.

The reversed provisions unused are mainly due to statute of limitation of certain risks.

21. EXPENSES BY NATURE

Expenses by nature

Expenses by nature include the following amounts:

31 March *In thousands of Euros*	***2019***	***2018***
Employee benefit expenses (a)	402,464	385,098
Rent and occupancy (b)	242,359	234,954
Raw materials and consumables used	145,414	113,599
Change in inventories of finished goods and work in progress	(28,762)	(13,822)
Advertising costs (c)	148,390	142,739
Auditor's remuneration (d)	1,695	1,574
Professional fees (e)	131,295	90,638
Depreciation, amortization and impairment (note 27.3)	65,660	64,309
Transportation expenses	61,686	51,713
Other expenses	106,537	109,412
Total cost of sales, distribution expenses, marketing expenses, research and development expenses and general and administrative expenses	**1,276,738**	**1,180,216**

(a) Employee benefits include wages, salaries, bonus, share-based payments, social security, post-employment benefits and the cost of the temporary staff.

(b) Rent and occupancy include the minimum lease payments for operating leases, contingent rents (variable rents based on sales) and other charges related to these leases.

(c) Advertising costs also include all distribution and marketing promotional goods given for free to customers without any obligation to purchase products.

(d) Auditor's remuneration relates to audit services for €1,290,000 (€1,201,000 for the fiscal year ended 31 March 2018) and audit related services for €405,000 (€211,065 for the fiscal year ended 31 March 2018).

(e) Professional fees include mainly payments made to warehouse management companies, marketing agencies, lawyers fees and include sales commissions to beauty guides of LimeLife.

21. EXPENSES BY NATURE *(CONTINUED)*

Employee benefits

Employee benefits include the following amounts:

31 March *In thousands of Euros*	***2019***	***2018***
Wages, salaries and bonus	318,761	310,196
Share-based payments (note 16.3)	5,855	3,521
Social security	75,446	69,312
Post employment benefits (note 18.1)	1,270	1,049
Others	1,132	1,020
Total employee benefits	**402,464**	**385,098**
Workforce (full time equivalent)	**9,284**	**8,672**

Wages, salaries and bonus include the cost of temporary staff.

The Group's workforce is expressed as the number of employees at the end of the period.

22. OTHER (LOSSES)/GAINS — NET

Other (losses)/gains — net are detailed as follows:

31 March *In thousands of Euros*	***2019***	***2018***
Profit/(loss) on sale of assets (note 27.2)	(781)	432
Government grants	1,392	1,255
Previously held interests in LimeLight remeasured to fair value (note 6.1)	—	5,346
Exchange losses on previously held interests in LimeLight reclassified from OCI (note 6.1)	—	(5,346)
Other (losses)/gains — net	**611**	**1,687**

The government grants correspond to grants on research and development costs and on employee profit sharing scheme.

23. FINANCE COSTS, NET

Finance costs, net consist of the following:

31 March *In thousands of Euros*	***2019***	***2018***
Interest on cash and cash equivalents	479	2,207
Finance income	**479**	**2,207**
Interest expense on:		
— Borrowings (note 17)	(3,726)	(2,366)
— Finance lease	—	(97)
— Unwinding of discount on financial liabilities (note 6.3)	(349)	(550)
Finance costs	**(4,075)**	**(3,013)**
Finance costs, net	**(3,596)**	**(806)**

The interest expense on other borrowings is related to bank borrowings, current account with non-controlling interests and related parties (excluding financing from parent) and bank overdrafts.

24. FOREIGN CURRENCY GAINS/(LOSSES)

Foreign currency gains/(losses) consist of the following:

31 March *In thousands of Euros*	***2019***	***2018***
Foreign exchange gains/(losses) differences	1,457	(4,064)
Fair value losses on derivatives (note 14)	(384)	(158)
Foreign currency gains/(losses)	**1,073**	**(4,222)**

Foreign exchange differences mainly correspond to:

- Unrealized net foreign exchange gains: €695,000 (gains of €1,104,000 for the fiscal year ended 31 March 2018);
- Realized net foreign exchange gains: €378,000 (losses of €3,118,000 for fiscal year ended March 31, 2018).

25. INCOME TAX EXPENSE

25.1. Income tax expense

The components of income tax expense are as follows:

31 March *In thousands of Euros*	***2019***	***2018***
Current income tax	(26,722)	(28,323)
Deferred income tax	(3,933)	(11,130)
Total tax income expense	**(30,655)**	**(39,453)**

Reconciliation between the reported income tax expense and the theoretical amount that would arise using a standard tax rate is as follows:

31 March *In thousands of Euros*	***2019***	***2018***
Profit before tax and share of loss from joint ventures accounted for using the equity method	148,224	135,809
Income tax calculated at corporate tax rate *(Luxembourg tax rate of 26.01% as at 31 March 2019 and 2018)*	(38,553)	(35,324)
Effect of different tax rates in foreign countries	14,156	5,343
Changes in tax rates	569	(5,484)
Effect of unrecognized tax assets	(7,200)	(1,588)
Expenses not deductible for taxation purposes	649	(1,118)
Provision for tax risks	(250)	—
Effect of unremitted tax earnings	(842)	(1,246)
Recognition of previously unrecognised tax assets	1,049	499
Minimum tax payments	(233)	(535)
Income tax expense	**(30,655)**	**(39,453)**

In March 2018, the net effect of changes in tax rate mainly concerned the USA where the enacted tax rate decreased from 39.5% to 27.7%.

25. INCOME TAX EXPENSE *(CONTINUED)*

25.2. Components of deferred income tax assets and liabilities

Nature of deferred income tax assets and liabilities

The components of the net deferred income tax assets recorded on 31 March 2019 and 2018 are:

In thousands of Euros	***2019***	***2018***
ASSETS		
Tax losses carried forward	5,842	6,832
Intercompany margin in inventory	20,904	21,823
Excess tax basis over carrying amount of tangible fixed assets	16,263	15,576
Employee benefits	4,529	4,233
Promotional goods expensed	4,140	4,504
Inventory valuation	1,986	3,899
Rent on operating leases recognized on a straight-line basis	2,707	2,048
Loyalty programs	1,965	1,902
Provision for charges and other liabilities (onerous contracts, litigations)	1,147	2,165
New tax regulation	577	669
Other temporary differences	6,959	5,299
Total assets	**67,019**	**68,950**
To be recovered after more than 12 months	*28,903*	*39,358*
To be recovered within 12 months	*38,116*	*29,412*
LIABILITIES		
Identified intangible assets in business combinations	(3,357)	(3,474)
Income tax on unremitted earnings (note 25.4)	(6,235)	(5,421)
Excess carrying amount over tax basis of tangible fixed assets	–	(81)
Derivative financial instruments	(361)	(351)
Other temporary differences	(65)	(215)
Total liabilities	**(10,018)**	**(9,542)**
To be recovered after more than 12 months	*(3,422)*	*(5,772)*
To be recovered within 12 months	*(6,596)*	*(3,370)*
Deferred income tax, net	**57,001**	**59,408**
Deferred income tax assets	*61,051*	*62,882*
Deferred income tax liabilities	*(4,050)*	*(3,473)*

Recognition of deferred income tax assets

Deferred income tax assets are recognized to the extent that the realization of the related benefit through the future taxable profits is probable.

On 31 March 2019, the Group had tax losses of €76,196,000 to be carried over, generating a potential deferred income tax asset of €20,587,000. On 31 March 2018, these figures were €50,760,000 and €13,350,000 respectively.

The deferred income tax assets that were not recognized on 31 March 2019, amount to €14,745,000 (€6,518,000 on 31 March 2018). During the fiscal year ending 31 March 2019, in accordance with IAS 12 and based on the losses generated during the past few years, the deferred tax assets in Brazil were derecognized for an amount of €7,156,000. This does not prejudge future expected performance.

25. INCOME TAX EXPENSE *(CONTINUED)*

25.3. Movements in deferred tax assets and liabilities, net

The movement in deferred tax assets and liabilities, net during the year is as follows:

31 March *In thousands of Euros*	***2019***	***2018***
At the beginning of the year	**59,641**	**76,280**
(Charged)/credited to income (note 25.1)	(3,933)	(11,130)
(Charged)/credited to equity (note 25.5)	29	(174)
Exchange differences	1,264	(5,335)
At the end of the year	**57,001**	**59,641**

25.4. Income tax on unremitted earnings

Deferred income taxes on the unremitted earnings of the Group's foreign subsidiaries and associates are provided for unless the Group intends to indefinitely reinvest the earnings in the subsidiaries. The Group does intend to indefinitely reinvest unremitted earnings of its foreign subsidiaries in most jurisdictions.

For certain subsidiaries that the Group does not intend to indefinitely reinvest unremitted earnings of these foreign jurisdictions, the corresponding distribution of earnings may trigger taxes. Therefore, the Group provides for deferred income taxes on these earnings where distribution would trigger taxes. The corresponding deferred tax liability amounts to €6,235,000 on 31 March 2019 and €5,421,000 on 31 March 2018.

25.5. Income tax on components of other comprehensive income

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	31 March 2019			***31 March 2018***		
In thousands of Euros	**Before tax**	**Tax (charge)/ credit**	**After tax**	**Before tax**	**Tax (charge)/ credit**	**After**
Cash flow hedges fair value gains/ (losses) (note 14)	32	–	32	109	–	109
Actuarial gains/(losses) on defined benefit obligation (18.1)	(28)	7	(21)	577	(228)	349
Currency translation differences	11,058	22	11,080	(43,858)	54	(43,804)
Other comprehensive income	**11,062**	**29**	**11,091**	**(43,172)**	**(174)**	**(43,346)**

26. EARNINGS PER SHARE

The Group applies the rules governing earnings per share as described in note 2.30 above.

26.1. Basic

Basic earnings per share are calculated by dividing the profit attributable to equity owners of the Company by the weighted average number of ordinary shares in issue during the year.

31 March	***2019***	***2018***
Profit for the year attributable to equity holders of the Company *(in thousands of Euros)*	**118,186**	**96,313**
Weighted average number of ordinary shares in issue (a)	1,461,052,171	1,460,682,471
Basic earnings per share *(in € per share)*	**0.081**	**0.066**

(a) Treasury shares are deducted from total shares in issue for the purposes of calculating earnings per share.

26.2. Diluted

The Group has two categories of dilutive potential ordinary shares: share options and free shares. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2019	***2018***
Profit for the year attributable to equity holders of the Company *(in thousands of Euros)*	**118,186**	**96,313**
Weighted average number of ordinary shares in issue (a)	1,461,052,171	1,460,682,471
Adjustments for:		
– Share options	94,495	0
– Free shares	4,774,268	1,209,143
Weighted average number of ordinary shares for diluted earnings per share in issue	**1,465,920,934**	**1,461,891,614**
Diluted earnings per share *(in € per share)*	**0.081**	**0.066**

(a) Treasury shares are deducted from total shares in issue for the purposes of calculating earnings per share.

27. SUPPLEMENTAL DISCLOSURE ON CASH FLOW INFORMATION

27.1. Proceeds from sale of assets

In the cash flow statement, proceeds from sale of assets comprise the following:

31 March *In thousands of Euros*	*2019* **Intangible assets**	**Property, plant and equipment**	**Total**	*2018* **Intangible assets**	**Property, plant and equipment**	**Total**
Disposals — Cost	5,677	32,016	37,693	3,444	33,312	36,756
Disposals — Accumulated depreciation and amortization	(4,348)	(30,852)	(35,200)	(3,368)	(31,187)	(34,555)
Net book value (note 7 and 9)	**1,329**	**1,164**	**2,493**	**76**	**2,125**	**2,201**
Profit/(loss) on sale of assets (note 22)	(536)	(245)	(781)	2,156	(1,724)	432
Proceeds from sale of assets	**793**	**919**	**1,712**	**2,232**	**401**	**2,633**

The profit/(loss) on sale of assets is presented in the line "Other (losses)/gains — net" in the consolidated statement of income.

27.2. Depreciation, amortization and impairment

Depreciation, amortization and impairment include the following:

31 March *In thousands of Euros*	*Notes*	***2019***	***2018***
Depreciation of property, plant and equipment	*(7.3)*	52,109	51,162
Impairment charge/(reversal) on property, plant and equipment, net	*(7.4)*	1,746	1,337
Amortization of intangible assets	*(9.3)*	11,805	11,810
Depreciation, amortization and impairment, net		**65,660**	**64,309**

27.3. Net movement in provisions

In the statement of cash flows, net movement in provisions recorded in the statement of income comprises the following:

31 March *In thousands of Euros*	*Notes*	***2019***	***2018***
Social litigations	*(20)*	(153)	(1,031)
Commercial claims	*(20)*	(566)	136
Returned goods (a)	*(20)*	—	(699)
Onerous contracts	*(20)*	(1,630)	(1,551)
Tax risks	*(20)*	356	170
Dismantling and restoring	*(18.2)*	314	136
Retirement indemnities	*(18.1)*	1,233	1,035
Net movement in provisions		**(446)**	**(1,804)**

(a) Returned goods are now classified as "Other current liabilities" according to IFRS15.

27. SUPPLEMENTAL DISCLOSURE ON CASH FLOW INFORMATION *(CONTINUED)*

27.4. Acquisition of fixed assets under finance lease

On 31 March 2019, no amount was drawn in connection with finance lease agreements (nil on 31 March 2018).

27.5. Other non-cash items

The Group has granted share-based payments that are described in the note 16.3.

27.6. Effects of the exchange rate changes on the net (decrease)/increase in cash and cash equivalents

The effects of exchange rate changes as stated in the consolidated statement of cash flows include the following:

- The translation at the closing exchange rate of foreign currency cash and cash equivalents;
- The exchange rate effect of the movement in foreign currency cash and cash equivalents from the average exchange rate to the closing exchange rate;
- The exchange movements on intra-group transactions not settled at year-end.

27.7. Cash flows reported on a net basis

In accordance with IAS 7.23, proceeds from and repayments of borrowings in which the turnover is quick, the amounts are large, and the maturities are short are reported on a net basis in the consolidated statement of cash flows.

28. LITIGATIONS AND CONTINGENCIES

28.1. Legal proceedings

The Group is subject to legal proceedings, claims, taxes, custom, social and litigation arising in the ordinary course of business. The Group's management does not expect that the ultimate costs to resolve these other matters will have a material adverse effect on the Group's consolidated financial position, statement of income or cash flows.

28.2. Other contingent liabilities

The Group has contingent liabilities in respect of bank, other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities. All guarantees given by the Group are described in note 28.

29. COMMITMENTS

29.1. Capital and other expenditure commitments

Capital and other expenditure contracted for at the balance sheet date but not yet incurred is as follows:

31 March *In thousands of Euros*	***2019***	***2018***
Property, plant and equipment	10,087	8,844
Intangible assets	1,283	1,622
Raw materials	2,424	4,022
Total	**13,794**	**14,488**

The amounts as of 31 March 2019 and 2018 are mainly related to the plants in France.

29.2. Lease commitments

The Group leases various retail stores, offices and warehouses under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses, free-rents period and renewal rights. The lease expenditure charged to the statement of income is disclosed in note 21.

The future aggregate minimum annual lease payments under all non-cancellable operating leases are as follows:

31 March *In thousands of Euros*	***2019***	***2018***
Within one year	116,979	112,084
One to two years	94,996	89,855
Two to three years	74,769	73,150
Three to four years	61,050	59,370
Four to five years	45,120	46,775
Subsequent years	92,283	100,013
Total	**485,197**	**481,247**

The above minimum lease payments do not include contingent rents (mainly variable rents based on sales in the stores).

The increase in lease commitments relates to the net impact of (i) the effect of changes in exchange rates and (ii) the lease agreements renewals during the period ended 31 March 2019.

29.3. Other commitments

31 March *In thousands of Euros*	***2019***	***2018***
Pledge of land and building (a)	28,215	6,429
Total	**28,215**	**6,429**

(a) As at 31 March 2019, the pledge of land and building corresponds to the FY2012 bank borrowing and to the FY2019 Long Term loan (see note 17).

The Company, through its newly created incubator L'Occitane Innovation Lab, is committed to invest up to €20,000,000 in investments fund called Truffle Capital.

30. TRANSACTIONS WITH RELATED PARTIES

The following transactions were carried out with related parties:

30.1. Key management compensation

Key management is composed of the Directors (executive and non-executive Company's Board members) and the senior management.

Director's emoluments

Directors are the Board members. Directors' emoluments expensed during the periods are analysed as follows:

31 March 2019 *In thousands of Euros*	**Salaries and other benefits kind**	**Bonus**	**Directors fees**	**Share-based payments**	**Services**	**Total**
Executive directors						
Reinold Geiger (a)	–	250	–	–	772	1,022
André Hoffmann	481	187	–	–	–	668
Silvain Desjonquères (b)	411	105	–	139	–	655
Thomas Levilion	355	117	–	268	–	740
Karl Guénard	100	53	–	61	–	214
Non executive director						
Martial Lopez	–	–	20	–	–	20
Independent Non executive directors						
Mark Broadley	–	–	45	–	–	45
Pierre Milet	–	–	30	–	–	30
Valérie Bernis	–	–	30	–	–	30
Jackson Ng	–	–	39	–	–	39
Total	**1,347**	**712**	**164**	**468**	**772**	**3,463**

(a) Reinold Geiger is the Chairman and Chief Executive Officer.

(b) Silvain Desjonquères was appointed as an executive director on 26 September 2018.

30. TRANSACTIONS WITH RELATED PARTIES *(CONTINUED)*

30.1. Key management compensation *(continued)*

Director's emoluments (continued)

31 March 2018 *In thousands of Euros*	**Salaries and other benefits kind**	**Bonus**	**Directors fees**	**Share-based payments (c)**	**Services**	**Total**
Executive directors						
Reinold Geiger (a)	–	225	–	–	772	997
André Hoffmann	467	176	–	–	–	643
Domenico Trizio (b)	321	2	–	35	–	354
Thomas Levilion	358	131	–	236	–	725
Karl Guénard	99	53	–	58	–	210
Non executive director						
Martial Lopez	–	–	20	–	–	20
Independent Non executive directors						
Mark Broadley	–	–	44	–	–	44
Pierre Milet	–	–	30	–	–	30
Valérie Bernis	–	–	30	–	–	30
Jackson Ng	–	–	38	–	–	38
Total	**1,245**	**583**	**162**	**329**	**772**	**3,091**

(a) *Reinold Geiger is the Chairman and Chief Executive Officer.*

(b) *Domenico Trizio resigned as an executive director and from managing responsibilities on 9 January 2018.*

(c) *495,600 stock options were granted to the Directors during the financial year ended 31 March 2018.*

Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

30. TRANSACTIONS WITH RELATED PARTIES *(CONTINUED)*

30.1. Key management compensation *(continued)*

Five highest paid individuals

The five highest paid individuals are as follows:

31 March *In thousands of Euros*	***2019***	***2018***
Salaries and other benefits in kind	1,567	1,675
Bonus	800	704
Directors fees	–	–
Share-based payments	507	557
Services	772	772
Total	**3,646**	**3,708**

Three Directors' compensations are included in the 31 March 2019 and in 31 March 2018 amounts.

The emoluments of the five highest paid individuals are analysed by the following bands:

31 March *Number of Individuals*	***2019***	***2018***
Nil to €500,000	–	–
€500,000 to €600,000	1	–
€600,000 to € 700,000	2	2
€700,000 to €800,000	1	2
over € 800,000	1	1
Total	**5**	**5**

Senior management's emoluments expensed during the year

The emoluments of the senior management (excluding the termination benefits) are as follows:

31 March *In thousands of Euros*	***2019***	***2018***
Salaries and other benefits in kind	1,925	2,516
Bonus	470	672
Directors fees	–	–
Share-based payments	803	993
Total	**3,198**	**4,181**

30. TRANSACTIONS WITH RELATED PARTIES *(CONTINUED)*

30.1. Key management compensation *(continued)*

Senior management's emoluments expensed during the year (continued)

The emoluments of the senior management (excluding the termination benefits) are analysed by the following bands:

31 March *Number of Individuals*	***2019***	***2018***
Nil to €200,000	1	2
€200,000 to €300,000	–	–
€300,000 to €400,000	3	1
€400,000 to €500,000	1	3
over €500,000	3	4
Total	**8**	**10**

30.2. Sales of products and services

31 March *In thousands of Euros*	***2019***	***2018***
Sales of goods and services		
— Sales of L'Occitane products to Les Minimes (a)	93	74
— Management fees to parent (b)	244	231
— Sales of services to LOG Investments	279	326
— Sales of services to Pierre Hermé SAS (c)	2,072	4,161
Total Sales of products	**2,688**	**4,792**
Receivable to related parties in connection with the above sales of products		
— Receivables from Les Minimes (a)	10	15
— Receivables from LOG Investments	28	40
— Receivables from Pierre Hermé SAS (c)	1,094	4,628
Total receivables	**1,132**	**4,683**

(a) In the normal course of business, The Group sold L'Occitane products to Les Minimes SAS, which is owned by the parent company as to 74.3%, by Mr. Reinold Geiger as to 25.7%.

(b) Management fees invoiced by the Company to the parent company amounted to €244,000 (€231,000 for the fiscal year ended 31 March 2018).

(c) The Company run together with Pierre Hermé SAS, which is a participation of L'Occitane Group S.A., two flagship stores (in Paris and London). They share the opening costs, the rental fees and the Company buys to Pierre Hermé SAS pastries for take-away sales.

30. TRANSACTIONS WITH RELATED PARTIES *(CONTINUED)*

30.3. Purchases of goods and services

31 March *In thousands of Euros*	***2019***	***2018***
Purchases		
— Services from Directors (a)	–	2
— Services from Les Minimes (b)	48	33
— Goods and services from Pierre Hermé (c)	3,496	1,649
Total purchases	**3,544**	**1,684**
Payables to related parties in connection with the above services		
— Services from Directors (a)	–	–
— Services from Les Minimes (b)	1	1
— Goods and services from Pierre Hermé (c)	458	464
Total payables	**459**	**465**

(a) L'Occitane International has a contract for financial consulting services with the company Esprit-fi Eurl, wholly owned by Mr. Martial Lopez.

(b) Laboratoires M&L (formerly known as L'Occitane S.A.), a French subsidiary, has a contract for communication and marketing, services with the company Les Minimes SAS, which is indirectly owned by the parent company as to 74.3%, by Mr. Reinold Geiger as to 25.7%. The hotel is also invoicing nights for trainings and events.

(c) The Company run together with Pierre Hermé SAS, which is a participation of L'Occitane Group S.A., two flagship stores (in Paris and London). They share the opening costs, the rental fees and the Company buys to Pierre Hermé SAS pastries for take-away sales.

30.4. Borrowings from related parties/loans to related parties

The Group has no borrowings from the related parties or loans to related parties.

30.5. Transactions with other related parties

No transactions with other related parties.

30.6. Formation of joint ventures/acquisition of additional interests in a subsidiary

No transaction occurred with related parties linked to formation of joint-ventures or acquisitions of additional interests in subsidiary other than those listed in note 6 during the years ended 31 March 2019 and 31 March 2018.

30.7. Commitments and contingencies

The Group has not guaranteed any loan to any key management personnel.

31. COMPANY LEVEL INFORMATION

31.1. Balance sheet

ASSETS *In thousands of Euros*	***31 March 2019***	***31 March 2018***
Property, plant and equipment	1,764	2,027
Intangible assets	30,318	24,182
Investments in subsidiaries	1,213,679	453,996
Other non-current receivables due from subsidiaries	4,890	4,904
Other non-current receivable	9,893	372
Non-current assets	**1,260,544**	**485,481**
Inventories	17,309	14,647
Trade receivables due from subsidiaries	98,282	85,739
Trade receivables	15,044	17,486
Other current assets due from subsidiaries	206,226	239,654
Other current assets	11,981	4,123
Derivative financial instruments	50	155
Cash and cash equivalents	56,584	307,982
Current assets	**405,476**	**669,786**
TOTAL ASSETS	**1,666,020**	**1,155,267**

EQUITY AND LIABILITIES *In thousands of Euros*	***31 March 2019***	***31 March 2018***
Share capital	44,309	44,309
Additional paid-in capital	337,243	327,682
Retained earnings	627,910	581,960
Total equity	**1,009,462**	**953,951**
Borrowings	538,083	67,640
Deferred income tax liabilities	1,057	1,057
Other financial liabilities	14,011	13,158
Non-current liabilities	**553,151**	**81,855**
Trade payables due to subsidiaries	83,314	94,260
Trade payables	9,917	16,250
Social and tax liabilities	4,647	5,549
Borrowings	374	113
Other current liabilities due to subsidiaries	1,728	–
Other current liabilities	2,785	2,796
Derivative financial instruments	849	493
Current liabilities	**103,614**	**119,461**
TOTAL EQUITY AND LIABILITIES	**1,666,227**	**1,155,267**

The profits attributable to equity owners of the Company for the years ended 31 March 2019 and 2018 are dealt with in the consolidated financial statements of the Group to the extent of €97,478,000 and €101,935,000.

31. COMPANY LEVEL INFORMATION *(CONTINUED)*

31.2. Company statement of changes in equity

In thousands of Euros	Share capital	Additional paid-in capital	Retained earnings	Total
1 April 2017	**44,309**	**338,724**	**525,227**	**908,260**
Profit for the year	—	—	101,935	101,935
Currency translation difference	—	—	(2,157)	(2,157)
Dividend declared	—	—	(46,181)	(46,181)
Acquisition of 2,583,250 treasury shares	—	—	(4,422)	(4,422)
Distribution of 545,000 free shares	—	(883)	883	—
Employee share option: value of employee services	—	—	3,521	3,521
Put option reevaluation	—	—	(7,005)	(7,005)
31 March 2018	**44,309**	**337,841**	**571,801**	**953,951**
1 April 2018	**44,309**	**337,841**	**571,801**	**953,951**
Profit for the year	—	—	97,218	97,218
Currency translation difference	—	—	(895)	(895)
Dividend declared	—	—	(43,400)	(43,400)
Distribution of 369,700 free shares	—	(598)	598	—
Employee share option: value of employee services	—	—	3,169	3,169
Cash flow hedges fair value (losses), net of tax	—	—	(77)	(77)
Put option reevaluation	—	—	(504)	(504)
31 March 2019	**44,309**	**337,243**	**627,910**	**1,009,462**

32. POST BALANCE SHEET EVENTS

There are no post balance sheet events that require to be reported.

33. LIST OF SUBSIDIARIES AND ASSOCIATES

List of subsidiaries and associates

The list of subsidiaries and associates was as follows:

			% of interest		Method of consolidation	
			31 March		31 March	
Subsidiaries		**City - Country**	***2019***	***2018***	***2019***	***2018***
L'Occitane International S.A.		Luxembourg	Parent	Parent	Global	Global
Laboratoires M&L S.A.	*	Manosque – France	100.0	100.0	Global	Global
M&L Distribution France S.à r.l.	**	Manosque – France	100.0	100.0	Global	Global
L'Occitane Inc.	*	New York – USA	100.0	100.0	Global	Global
L'Occitane (Far East) Limited	*	Hong Kong	100.0	100.0	Global	Global
L'Occitane Singapore Pte. Limited	**	Singapore	100.0	100.0	Global	Global
L'Occitane Japon K.K.	***	Tokyo – Japan	100.0	100.0	Global	Global
Melvita Japon K.K.	**	Tokyo – Japan	100.0	100.0	Global	Global
L'Occitane Do Brasil	**	Jundjai – Brazil	100.0	100.0	Global	Global
Espaço Do Banho	**	Sao Paulo – Brazil	93.8	100.0	Global	Global
L'Occitane Ltd.	*	London – UK	100.0	100.0	Global	Global
L'Occitane GmbH	*	Villach – Austria	70.0	70.0	Global	Global
L'Occitane GmbH	*	Dusseldorf – Germany	100.0	100.0	Global	Global
L'Occitane Italia S.r.l.	*	Milan – Italy	100.0	100.0	Global	Global
L'Occitane Australia Pty Ltd	**	Sydney – Australia	100.0	100.0	Global	Global
L'Occitane (Suisse) S.A.	*	Geneva – Switzerland	100.0	100.0	Global	Global
L'Occitane Espana S.L	*	Madrid – Spain	100.0	100.0	Global	Global
L'Occitane Central Europe s.r.o.	*	Prague – Czech Rep.	100.0	100.0	Global	Global
L'Occitane (Taiwan) Limited	**	Taipei – Taiwan	100.0	100.0	Global	Global
L'Occitane Belgium Sprl	*	Antwerpen – Belgium	100.0	100.0	Global	Global
L'Occitane Trading (Shanghai) Co. Limited	**	Shanghai – China	100.0	100.0	Global	Global
L'Occitane (Korea) Limited	**	Seoul – Korea	100.0	100.0	Global	Global
L'Occitane Airport Venture LLC	**	Dallas – USA	65.0	65.0	Global	Global
L'Occitane Mexico S.A. de CV	*	Mexico City – Mexico	99.9	99.9	Global	Global
L'Occitane (China) Limited	**	Hong Kong	100.0	100.0	Global	Global
L'Occitane Macau Limited	**	Macau	100.0	100.0	Global	Global
L'Occitane Rus LLC (Russia)	*	Moscow – Russia	100.0	100.0	Global	Global
Verveina SAS	**	Manosque – France	100.0	100.0	Global	Global
L'Occitane Americas Export & Travel Retail Inc	*	Miami – USA	100.0	100.0	Global	Global
L'Occitane Thailand Ltd.	**	Bangkok – Thailand	100.0	100.0	Global	Global
L'Occitane Ventures (Thailand) Ltd.	**	Bangkok – Thailand	100.0	100.0	Global	Global
L'Occitane Polska Sp.z.o.o	*	Warsaw – Poland	100.0	100.0	Global	Global
L'Occitane Canada Corp	*	Toronto – Canada	100.0	100.0	Global	Global
L'Occitane India Private Limited	**	New Delhi – India	51.0	51.0	Global	Global
L'Occitane Nederland B.V.	*	Amsterdam, The Netherlands	100.0	100.0	Global	Global
L'Occitane Malaysia SDN	**	Kuala Lumpur – Malaysia	100.0	100.0	Global	Global
L'Occitane Ireland Ltd	*	Dublin – Ireland	100.0	100	Global	Global
Symbiose Cosmetics France SAS	*	Paris – France	81.3	62.6	Global	Global

33. LIST OF SUBSIDIARIES AND ASSOCIATES *(CONTINUED)*

List of subsidiaries and associates *(continued)*

Subsidiaries		City - Country	% of interest 31 March 2019	2018	Method of consolidation 31 March 2019	2018
Symbiose Cosmetics Korea	*	Seoul — Korea	81.3	62.6	Global	Global
L'Occitane Nordic AB	*	Stockholm — Sweden	80.0	80	Global	Global
L'Occitane South Africa	*	Johannesburg — South Africa	75.0	75	Global	Global
L'Occitane International GMBH	*	Dusseldorf — Germany	100.0	100	Global	Global
L'Occitane Portugal Unipessoal LDA	*	Lisbon — Portugal	100.0	100	Global	Global
L'Occitane Communication Services Ltd	*	London — UK	100.0	100	Global	Global
L'Occitane Norge AS	*	Oslo — Norway	100.0	100	Global	Global
L'Occitane Distribution Asia Pte. Ltd.	**	Singapore	100.0	100	Global	Global
L'Occitane Opera Industria e Comercio de Cosmeticos LTDA	***	São Paulo — Brazil	100.0	100	Global	Global
LimeLife Co-Invest S.à r.l. (Lux)	**	Luxembourg — Luxembourg	59.9	60.5	Global	Global
Natural Cosmetics SA (Luxembourg)	**	Luxembourg — Luxembourg	59.9	—	Global	—
LimeLife USA LLC	**	New York — USA	59.9	60.5	Global	Global
LimeLife Canada	**	Toronto — Canada	59.9	—	Global	—
LimeLife Brasil Comercio De Cosmeticos e Produtos De Perfumaria LTDA	**	Sao Paulo — Brazil	59.9	—	Global	—
LimeLife Servicos de Cobranca Ltda	**	Sao Paulo — Brazil	59.9	—	Global	—
LimeLife Gesta de sistema de franquia Eireli	**	Sao Paulo — Brazil	59.9	—	Global	—
LimeLife France SAS	**	Paris — France	59.9	—	Global	—
LimeLife by Alcone UK Ltd	**	London — UK	59.9	—	Global	—
LimeLife Deutschland GMBH	**	Berlin — Germany	59.9	—	Global	—
LimeLife Italia S.P.A.	**	Milan — Italy	59.9	—	Global	—
LimeLife by Alcone Espana S.L.	**	Madrid — Spain	59.9	—	Global	—
LimeLife international Sarl	**	Plan les Ouates — Switzerland	59.9	60.5	Global	Global
LOI Participations SARL	*	Luxembourg — Luxembourg	100.0	100	Global	Global
LOI L'Occitane Innovation Lab	*	Manosque — France	100.0	100	Global	Global
LOI ELEMIS SARL	**	Luxembourg — Luxembourg	92.3	—	Global	—
ELEMIS Ltd USA	**	Coral Gables — US	92.3	—	Global	—
Steiner Product Support LLC (Delaware)	**	Wilmington — US	92.3	—	Global	—
ELEMIS Ltd UK	**	Bristol — UK	92.3	—	Global	—
Elemis Spa Ltd (UK)	**	Bristol — UK	92.3	—	Global	—
COSMETICS Ltd Bahamas	**	Nassau, Bahamas	92.3	—	Global	—
Cosmetics Export International Ltd (Bahamas)	**	Nassau, Bahamas	92.3	—	Global	—

* *Directly held by the Company*

** *Indirectly held by the Company*

*** *Both directly and indirectly held by the Company*

The percentages of interest are representative of voting rights as no shares have multiple voting rights. These percentages are unchanged at the approval date of the financial statements.

The main changes in the list of subsidiaries and associates are disclosed in note 6.

33. LIST OF SUBSIDIARIES AND ASSOCIATES *(CONTINUED)*

Information on subsidiaries

The date of incorporation, the share capital and the principal activities of the subsidiaries are as follows:

Subsidiaries		City - Country	Date of incorporation	Share capital	Principal activities
L'Occitane International S.A.		Luxembourg	2000	EUR 38,231,891.72	Holding & Distribution
Laboratoires M&L S.A.	*	Manosque — France	1976	EUR 8,126,409.35	Production
M&L Distribution France S.à r.l.	**	Manosque — France	1994	EUR 3,097,000	Distribution
L'Occitane Inc.	*	New York — USA	1995	USD 1	Distribution
L'Occitane (Far East) Limited	*	Hong Kong	1992	HKD 8,000,000	Holding & Distribution
L'Occitane Singapore Pte. Limited	**	Singapore	1997	SGD 100,000	Distribution
L'Occitane Japon K.K.	***	Tokyo — Japan	1998	JPY 100,000,000	Distribution
Melvita Japon K.K.	**	Tokyo — Japan	2010	JPY 50,000,000	Distribution
L'Occitane Do Brasil	**	Jundjai — Brazil	1999	BRL 8,700,000	Distribution
Espaço Do Banho	**	Sao Paulo — Brazil	1996	BRL 3,800,000	Distribution
L'Occitane Ltd.	*	London — UK	1996	GBP 1,398,510.75	Distribution
L'Occitane GmbH	*	Villach — Austria	2000	EUR 70,000	Distribution
L'Occitane GmbH	*	Dusseldorf — Germany	2004	EUR 25,000	Distribution
L'Occitane Italia S.r.l.	*	Milan — Italy	2001	EUR 80,000	Distribution
L'Occitane Australia Pty Ltd	**	Sydney — Australia	2000	AUD 5,000,000	Distribution
L'Occitane (Suisse) S.A.	*	Geneva — Switzerland	2002	CHF100,000	Distribution
L'Occitane Espana S.L	*	Madrid — Spain	2003	EUR 6,459,650.10	Distribution
L'Occitane Central Europe s.r.o.	*	Prague — Czech Rep.	2004	CZK 9,361,000	Distribution
L'Occitane (Taiwan) Limited	**	Taipei — Taiwan	2005	TWD 28,500,000	Distribution
L'Occitane Belgium Sprl	*	Antwerpen — Belgium	2005	EUR 20,000	Distribution
L'Occitane Trading (Shanghai) Co. Limited	**	Shanghai — China	2005	USD 1,400,000	Distribution
L'Occitane (Korea) Limited	**	Seoul — Korea	2005	KRW 2,505,000,000	Distribution
L'Occitane Airport Venture LLC	**	Dallas — USA	2006	USD 10,000	Distribution
L'Occitane Mexico S.A. de CV	*	Mexico City — Mexico	2006	MXP 28,250,000	Distribution
L'Occitane (China) Limited	**	Hong Kong	2006	HKD 10,000	Distribution
L'Occitane Macau Limited	**	Macau	2007	MOP 25,000	Distribution
L'Occitane Rus LLC (Russia)	*	Moscow — Russia	2006	RUB 10,000	Distribution
Verveina SAS	**	Manosque — France	2008	EUR 37,000	Dormant
L'Occitane Americas Export & Travel Retail Inc	*	Miami — USA	2008	USD 1,000	Distribution
L'Occitane Thailand Ltd.	**	Bangkok — Thailand	2008	THB 20,000,000	Distribution
L'Occitane Ventures (Thailand) Ltd.	**	Bangkok — Thailand	2012	THB 451,700	Distribution
L'Occitane Polska Sp.z.o.o	*	Warsaw — Poland	2009	PLN 3,754,000	Distribution
L'Occitane Canada Corp	*	Toronto — Canada	2009	CAD 6,000,000	Distribution
L'Occitane India Private Limited	**	New Delhi — India	2009	INR 17,500,000	Distribution
L'Occitane Nederland B.V.	*	Amsterdam, the Netherlands	2010	EUR 200,000	Distribution
L'Occitane Malaysia SDN	**	Kuala Lumpur — Malaysia	2011	MYR 2	Distribution
L'Occitane Ireland Ltd	*	Dublin — Ireland	2012	EUR 100	Distribution

33. LIST OF SUBSIDIARIES AND ASSOCIATES *(CONTINUED)*

Information on subsidiaries *(continued)*

Subsidiaries		City - Country	Date of incorporation	Share capital	Principal activities
Symbiose Cosmetics France SAS	*	Paris – France	2012	EUR 140,000	Distribution
Symbiose Cosmetics Korea	*	Seoul – Korea	2012	KRW 100,000,000	Production
L'Occitane Nordic AB	*	Stockholm – Sweden	2012	SEK 50,000	Distribution
L'Occitane South Africa	*	Johannesburg – South Africa	2013	ZAR 750	Distribution
L'Occitane International GmbH	*	Dusseldorf – Germany	2014	EUR 25,000	Holding
L'Occitane Portugal Unipessoal LDA	*	Lisbon – Portugal	2013	EUR 50,000	Distribution
L'Occitane Communication Services Ltd	*	London – UK	2014	GBP 20,000	Services
L'Occitane Norge AS	*	Oslo – Norway	2014	NOK 129,000	Distribution
L'Occitane Distribution Asia Pte. Ltd.	**	Singapore	2016	SGD 10,000	General Warehousing
L'Occitane Opera Industria e Comercio de Cosmeticos LTDA	***	São Paulo – Brazil	2017	BRL 1,000,000	Production
LimeLife Co-Invest S.à r.l. (Lux)	**	Luxembourg – Luxembourg	2018	USD 42,229,729	Holding
Natural Cosmetics SA (Luxembourg)		Luxembourg – Luxembourg	2016	EUR 1,000,000	Distribution
LimeLife USA LLC	**	New York – USA	2017	USD 5,830,313	Distribution
LimeLife Canada	**	Toronto – Canada	2017	CAD 529,310	Distribution
LimeLife Brasil Comercio De Cosmeticos e Produtos De Perfumaria LTDA	**	Sao Paulo – Brazil	2017	BRL 11,279,388	Distribution
LimeLife Servicos de Cobranca Ltda	**	Sao Paulo – Brazil	2018	BRL 1,000	Distribution
LimeLife Gesta de sistema de franquia Eireli	**	Sao Paulo – Brazil	2018	BRL 111,000	Distribution

* *Directly held by the Company*

** *Indirectly held by the Company*

*** *Both directly and indirectly held by the Company*

**** *No more directly or indirectly held by the Company*

The main changes in the list of subsidiaries and associates are disclosed in note 6.

Disclaimer: some information presented in the tables has been rounded to the nearest whole number or the nearest decimal point. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, some percentages presented in the tables reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

FINANCIAL SUMMARY

A summary of the consolidated results and assets, liabilities, equity and minority interests of the Group for the last five financial years is set out below.

Year ended 31 March	***2019***	***2018***	***2017***	***2016***	***2015***
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
Net sales	**1,426,874**	1,319,366	1,323,177	1,282,676	1,177,877
Gross profit	**1,186,973**	1,098,398	1,102,426	1,061,505	963,216
Gross profit margin	**83.2%**	83.3%	83.3%	82.8%	81.8%
Operating profit	**150,747**	140,987	168,312	168,019	164,143
Operating profit margin	**10.6%**	10.7%	12.7%	13.1%	13.9%
Profit for the year	**117,569**	96,506	132,354	113,555	125,578
attributable to:					
equity owners of the Company	**118,186**	96,313	131,910	110,343	122,382
non-controlling interests	**(617)**	193	444	3,212	3,196
Total assets	**1,964,011**	1,302,489	1,243,362	1,188,343	1,209,353
Total liabilities	**879,779**	363,688	323,017	332,786	349,162
Equity attributable to the equity owners of the Company	**1,017,768**	930,973	919,880	850,584	853,819
Non-controlling interests	**66,464**	7,828	465	4,973	6,372

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standard (IFRS), as issued by the International Accounting Standards Board which are similar, for operations conducted by the Group, to International Financial Reporting Standards as adopted by the European Union.

The above summary does not form a part of the consolidated financial statements.


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