Groupe L'OCCITANE

# L'OCCITANE INTERNATIONAL S.A.

(Incorporated under the laws of Luxembourg with limited liability)

**Stock code : 973**

# FY2020

Interim Report

L'OCCITANE
EN PROVENCE

Melvita
french organic beauty care since 1983

erborian
KOREAN SKIN THERAPY
PARIS · SEOUL

L'OCCITANE
AU BRÉSIL

LimeLife by Alcone

ELEMIS

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

# CONTENTS

# 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

20/F K11 ATELIER King's Road
728 King's Road
Quarry 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

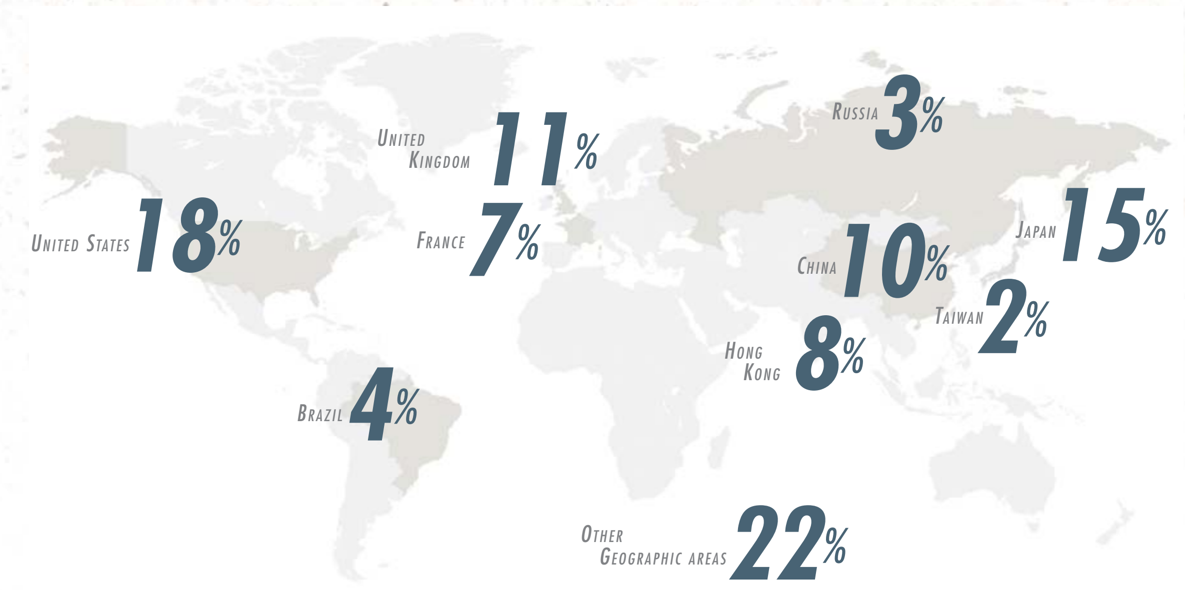
49, Boulevard Prince Henri
L-1724 Luxembourg

## 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

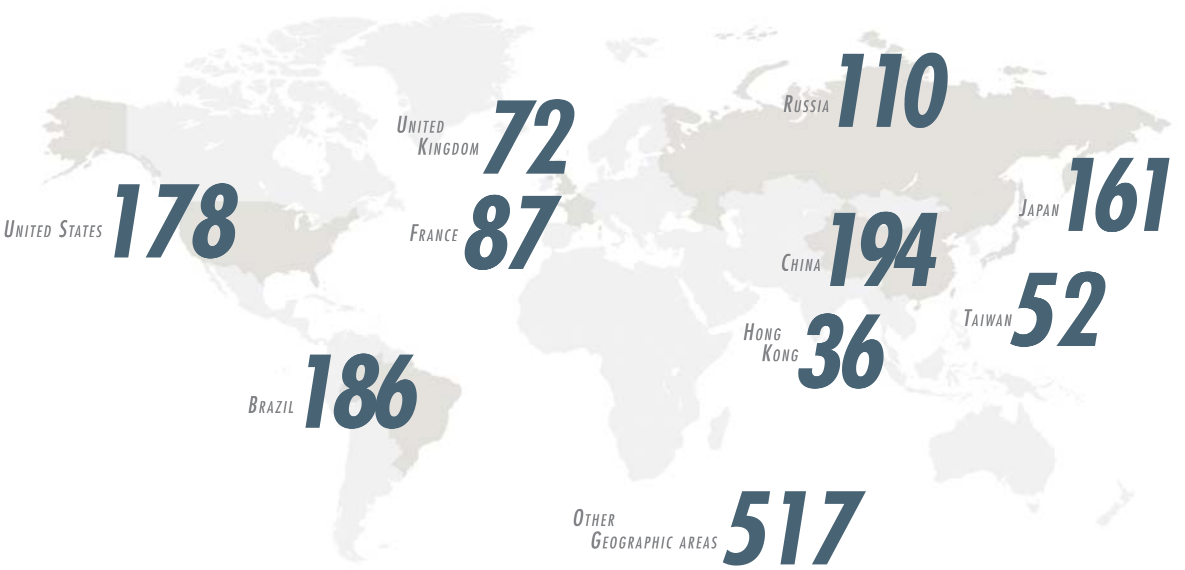
# FINANCIAL HIGHLIGHTS

## OUR ACTIVITY WORLDWIDE




* Net sales (%) by geographic areas

## OUR STORES WORLDWIDE




* 3,428 retail locations and
1,593 stores operated directly by the Group

## HIGHLIGHTS OF RESULTS

| *for the six months ended 30 September* | ***2019*** | *2018* |
|---|---|---|
| Net sales *(€ million)* | **727.2** | 595.4 |
| Operating profit *(€ million)* | **41.8** | 5.8 |
| Profit for the period *(€ million)* | **25.2** | 5.6 |
| Gross profit margin | **81.2%** | 82.4% |
| Operating profit margin | **5.7%** | 1.0% |
| Net profit margin | **3.5%** | 0.9% |
| Net operating profit after tax *(€ million)* (NOPAT) (1) | **33.5** | 9.2 |
| Capital employed *(€ million)* (2) | **1,977.2** | 735.7 |
| Return on capital employed (ROCE) (3) | **1.7%** | 1.3% |
| Return on equity (ROE) (4) | **2.5%** | 0.8% |
| Current ratio (times) (5) | **1.2** | 2.6 |
| Gearing ratio (6) | **39.6%** | 7.1% |
| Average inventory turnover days (7) | **286** | 302 |
| Turnover days of trade receivables (8) | **38** | 33 |
| Turnover days of trade payables (9) | **200** | 204 |
| Total number of own stores (10) | **1,593** | 1,555 |
| Profit attributable to equity owners *(€ million)* | **25.0** | 6.8 |
| Basic earnings per share *(€)* | **0.017** | 0.005 |

*Notes:*

*(1) (Operating profit + foreign currency net gains or losses) x (1 - effective tax rate)*
*(2) Non-current assets - (deferred tax liabilities + other financial liabilities + other non-current liabilities) + working capital*
*Note that the calculation of working capital included current financial liabilities such as dividends and acquisition payments. These are now excluded 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 debt/total assets*
*(7) Average inventory turnover days equals average inventory divided by cost of sales and multiplied by 182.5. 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 182.5. 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 182.5. Average trade payables equals the average of trade payables at the beginning and end of a given period.*
*(10) L'Occitane, Melvita, L'Occitane au Brésil and Erborian branded boutiques and department store 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

25 November 2019

The first half of FY2020 was a successful period for the Group, during which we made clear progress towards our goals with accelerated sales growth and improved profitability. We believe this is a direct result of our commitment to make targeted investments under the Pulse strategy, alongside the exciting addition of ELEMIS.

Overall sales growth accelerated in the second quarter across all geographies and all brands, while overseeing a material improvement in profitability. The Group delivered this encouraging result despite an increasingly challenging macroeconomic environment, where we continue to see ongoing risks to consumer confidence. This was made possible by the management's collective commitment to the Pulse strategy, now in its second year; ELEMIS, our recent acquisition that has become the biggest growth contributor; as well as other initiatives that improve the fundamentals and efficiency of our business.

We have further cemented our status as a multi-brand company. The addition of ELEMIS and continued growth of our other brands lowered the contribution from our core brand, L'OCCITANE en Provence, to the Group's overall sales from 86% in the first half of FY2019 to 76% in the first half of FY2020. ELEMIS also strengthened our flourishing skincare image, while unlocking higher-margin markets and sales channels. Staying true to the our entrepreneurial spirit, ELEMIS is being encouraged to operate autonomously while still identifying synergies within the Group. For instance, the Group's expertise and existing networks will fast track ELEMIS' imminent expansion into new markets in the coming months. Meanwhile, ELEMIS' performance has been impressive in its own right. Undeterred by its stature as a 30-year-old brand, ELEMIS still delivered double-digit growth in its home markets and is resonating well with young consumers. Indeed, ELEMIS is a great source of inspiration for the Group given their agile structure and mindset.

In addition to the increasing diversification of our revenue sources, our results continued to be supported by the momentum of L'OCCITANE en Provence, which remains the most integral part of the Group. During the first half of FY2020, it continued to strengthen its facecare image and benefit from the global success of our hero product, *Immortelle Reset*, of which 500,000 units were sold in the first half of FY2020 and remains on track to sell 1 million units by the end of the full year. Our other emerging brands also continued to grow well, further building their unique identities.

Behind much of the profitability improvement was a conscious effort to allocate marketing resources in a targeted and disciplined manner, especially for key holiday and celebrity campaigns, as well as major sales channels such as Tmall and JD.com in China. This enhanced marketing focus ensured that we are advantageously positioned ahead of our peak sales season, which falls traditionally in the second half of FY2020. This included the creation of engaging content, such as the re-introduction of the 'Balloon Journey' branding event to a wider range of cities in China and Japan, alongside authentic content-led campaigns in North America.

We also continued to deliver fresh and memorable customer experiences through our omni-channels. In recent months, this included partnering with EL&N to debut an exclusive café at our Regent Street flagship in London, alongside the opening of a boutique café and spa on Tokyo's trendy Omotesando boulevard. We also extended our online presence, particularly in China, with the introduction of a WeChat mini program and a new official e-commerce website for the China market.

More impactful still, especially in the long-term, was newly unveiled sustainability initiatives. This brought to the fore our longstanding commitments to reduce plastic use, support fair trade, respect biodiversity, care for eyesight and empower women — issues that we have always prioritised within every step of the value chain. In what represents a significant step in our efforts to achieve a circular economy, we recently expanded our collaboration with Loop Industries, which will enable us to reach our goal for 100% sustainable PET plastic packaging earlier than our original target of 2025.

All of these efforts have set us up proactively for the second half of the year, which has historically been the more significant period for the Group as it encompasses the key holiday seasons, including the Double Eleven shopping festival in China, Black Friday in the United States and Europe and, of course, Christmas and other religious holidays across many of our key markets.

Despite the external economic and political challenges globally, we will continue to focus on each pillar of the Pulse strategy to pursue sustainable sales growth and profitability. As we move onwards and upwards as a multi-brand group, we will continue to spread our authentic and human approach to beauty, working towards our long-term mission to be a leader in the affordable premium beauty space. Thank you for your continued support.

# STRONG GLOBAL PRESENCE


555 5th Avenue New York, United States

Regent Street London, United Kingdom


Omotesando Tokyo, Japan

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)


L'OCCITANE
EN PROVENCE
IMMORTELLE RESET
RESET NUIT
HUILE-EN-SERUM

# MANAGEMENT DISCUSSION & ANALYSIS

# MANAGEMENT DISCUSSION & ANALYSIS

## Summary:

| ***For the six months ended 30 September*** | ***2019 (€ million or %)*** | *2018 (€ million or %)* |
|---|---|---|
| Net sales | **727.2** | 595.4 |
| Operating profit | **41.8** | 5.8 |
| Profit for the period | **25.2** | 5.6 |
| Gross profit margin (% to sales) | **81.2%** | 82.4% |
| Operating profit margin (% to sales) | **5.7%** | 1.0% |
| Net profit margin (% to sales) | **3.5%** | 0.9% |


## Definitions:

***Comparable Stores*** means existing retail stores which have been opened before the start of the previous financial year, including Company owned e-commerce websites.

***Non-comparable Stores & others*** means 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, services, LimeLife and own e-commerce websites of ELEMIS.

***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.

# MANAGEMENT DISCUSSION & ANALYSIS



## SEASONALITY OF OPERATIONS

The Group is subject to seasonal variances in sales, which are significantly higher in our third financial quarter (between 1 October and 31 December) in anticipation of and during the Christmas holiday season. For the six months ended 30 September 2018, the level of sales represented 41.7% of the annual level of sales in the year ended 31 March 2019 ("FY2019") and the level of operating profit represented 3.9% of the annual operating profit in FY2019. Yet these ratios are not representative of the annual results for the year ending 31 March 2020 ("FY2020").

Seasonality also has an impact on the production schedule and the use of working capital. We generally use a significant part of our working capital between April and November in order to increase the production in anticipation of increased sales and new product launches during the Christmas holiday season.

## REVENUE ANALYSIS

In FY2020 H1, the Group's net sales grew by 22.1% at reported rates and 19.0% at constant exchange rates. The encouraging performance was due to decent growth in the second quarter of FY2020 ("FY2020 Q2") across all brands and all key geographic areas. Major channels recorded growth as well, with key contributions from retail, marketplace, web partners and wholesale sales.

The Group's total number of retail locations where its products are sold increased from 3,420 as at 31 March 2019 to 3,428 as at 30 September 2019, an increase of 8 locations or 0.2%. The Group maintained its selective global retail expansion strategy and increased the number of its own retail stores from 1,572 as at 31 March 2019 to 1,593 as at 30 September 2019.

In terms of geographic areas, the fastest-growing market was the U.K. with more than 200% growth, mainly contributed by ELEMIS. Excluding ELEMIS, growth in the U.K. was 10.8% in local currency. The U.S. grew 26.0% in FY2020 H1, mainly contributed by ELEMIS. Excluding ELEMIS, growth in the U.S. was -5.1%, resulted from the closure of 12 L'Occitane en Provence stores as well as the high base impact of LimeLife. China, Brazil and Russia all posted double-digit growth in FY2020 H1.

## 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 FY2020 H1:

| | | *Year-on-year growth* | | |
|---|---|---|---|---|
| | **Growth** | **Growth at actual rates** | **Growth at constant rates** | **Contribution to Overall Growth at constant rates** |
| | *€ '000* | *%* | *%* | *%* |
| **Sell-out** | **45,012** | **10.3** | **7.1** | **27.4** |
| Comparable Stores | 13,780 | 4.5 | 1.7 | 4.5 |
| Non-comparable Stores & others [1] | 31,232 | 24.0 | 19.8 | 22.9 |
| **Sell-in** | **86,760** | **54.4** | **51.5** | **72.6** |
| **Overall Growth** | **131,772** | **22.1** | **19.0** | **100.0** |

*(1) Others include sales from marketplaces, spas, cafés, LimeLife and own e-commerce websites of ELEMIS.*

### *Sell-out*

In FY2020 H1, Sell-out sales accounted for 66.1% of the net sales and amounted to €480.9 million, an increase of 7.1% at constant rates. This growth was mainly contributed by Non-comparable Stores and others sales, including new stores opened or renovated in last year and this year, marketplaces, spas, cafés, LimeLife and own e-commerce of ELEMIS (non-comparable in FY2020), which altogether grew 19.8% at constant exchange rates. In FY2020 H1, sales of the Group's Web Sell-out channels grew by 40.8% (including ELEMIS) at constant exchange rates, equivalent to 16.2% of the total Sell-out sales. Excluding ELEMIS, sales of the Group's Web Sell-out channels grew by 17.0% at constant exchange rates, equivalent to 13.8% of the total Sell-out sales. The Group's Same Store Sales Growth for FY2020 H1 was 1.7%.

There was an increase of 21 own stores in FY2020 H1, mainly from L'Occitane en Provence.

### *Sell-in*

Sell-in sales accounted for 33.9% of the Group's total sales and amounted to €246.2 million, posted an increase of 51.5% at constant exchange rates as compared to last year. The increase was primarily driven by wholesale of ELEMIS and dynamic growth in web partners, TV and department stores channels of L'Occitane en Provence and Erborian.

# MANAGEMENT DISCUSSION & ANALYSIS

## Performance by Brand

The following table presents the net sales and net sales growth by brand for the periods indicated:

| | FY2020 H1 | | FY2019 H1 | | Growth at reported rates | Growth at constant rates |
|---|---|---|---|---|---|---|
| | *€ '000* | *%* | *€ '000* | *%* | *%* | *%* |
| L'Occitane en Provence | 554,889 | 76.3 | 511,454 | 85.9 | 8.5 | 5.7 |
| ELEMIS (1) | 84,207 | 11.6 | – | – | n/a | n/a |
| LimeLife | 40,702 | 5.6 | 41,049 | 6.9 | (0.8) | (5.9) |
| Others (2) | 47,359 | 6.5 | 42,882 | 7.2 | 10.4 | 7.6 |
| **Total** | **727,157** | **100.0** | **595,385** | **100.0** | **22.1** | **19.0** |

*(1) ELEMIS was acquired on 1 March 2019 but its sales and profits have not been consolidated by the Group until April 2019. ELEMIS's sales in March 2019 were then reported together in the first quarter ended 30 June 2019.*

*(2) Others include the emerging brands Melvita, Erborian and L'Occitane au Brésil.*

L'Occitane en Provence remains our core brand, with around €554.9 million sales and accounted for 76.3% of the Group's overall sales. Sales momentum continued in FY2020 H1, with strong supports from attractive new launches such as the new *Herbae* perfume and the *Infusion* range, as well as the continuous global success of *Immortelle Reset* serum. FY2020 H1 ended with 5.7% growth.

ELEMIS is now the second largest brand — with more than €84.2 million in sales and accounts for 11.6% of the Group's sales. Unaudited growth of ELEMIS for FY2020 H1 was around 25.0%. The strong growth was contributed by its digital-first strategy, which drove online sales with mid-double-digit growth in the U.K., and high double-digit in the U.S.. The launch of the first class amenity programme with British Airways and the development of department store partnerships further uplifted the growth of the period.

LimeLife returned to growth in FY2020 Q2 after a slow FY2020 Q1, the improvement is explained by the good results of new launches and fading out from the high base impact from the rebranding exercise last year.

The emerging brands together recorded a growth of 7.6% in FY2020 H1. The brands continued their good momentum, with Erborian performing particularly well, recording over 35.0% growth in FY2020 H1 at constant rates.


## Performance by Geographic Area

The following table presents the net sales growth for FY2020 H1 and contribution to net sales growth (including and excluding foreign currency translation effects as indicated) by geographic area:

| | FY2020 H1 | | FY2019 H1 | | Growth at reported rates | Growth at constant rates | Contribution to Overall Growth at constant rates |
|---|---|---|---|---|---|---|---|
| | *€ '000* | *%* | *€ '000* | *%* | *%* | *%* | *%* |
| Japan | 107,255 | 14.7 | 96,164 | 16.2 | 11.5 | 4.2 | 3.6 |
| Hong Kong (1) | 58,298 | 8.0 | 58,436 | 9.8 | (0.2) | (5.6) | (2.9) |
| China | 76,653 | 10.5 | 67,845 | 11.4 | 13.0 | 12.7 | 7.6 |
| Taiwan | 15,067 | 2.1 | 14,360 | 2.4 | 4.9 | 2.5 | 0.3 |
| France | 48,657 | 6.7 | 45,450 | 7.6 | 7.1 | 7.1 | 2.8 |
| United Kingdom (2) | 76,810 | 10.6 | 23,173 | 3.9 | 231.5 | 234.7 | 48.1 |
| United States | 133,555 | 18.4 | 100,367 | 16.9 | 33.1 | 26.0 | 23.1 |
| Brazil | 26,457 | 3.6 | 23,869 | 4.0 | 10.8 | 10.2 | 2.2 |
| Russia | 22,370 | 3.1 | 18,614 | 3.1 | 20.2 | 15.3 | 2.5 |
| Other geographic areas (3) | 162,036 | 22.3 | 147,107 | 24.7 | 10.1 | 9.8 | 12.7 |
| **Total** | **727,157** | **100.0** | **595,385** | **100.0** | **22.1** | **19.0** | **100.0** |

*(1) Includes sales in Macau and to distributors and travel retail customers in Asia.*
*(2) Growth in the UK included contribution from ELEMIS.*
*(3) Includes sales from Luxembourg.*

# MANAGEMENT DISCUSSION & ANALYSIS

The following table presents a breakdown, by geographic area, of the number of own retail stores, their contribution percentage to Overall Growth and Same Store Sales Growth for FY2020 H1 compared to FY2019 H1:

| | Own Retail Stores | | | | % contribution to Overall Growth(1) (2) | | | |
|---|---|---|---|---|---|---|---|---|
| | 30 Sep 2019 | Net openings YTD 30 Sep 2019 | 30 Sep 2018 | Net openings YTD 30 Sep 2018 | Non-comparable Stores | Comparable Stores | Total Stores | Same Store Sales Growth % (2) |
| Japan (3) | 161 | 7 | 151 | 7 | 2.7 | (0.2) | 2.6 | (0.3) |
| Hong Kong (4) | 36 | – | 34 | – | (0.8) | (1.7) | (2.5) | (19.0) |
| China (5) | 194 | 4 | 194 | (3) | (0.2) | 2.1 | 1.9 | 5.7 |
| Taiwan | 52 | (1) | 51 | (1) | 0.3 | 0.1 | 0.4 | 1.9 |
| France (6) | 87 | 1 | 82 | – | 0.7 | 1.2 | 1.8 | 6.7 |
| United Kingdom | 72 | (2) | 74 | – | 6.2 | 0.4 | 6.6 | 2.7 |
| United States | 178 | (6) | 190 | (6) | 4.3 | (1.5) | 2.8 | (4.0) |
| Brazil (7) | 186 | 4 | 164 | (2) | 1.7 | 0.1 | 1.8 | 1.0 |
| Russia (8) | 110 | 3 | 104 | 1 | 0.6 | 0.4 | 1.1 | 4.1 |
| Other geographic areas (9) | 517 | 11 | 511 | 4 | 1.5 | 3.4 | 5.0 | 5.4 |
| **Total (10)** | **1,593** | **21** | **1,555** | **–** | **17.0** | **4.5** | **21.5** | **1.7** |

*(1) Represents percentage of overall net sales growth attributable to Non-comparable Stores, Comparable Stores and Total Stores for the geographic area and period indicated.*
*(2) Excludes foreign currency translation effects.*
*(3) Includes 34 and 35 Melvita stores as at 30 September 2018 and 30 September 2019 respectively.*
*(4) Includes 3 L'Occitane stores in Macau and 8 Melvita stores in Hong Kong as at 30 September 2018 and 3 L'Occitane stores in Macau and 10 Melvita stores in Hong Kong as at 30 September 2019.*
*(5) Includes 5 Melvita stores as at 30 September 2018.*
*(6) Includes 4 Melvita and 1 Erborian stores as at 30 September 2018 and 7 Melvita and 2 Erborian stores as at 30 September 2019.*
*(7) Includes 75 and 84 L'Occitane au Brésil stores as at 30 September 2018 and 30 September 2019 respectively.*
*(8) Includes 8 and 11 Erborian stores as at 30 September 2018 and 30 September 2019 respectively.*
*(9) Include 5 Melvita and 2 Erborian stores as at 30 September 2018 and 9 Melvita and 2 Erborian stores as at 30 September 2019.*
*(10) Include 56 Melvita, 75 L'Occitane au Brésil and 11 Erborian stores as at 30 September 2018 and 61 Melvita, 84 L'Occitane au Brésil and 15 Erborian stores as at 30 September 2019.*

### *Japan*

Japan's net sales for FY2020 H1 were €107.3 million, an increase of 4.2% at constant exchange rates as compared to the same period last year. After a strong FY2020 Q1, retail in Japan was tougher in July and August 2019, even though we had opened several new stores including the exciting spa-café-shop on Omotesando. Retail sales caught up in September 2019 before the consumption tax hike on 1 October 2019. Sell-in, on the other hand, performed well, in particular in local web partners and Amazon.

### *Hong Kong*

Hong Kong's net sales for FY2020 H1 were €58.3 million, a decrease of 5.6% at constant exchange rates as compared to the same period last year. The continued social unrest seriously affected traffic and consumption sentiment in FY2020 Q2, which led to lower retail sales. Yet the retail sales decline was offset by higher travel retail sales elsewhere in the region, in particular Mainland China and Korea.

### *China*

China's net sales for FY2020 H1 were €76.7 million, an increase of 12.7% at constant exchange rates as compared to the same period last year. Sales growth accelerated in FY2020 Q2, thanks to a recovering corporate gifting business in retail, and also dynamic online business with effective campaigns on Tmall, JD.com and the launch of WeChat mini programme and new official website. The *Immortelle Reset* serum was well received in the market.


*"Nature Journey" brand event in Shanghai Daimaru, China*

# MANAGEMENT DISCUSSION & ANALYSIS

### *Taiwan*

Taiwan's net sales for FY2020 H1 were €15.1 million, an increase of 2.5% at constant exchange rates as compared to the same period last year. Same Store Sales Growth was 1.9%, thanks to the successful promotion of *Immortelle Reset*, the *Divine Trilogy* ranges and *Verbena* in FY2020 Q2. The store staff's productivity also improved as a result of the education and training investments.

### *France*

France's net sales for FY2020 H1 were €48.7 million, an increase of 7.1% as compared to the same period last year. Retail sales remained strong with 6.7% Same Store Sales Growth; and e-commerce was particularly dynamic, thanks to the successful *Herbae* and *Verbena* promotions, as well as the relaunch of the *Immortelle Precious* range. Sell-in sales in FY2020 Q2 recovered from a slow Q1, mainly contributed by wholesale of Erborian as well as L'Occitane en Provence brands.


*United Kingdom*

The United Kingdom's net sales for FY2020 H1 were €76.8 million, an increase of 234.7% at constant exchange rates as compared to the same period last year. The fantastic growth in the UK was mainly explained by ELEMIS. ELEMIS grew more than 30% in FY2020 H1 as compared to the same period last year (unaudited). The growth, excluding ELEMIS, was still strong at 10.8%, showing a further acceleration in FY2020 Q2. While retail remained sluggish, Sell-in posted robust growth, thanks to the successful QVC campaigns and dynamic momentum in department stores.

*United States*

The United States' net sales for FY2020 H1 were €133.6 million, an increase of 26.0% at constant exchange rates as compared to the same period last year. The growth was mainly driven by ELEMIS. The launch of the digital-first strategy posted encouraging initial results, with a high double-digit growth in ELEMIS's e-commerce sales. The further expansion in the department stores channel also contributed to the good overall results. Excluding ELEMIS, growth in the U.S. was -5.1% in FY2020 H1, mainly affected by the closure of 12 L'Occitane en Provence stores and the high base impact of LimeLife.


# MANAGEMENT DISCUSSION & ANALYSIS

### *Brazil*

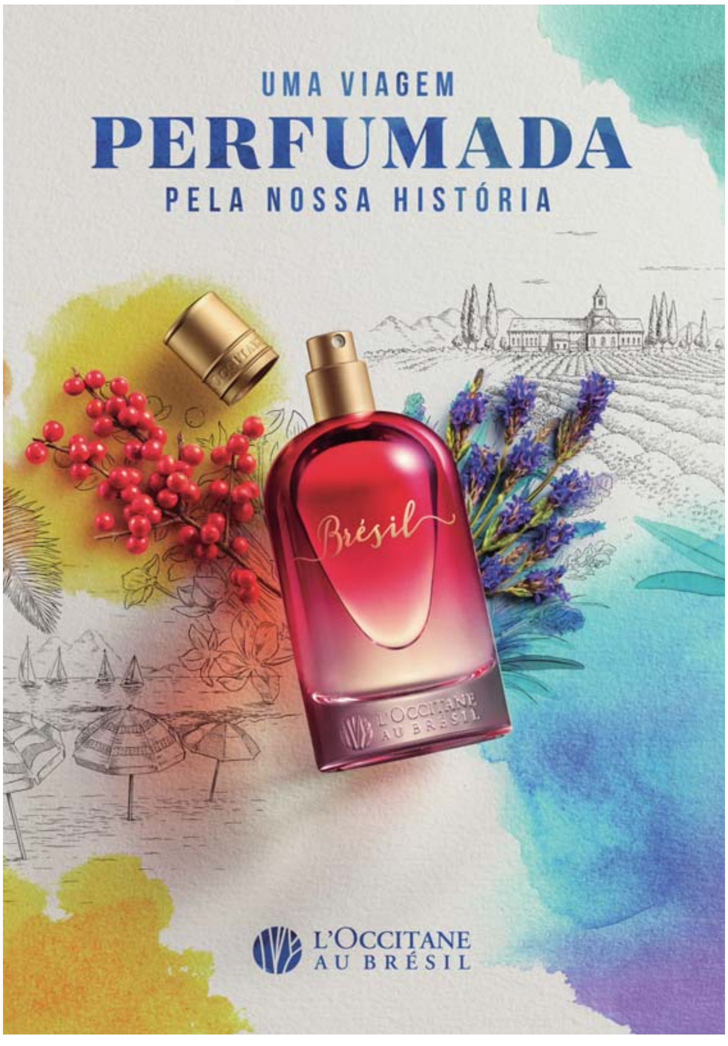
Brazil's net sales for FY2020 H1 were €26.5 million, an increase of 10.2% at constant exchange rates as compared to the same period last year. Both L'Occitane en Provence and L'Occitane au Brésil brands slowed down in FY2020 Q2 after a dynamic Q1, as the economy was sluggish and retail and online traffic were weak.

### *Russia*

Russia's net sales for FY2020 H1 were €22.4 million, an increase of 15.3% at constant exchange rates as compared to the same period last year. Erborian continued its exceptional growth and posted high double-digit growth, in both retail and wholesale channels. L'Occitane en Provence also posted healthy growth in both Sell-out and Sell-in. Sell-in sales recorded good growth in FY2020 Q2, mainly contributed by B2B, distribution and chain wholesales.

### *Other geographic areas*

Other geographic areas' net sales for FY2020 H1 were €162.0 million, an increase of 9.8% at constant exchange rates as compared to the same period last year. Retail and Sell-out sales remained strong, with 5.4% Same Store Sales Growth. L'Occitane en Provence sales were dynamic in continental Europe and South East Asia. Highest contributing markets were Korea, Malaysia, Germany and Italy with impressive growth rates at constant rates of 19.4%, 25.4%, 12.6% and 16.8% respectively.





## PROFITABILITY ANALYSIS

### Cost of sales and gross profit

Cost of sales increased by 30.7% or €32.2 million to €137.0 million for FY2020 H1 as compared to the same period last year. The gross profit margin decreased by 1.2 points to 81.2% for FY2020 H1, mainly due to the following factors:

- brand mix effects, mainly from inclusion of ELEMIS which has slightly lower gross margin than the Group's for 1.7 points;
- increase in use of promotion tools in particular Mini Products and Pouches ("MPPs") and boxes for 0.2 points; and
- new factory in Brazil and others for 0.1 points.

The decrease in gross profit margin was partly offset by the following favourable factors:

- favourable foreign exchange rates ("FX") impact for 0.4 points;
- continuous improvement in production efficiency and lower freight charges for 0.2 points;
- favourable price and product mix for 0.1 points; and
- improvement in obsolescence and others for another 0.1 points.


# MANAGEMENT DISCUSSION & ANALYSIS

## Distribution expenses

Distribution expenses increased by 11.9% or €38.9 million to €366.2 million for FY2020 H1 as compared to the same period last year. As a percentage of net sales, the distribution expenses decreased by 4.6 points to 50.4% of net sales for FY2020 H1. This improvement was attributable to a combination of the following:

- favourable brand mix effect, mainly contributed by ELEMIS for 3.6 points. ELEMIS's wholesale business model has lower distribution costs as compared to the Group's;
- favourable channel mix for 0.5 points as a result of higher share of e-commerce, marketplace and Sell-in channels;
- lower personnel costs growth together with higher leverage on fixed costs for a total of 0.3 points;
- adoption of IFRS 16 Leases resulted in lower distribution costs for FY2020 H1 for 0.3 points;
- phasing of consumables, wrapping materials and bags for 0.2 points; and
- lower store opening and closing costs and others for 0.1 points.

The improvement was partly net off by:

- investment in LimeLife distribution networks for 0.3 points; and
- unfavourable foreign exchange impact for 0.1 points.

## Marketing expenses

Marketing expenses increased by 6.5% or €5.6 million, to €92.7 million for FY2020 H1 as compared to the same period last year. The marketing expenses as a percentage of net sales decreased by 1.9 points to 12.7% of net sales for FY2020 H1. The improvement was attributable to the following:

- targeted and controlled investments in advertising, marketing events, promotion tools and Customer Relationship Management tools for a reduction of 0.8 points in total as a result of better resource allocation and tighter cost control, in particular in China, travel retail and the U.S.;
- leverage of higher sales in existing brands for 0.6 points;
- phasing for 0.3 points; and
- brand mix effects for another 0.3 points.

The improvement was partly net off by others and rounding for 0.1 points.

## Research & development expenses

Research and development ("R&D") expenses increased by 23.0%, or €1.9 million, to €10.3 million for FY2020 H1 compared to the same period last year. The R&D expenses as a percentage of net sales remained at 1.4% for FY2020 H1.

## General and administrative expenses

General and administrative expenses increased by 27.0%, or €16.9 million, to €79.3 million for FY2020 H1 compared to the same period last year. As a percentage of net sales, general and administrative expenses increased by 0.4 points to 10.9% for FY2020 H1. The increase is attributable to a combination of the following:

- acquisition costs on ELEMIS for 0.7 points;
- investment in emerging brands, IT projects and sustainability projects for 0.3 points; and
- one-off items and litigation reversal in last year for 0.1 points.

This was partly offset by favourable brand mix for 0.5 points and FX effects and others for 0.2 points.

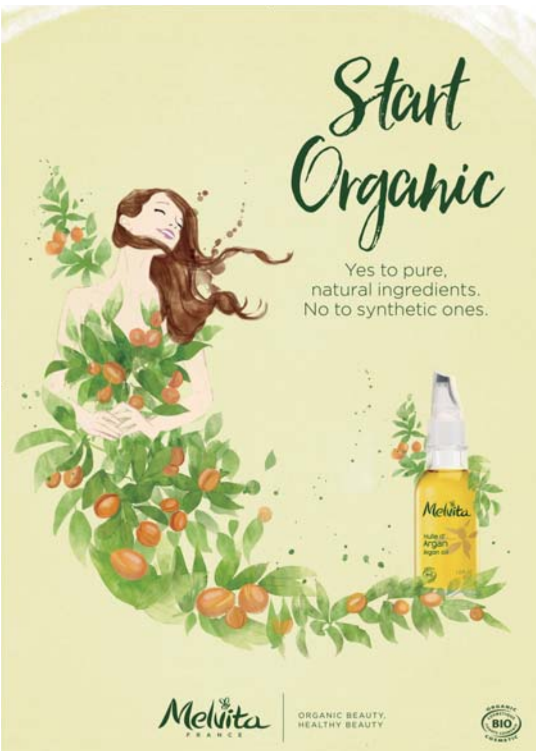
# MANAGEMENT DISCUSSION & ANALYSIS

## Operating profit

Operating profit increased by 618.7%, or €36.0 million, to €41.8 million for FY2020 H1 and the operating profit margin improved by 4.7 points to 5.7% of net sales. The increase in operating profit margin is explained by a combination of:

- brand mix effect for 2.3 points, mainly from ELEMIS which has a more profitable wholesale business model;
- leverage and efficiency for 1.4 points, mainly from leverage of personnel costs and rent with higher sales;
- more targeted and controlled marketing investments for 1.2 points;
- favourable FX impact for 0.5 points;
- favourable channel mix for 0.4 points;
- phasing for 0.4 points; and
- IFRS 16 impact for 0.3 points.

This was partly offset by further investments in LimeLife, R&D, HR and IT for 0.9 points; the one-off acquisition costs and fees on ELEMIS for 0.8 points and other factors and rounding for 0.1 points.




## Finance costs, net

Net finance costs were €10.7 million for FY2020 H1, €9.0 million higher than the same period last year. The net finance costs comprised €6.8 million relating to IFRS 16 Leases, €3.7 million relating to net interest expenses and finance costs on loans and revolving facilities and €0.2 million relating to unwinding of discount on other financial liabilities.

Note that the Company adopted IFRS 16 Lease accounting from 1 April 2019 without restating last year's figures, there were then no comparative figures for the same period last year in this regard.

For the increase in interest expenses and finance costs from €1.5 million in FY2019 H1 to €3.7 million in FY2020 H1, this was mainly explained by the interests and costs related to loans and credit facilities drawn for acquisition of ELEMIS.

## Foreign currency gains/losses

Net foreign currency gains amounted to €1.6 million for FY2020 H1, as compared to net currency losses of €1.5 million for FY2019 H1. The net foreign currency gains comprised €0.3 million realised losses, €0.4 million unrealised losses relating to IFRS 16 Leases and €2.3 million unrealised gains.

The unrealised gains of €2.3 million mainly came from conversion of balance sheet trade related items denominated in Great British pound, Japanese yen and Taiwanese dollar.

## Income tax expense

Income tax resulted in a tax expense of €7.5 million for FY2020 H1, as compared to a tax credit of €3.0 million for the same period last year, representing an effective tax rate of 22.8% for FY2020 H1. The increase in income tax this year was mainly due to the increase in profit before income tax, certain tax adjustments in Brazil and a one-time gain last year.

## Profit for the period

Net profit for FY2020 H1 increased by 351.6% or €19.7 million to €25.2 million, as compared to the same period last year. The Group adopted IFRS 16 retrospectively from 1 April 2019 but has not restated comparatives for the prior year's reporting period, as permitted under the specific transitional provisions in the standard. If excluding the impacts of IFRS 16, the net profit for FY2020 H1 would have further improved by €4.1 million to €29.3 million. See details in the following table:

| For the period ended 30 September | 2018 reported € '000 | 2019 reported € '000 | IFRS 16 impacts € '000 | 2019 Excluding IFRS 16 impacts € '000 | Growth % reported | Growth % excluding IFRS 16 |
|---|---|---|---|---|---|---|
| **Net Sales** | **595,385** | **727,157** | | **727,157** | **22.1%** | **22.1%** |
| Cost of sales | (104,857) | (137,047) | | (137,047) | | |
| **Gross profit** | **490,528** | **590,110** | | **590,110** | **20.3%** | **20.3%** |
| Distribution expenses | (327,346) | (366,245) | 1,891 | (368,136) | | |
| Marketing expenses | (87,068) | (92,703) | | (92,703) | | |
| Research and development expenses | (8,387) | (10,312) | | (10,312) | | |
| General and administrative expenses | (62,456) | (79,335) | 60 | (79,395) | | |
| Other gains, net | 541 | 256 | | 256 | | |
| **Operating profit** | **5,812** | **41,771** | **1,951** | **39,820** | **618.7%** | **585.1%** |
| Finance costs, net | (1,687) | (10,691) | (6,843) | (3,848) | | |
| Foreign currency gains/(losses) | (1,536) | 1,618 | (405) | 2,023 | | |
| **Profit before income tax** | **2,589** | **32,698** | **(5,297)** | **37,995** | **1163.0%** | **1367.6%** |
| Income tax expense | 2,999 | (7,460) | 1,208 | (8,668)* | -348.7% | -389.0% |
| **Profit for the period** | **5,588** | **25,238** | **(4,089)** | **29,327** | **351.6%** | **424.8%** |

* *assumed the same effective tax rate percentage as in the reported profit for FY2020 H1.*

# MANAGEMENT DISCUSSION & ANALYSIS

## BALANCE SHEET REVIEW

### Liquidity and capital resources

As at 30 September 2019, the Group had cash and cash equivalents of €80.4 million, as compared to €299.4 million as at 30 September 2018 and €144.4 million as at 31 March 2019.

As at 30 September 2019, the aggregate amount of undrawn borrowing facilities was €228.2 million; and the total borrowings, including term loans, bank borrowing and revolving facilities, current accounts with minority shareholders and related parties, amounted to €503.7 million, as compared to €577.9 million as at 31 March 2019.

The financings were mainly arranged with commercial banks and based on Euribor or Libor rates plus a margin. There is one 11-year term loan for an amount of €21.0 million arranged with a bank at fixed interest rate of 0.97% per annum. This term loan is secured by a pledge on business assets related to the shop 86 Champs-Élysées.


### Investing activities

Net cash used in investing activities was €38.7 million for FY2020 H1, as compared to €55.9 million for the same period last year, representing a decrease of €17.2 million. The decrease was mainly related to the financial investment of €10.8 million in last year. The capital expenditure also decreased by €6.3 million.

The capital expenditures during the period were primarily related to:

- addition of key money, leasehold improvements and other tangible assets relating to stores for €17.8 million;
- work-in-progress and purchases of machinery and equipment for the factories in Brazil and Manosque and office setup cost of the incubator for €12.1 million; and
- investments in various information technology projects for stores, e-commerce, order management, websites redesign and hardware equipment for €8.8 million.

## Financing activities

Financing activities resulted in a net outflow of €67.6 million (excluding the impact of IFRS 16) for FY2020 H1. During the same period last year, it was a net outflow of €1.9 million. The net outflow this year was related to net repayment of borrowings during the period.

## Inventories

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

| ***For the six months ended 30 September*** | ***2019*** | *2018* |
|---|---|---|
| Average inventory turnover days[(1)] | **286** | 302 |

*(1) Average inventory turnover days equals average inventory divided by cost of sales and multiplied by 182.5. Average inventory equals the average of net inventory at the beginning and end of a given period.*

Inventory net value was €226.3 million as at 30 September 2019, an increase of €36.2 million or 19.0% as compared to €190.1 million as at 30 September 2018. The decrease in inventory turnover days by 16 days was primarily due to ELEMIS having much lower inventory turnover (mainly wholesale business) than the Group's and contributed 40 days.

This improvement was partly offset by:

- higher finished goods, MPPs and boxes of L'Occitane en Provence, LimeLife and others for 11 days; and
- unfavourable FX impact for 13 days.

## Trade receivables

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

| ***For the six months ended 30 September*** | ***2019*** | *2018* |
|---|---|---|
| Turnover days of trade receivables[(1)] | **38** | 33 |

*(1) Turnover days of trade receivables equals average trade receivables divided by net sales and multiplied by 182.5. Average trade receivables equals the average of net trade receivables at the beginning and end of a given period.*

The increase in turnover days of trade receivables by 5 days for FY2020 H1 was attributed to inclusion of ELEMIS (mainly wholesale sales with similar trading terms as the Group's) for 7 days, unfavourable FX impact for 2 days and partly net off by lower turnover days of comparable brands for 4 days.

## Trade payables

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

| ***For the six months ended 30 September*** | ***2019*** | *2018* |
|---|---|---|
| Turnover days of trade payables[(1)] | **200** | 204 |

*(1) Turnover days of trade payables equals average trade payables divided by cost of sales and multiplied by 182.5. Average trade payables equals the average of trade payables at the beginning and end of a given period.*

The decrease in turnover day of trade payables by 4 days for FY2020 H1 was attributed to the decrease in existing brands for 28 days and partly net off by inclusion of ELEMIS for 9 days and unfavourable FX impact for 15 days.

# MANAGEMENT DISCUSSION & ANALYSIS

## BALANCE SHEET RATIOS

The Group's profitability ratios for FY2020 H1 improved significantly as compared to the same period last year. Return on capital employed for FY2020 H1 increased to 1.7% as compared to 1.3% for the same period last year. The increase was a net result of an increase in net profit and also an increase in capital employed. After the financing for ELEMIS acquisition, the Group's liquidity and capital adequacy ratios deteriorated yet remained healthy.

| For the period ended | Reported 30 September 2019 € '000 | Excluding IFRS 16 30 September 2019 € '000 | Reported 31 March 2019 € '000 | Reported 30 September 2018 € '000 |
|---|---|---|---|---|
| **Profitability** | | | | |
| EBITDA | 138,816 | 77,563 | 217,480 | 34,993 |
| Net operating profit after tax (NOPAT) (1) | 33,490 | 32,297 | 120,421 | 9,229 |
| Capital employed (2) | 1,977,201 | 1,549,669 | 755,397 | 735,721 |
| Return on capital employed (ROCE) (3) | 1.7% | 2.1% | 15.9% | 1.3% |
| Return on equity (ROE) (4) | 2.5% | 2.9% | 11.6% | 0.8% |
| **Liquidity** | | | | |
| Current ratio (times) (5) | 1.2 | 1.5 | 2.2 | 2.6 |
| Quick ratio (times) (6) | 0.7 | 0.9 | 1.4 | 1.8 |
| **Capital adequacy** | | | | |
| Gearing ratio (7) | 39.6% | 25.9% | 29.4% | 7.1% |
| Debt to equity ratio (8) | 84.5% | 44.0% | 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 financial liabilities + other non-current liabilities) + working capital. Note that working capital excludes financial liabilities such as dividends and acquisition payment.*
*(3) NOPAT/capital employed*
*(4) Net profit attributable to equity owners of the Company/shareholders' equity at period 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 Group enters into forward foreign exchange contracts to hedge anticipated transactions, as well as receivables and payables not denominated in our presentation currency, the Euro, for periods consistent with our identified exposures. As at 30 September 2019, the Group had foreign exchange derivatives net liabilities of €1.5 million in the form of foreign exchange forward contracts and interest rate derivatives (in accordance with fair market valuation requirements under IFRS). The notional principal amount of the outstanding sales forward exchange derivatives were €108.1 million.

## DIVIDENDS

At the Board meeting held on 17 June 2019, the Board recommended a distribution of a gross final dividend of €0.0297 per share for an aggregated sum of €43.4 million or 36.7% of the FY2019 net profit attributable to the equity owners of the Company. The amount of the final dividend was based on 1,461,052,171 shares in issue as at 25 September 2019 excluding 15,912,720 treasury shares. The shareholders of the Company approved the final dividend at the annual general meeting held on 25 September 2019. The dividend was paid on 18 October 2019.

In line with its policy to declare and pay only a final dividend each year, the Board has recommended that no distribution would be made from the profits of FY2020 H1.

# MANAGEMENT DISCUSSION & ANALYSIS

## POST BALANCE SHEET EVENTS

On 17 October 2019, the Group signed a letter of intent with the current distributor for the Middle East region to create a new company that would be held by L'Occitane International S.A. for 51% and by the distributor for 49%. The objective is to acquire the existing business of the distributor and to develop the business in this region. The cost of acquisition of the existing business, to be borne by the new company, is estimated to be US$74.5 million.

A new financing is in place since 17 October 2019 on the NEU CP market which is a commercial paper market in the Euro zone ruled by the Banque de France. The maximum amount that L'Occitane International S.A. will issue will be around €300 million.

## STRATEGIC REVIEW

The Group saw clear advances in FY2020 H1. Compared to the same period in FY2019, sales accelerated briskly, especially in the second quarter. Most importantly, each of the Group's brands and geographic areas contributed positively to this result.

This broad-based outcome was enabled by the Group's 'Pulse' strategy, now in its second year, to build trust, pursue sustainable growth and drive profitability. 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.


*"Nature Journey" brand event in Shanghai Daimaru, China*

In addition, the Group's largest acquisition to date — ELEMIS, was a strong driving force. It unlocked new higher-margin markets and sales channels while contributing to the Group's flourishing skincare image. Another important driver was the continued growth of the Group's namesake brand, L'OCCITANE en Provence, despite prevailing factors in the global macroeconomy.

Although the Group achieved strong financial performance in FY2020 H1, the holiday season falls within its third financial quarter (between 1 October and 31 December), towards which its historical sales patterns are normally positively skewed. As a result, the Group's performance in FY2020 H1 should not be representative of its annual results.

### Encouraging performance of ELEMIS demonstrates effectiveness of targeted skincare investments

ELEMIS was the biggest contributor to the Group's growth during FY2020 H1, with sales in the second quarter in particular exceeding expectations. A global distributor and innovator in premium beauty and skincare, ELEMIS's wholesale and distribution channels, including digital, retail distribution, QVC, professional spa and maritime, both complemented and expanded the Group's existing omni-channel strategy.

The brand also provides new and growing revenue streams in the developed markets of the U.S. and U.K. — currently 80% of its revenue — with the U.K. delivering in excess of 30% growth. Sales in the U.S. grew even faster as a result of the brand's 'digital-first' strategy, which the Group is confident of sustaining.

ELEMIS is also further bolstering the Group's growth through materialising synergies with L'OCCITANE en Provence's existing distribution in a disciplined manner, notably in Asia and Russia as first steps. For instance, the Group plans to extend ELEMIS's successful digital-first strategy into several markets in Asia, having already opened a store on TMall Global (with plans to launch domestically in China sometime in 2020), alongside selective retail presence in the near future.

## Unique identities underpin the multi-brand strategy

With six brands under the Group's portfolio, L'OCCITANE en Provence accounted for 76% of the Group's sales in FY2020 H1, down from 86% in the same period last year. This diversification is expected to continue as each brand continues to build on their unique identities.

For L'OCCITANE en Provence, the Group continued to strengthen its face care image, leveraging the global success of the *Immortelle Reset* serum hero product. It recently launched a 50ml version to re-animate the range and offer a value proposition for repeat customers. In FY2020 H1, the Group sold over 500,000 units of the *Immortelle Reset* serum, on track to exceed 1 million units for the full year. The brand's dynamic sales growth was also supported by attractive new product offerings, such as the *Herbae* and *Cherry Blossom* ranges.

LimeLife returned to growth in the second financial quarter after overcoming the impact of its earlier rebranding, as well as other challenges related to its growth and expansion into new markets. The Group remains optimistic about LimeLife's innovative and scalable social media-based business model.

Meanwhile, the Group's emerging brands, Melvita, Erborian and L'OCCITANE au Brésil continued to progress according to plan. Melvita saw a tougher first half, due to some specific issues on recruitment of frontline staff and new customers with its specialised product portfolio. However, its signature beauty oils and floral waters, such as the Argan Oil and Rose Floral Water, continued to be fan favourites and recorded a 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 over 35% growth in FY2020 H1, and maintaining its profitability.

Meanwhile, L'OCCITANE au Brésil helped drive overall sales growth for the Group in Brazil in FY2020 H1. The brand continued to delight customers with its evocative visual brand identity, inspired by the Brazilian approach to creating cosy, simple and hospitable homes. The brand was also introduced into Japan as a limited collection, which excited customers and drove traffic.

# MANAGEMENT DISCUSSION & ANALYSIS


## Engaging content creation and collaborations

The Group continued to bolster its performance in key markets with highly visible and innovative marketing campaigns. This year, the Group hosted a new edition of its 'Balloon Journey' brand event, bringing L'OCCITANE en Provence's true stories and natural ingredients to an expanded number of cities. In China, the event is currently at its third stop in Wuhan, and will have toured at a total of five Chinese cities by January 2020. The Group invited its brand ambassadors Chen Duling and Zhu Yilong, alongside KOLs, to appear at the stops Shanghai and Hangzhou, drawing crowds and extensive media exposure. Similarly in Japan, the Group held the 'Balloon Journey' event in Yokohama this year, and invited a Japanese director to produce a second mini-movie to showcase the wonders of Provence.

In North America, the Group launched a content-led campaign poking fun at common mispronunciations of the word "L'Occitane". Featuring engaging video and 'branded memes', the campaign starred the Group's own retail and corporate employees.

The Group also continued to work closely with beauty bloggers and vloggers, as well as with social media platforms to reach different streams of customers.

## Delivering memorable omni-channel customer experiences

The Group continued to invest in its omni-channel distribution, which aims to provide a seamless experience for customers to discover the Group's products and brands, making the path-to-purchase fun, memorable and convenient.

While physical store expansion has become much more selective, the Group continued to create fresh and exciting retail experiences. In Japan, the Group recently opened a store that also houses a boutique café and petit spa in Tokyo's stylish shopping boulevard Omotesando. On the other side of the world in London, the flagship store on Regent Street recently debuted an exclusive café in partnership with EL&N, known for its all-pink interiors and photogenic lattes. Meanwhile in New York, the flagship store on Fifth Avenue regularly transforms itself along with the seasons, currently transporting customers to an enchanted forest to discover holiday limited editions.

The Group also expanded its online presence, for example on Chinese online marketplaces through effective TMall campaigns, introducing a WeChat mini program, and launching a new official website for the China market. In FY2020 H1, the Group's Web Sell-out channels grew 40.8% at constant exchange rates, equivalent to 16.2% of total Sell-out sales.

## Driving profitability through targeted investments

As part of the focus on profitability under the Pulse strategy, the Group has made the conscious effort to concentrate marketing investments on major projects. In FY2020 H1, close to half of its total marketing spending supported major campaigns, such as the holiday campaign and celebrities campaigns; major products — *Immortelle Reset* serum and *Immortelle Precious* range; as well as major channels, such as TMall and JD in China.

The Group's effort to invest in a disciplined and targeted manner has been rewarded with improved profitability in FY2020 H1. Notwithstanding unforeseen circumstances, the Group expects enhanced profitability in FY2020 and beyond.

## Sustainability lies at the heart of L'OCCITANE

The Group remains firmly committed to reducing plastic use, respecting biodiversity, supporting fair trade, promoting craftsmanship, caring for eyesight, and empowering women, driven by a deep passion and respect for nature that has been part of its DNA for more than 40 years.

In February 2019, the Group signed a multi-year supply agreement with Loop Industries to transition to 100% sustainable PET plastic packaging by 2025. Recently in November 2019, the supply agreement has been expanded, which will allow the Group to meet its 100% recycled bottles goal earlier than expected. This represents a significant step in the Group's efforts to achieve a circular economy that gives polluting materials a second life.

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

## OUTLOOK

Looking forward to the second half of FY2020, the Group will continue to implement differentiated strategies for each of its brands, encouraging them to stay agile and autonomous, while still capitalising on synergies. The Group will further build on the initial achievements it has made in attaining sustainable growth and profitability, in line with its Pulse strategy.

The Group is confident that the upcoming holiday season will help energise its profitability drive, given the strong marketing calendar and disciplined investments.

Despite the ongoing risk to consumer sentiment posed by macroeconomic developments, the Group is convinced that 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.


*Exclusive café in partnership with EL&N at the Regent Street flagship store in London.*

# CONSOLIDATED INTERIM FINANCIAL STATEMENTS

# INDEPENDENT REVIEW REPORT

pwc

**Report on Review of Condensed Consolidated Interim Financial Information**

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

We have reviewed the accompanying condensed consolidated interim financial information of L'Occitane International S.A. and its subsidiaries (the "Group"), which comprise the consolidated interim balance sheet as at 30 September 2019, and the consolidated interim statement of income, the consolidated interim statement of comprehensive income, the consolidated interim statement of changes in equity and the consolidated interim statement of cash flow for the six-month period then ended, and a summary of significant accounting policies and other explanatory information (the "condensed consolidated interim financial information").

## BOARD OF DIRECTORS' RESPONSIBILITY FOR THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The Board of Directors is responsible for the preparation and presentation of these condensed consolidated interim financial information in accordance with IAS 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board, and for such internal control as the Board of Directors determines is necessary to enable the preparation of condensed consolidated interim financial information that are free from material misstatement, whether due to fraud or error.

## RESPONSIBILITY OF THE "RÉVISEUR D'ENTREPRISES AGRÉÉ"

Our responsibility is to express a conclusion on these condensed consolidated interim financial information based on our review. We conducted our review in accordance with International Standard on Review Engagements (ISRE 2410) as adopted for Luxembourg by the "Institut des Réviseurs d'Entreprises". This standard requires us to comply with relevant ethical requirements and conclude whether anything has come to our attention that causes us to believe that the condensed consolidated interim financial information, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework.

A review of condensed consolidated interim financial information in accordance with ISRE 2410 is a limited assurance engagement. The "Réviseur d'entreprises agréé" performs procedures, primarily consisting of making inquiries of management and others within the Group, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these condensed consolidated interim financial information.

*PricewaterhouseCoopers, Société coopérative, 2 rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg*
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*Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)*
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## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, “Interim Financial Reporting” as adopted by the International Accounting Standards Board.

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 25 November 2019

Magalie Cormier

# CONSOLIDATED INTERIM STATEMENT OF INCOME

| *In thousands of euros, except per share data* | *Notes* | ***Period ended 30 September*** ***2019*** | ***2018*** |
|---|---|---|---|
| **Net sales** | (4) | **727,157** | **595,385** |
| Cost of sales | | (137,047) | (104,857) |
| **Gross profit** | | **590,110** | **490,528** |
| *% of net sales* | | 81.2% | 82.4% |
| Distribution expenses | | (366,245) | (327,346) |
| Marketing expenses | | (92,703) | (87,068) |
| Research and development expenses | | (10,312) | (8,387) |
| General and administrative expenses | | (79,335) | (62,456) |
| Other gains/(losses), net | (22) | 256 | 541 |
| **Operating profit** | | **41,771** | **5,812** |
| Finance income | (23) | 915 | 589 |
| Finance costs | (23) | (11,606) | (2,276) |
| Foreign currency gains/(losses) | (24) | 1,618 | (1,536) |
| **Profit before income tax** | | **32,698** | **2,589** |
| Income tax expense | (25) | (7,460) | 2,999 |
| **Profit for the period** | | **25,238** | **5,588** |
| **Attributable to:** | | | |
| Equity owners of the Company | | 24,992 | 6,814 |
| Non-controlling interests | | 246 | (1,226) |
| **Total** | | **25,238** | **5,588** |
| **Earnings per share for profit attributable to equity owners of the Company during the period** *(expressed in euros per share)* | (26) | | |
| Basic | | 0.017 | 0.005 |
| Diluted | | 0.017 | 0.005 |
| **Number of shares used in earnings per share calculation** | (26) | | |
| Basic | | 1,461,052,171 | 1,460,682,471 |
| Diluted | | 1,465,920,083 | 1,462,556,482 |

*The accompanying notes are an integral part of this condensed consolidated interim financial information.*

# CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

| *In thousands of euros* | *Notes* | ***Period ended 30 September*** ***2019*** | ***2018*** |
|---|---|---|---|
| **Profit for the period** | | **25,238** | **5,588** |
| Changes in the fair value of equity investments at fair value through other comprehensive income | (3.3) | (220) | 80 |
| Currency translation differences[(1)] | | 3,144 | 1,805 |
| ***Total items that may subsequently be reclassified to profit and loss*** | | **2,924** | **1,885** |
| **Other comprehensive income/(loss) for the period, net of tax** | | **2,924** | **1,885** |
| **Total comprehensive income for the period** | | **28,162** | **7,473** |
| **Attributable to:** | | | |
| — Equity owners of the Company | | 27,756 | 8,084 |
| — Non-controlling interests | | 406 | (611) |
| **Total comprehensive income for the period** | | **28,162** | **7,473** |

(1) Over the period ended 30 September 2019, currency translation differences included a nil amount corresponding to exchange losses on intercompany receivables and payables that were, in substance, part of the Company's net investment in subsidiaries according to IAS 21 (gain of €1,639,000 over the period ended 30 September 2018).

*The accompanying notes are an integral part of this condensed consolidated interim financial information.*

# CONSOLIDATED INTERIM BALANCE SHEETS

| **ASSETS**<br>*In thousands of euros* | *Notes* | ***30 September 2019*** | ***31 March 2019*** |
|---|---|---|---|
| Property, plant and equipment | (7) | 193,974 | 198,662 |
| Right-of-use assets | (8.1) | 454,955 | – |
| Goodwill | (9) | 1,015,726 | 1,011,139 |
| Intangible assets | (10) | 51,331 | 80,109 |
| Deferred income tax assets | (25.2) | 77,713 | 61,051 |
| Other non-current assets | (11) | 59,517 | 57,581 |
| **Non-current assets** | | **1,853,216** | **1,408,542** |
| Inventories | (12) | 226,313 | 202,827 |
| Trade receivables | (13) | 161,429 | 143,392 |
| Other current assets | (14) | 57,323 | 64,758 |
| Derivative financial instruments | (15) | 148 | 50 |
| Cash and cash equivalents | | 80,379 | 144,442 |
| **Current assets** | | **525,592** | **555,469** |
| **TOTAL ASSETS** | | **2,378,808** | **1,964,011** |

| **EQUITY AND LIABILITIES**<br>*In thousands of euros* | *Notes* | ***30 September 2019*** | ***31 March 2019*** |
|---|---|---|---|
| Share capital | (16) | 44,309 | 44,309 |
| Additional paid-in capital | (16) | 342,851 | 342,851 |
| Other reserves | | (88,486) | (93,524) |
| Retained earnings | | 705,532 | 724,132 |
| **Capital and reserves attributable to the equity owners of the Company** | | **1,004,206** | **1,017,768** |
| Non-controlling interests | | 67,562 | 66,464 |
| **Total equity** | | **1,071,768** | **1,084,232** |
| Borrowings | (17) | 495,495 | 569,378 |
| Lease liabilities | (8.2) | 335,360 | – |
| Other financial liabilities | (6) | 4,233 | 14,011 |
| Other non-current liabilities | (18) | 22,624 | 34,448 |
| Deferred income tax liabilities | (25.2) | 3,884 | 4,050 |
| **Non-current liabilities** | | **861,596** | **621,887** |
| Trade payables | (19) | 158,632 | 141,247 |
| Social and tax liabilities | | 68,993 | 70,078 |
| Current income tax liabilities | | 24,954 | 10,731 |
| Borrowings | (17) | 8,186 | 8,562 |
| Lease liabilities | (8.2) | 103,372 | – |
| Derivative financial instruments | (15) | 1,625 | 849 |
| Provisions | (20) | 1,953 | 7,124 |
| Other current liabilities | (18) | 77,729 | 19,301 |
| **Current liabilities** | | **445,444** | **257,892** |
| **TOTAL EQUITY AND LIABILITIES** | | **2,378,808** | **1,964,011** |

*The accompanying notes are an integral part of this condensed consolidated interim financial information.*

# CONSOLIDATED INTERIM STATEMENT OF CHANGES IN 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 | Other items | Cumul. Currency Transl. Diff. | Excess of consideration in transaction with non-controlling interests | Actuarial gains/ (losses) | Treasury shares | Profit for the period | Non-controlling interests | TOTAL EQUITY |
| **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** |
| Profit for the 6-month period | | – | – | – | – | – | – | – | – | – | 6,814 | (1,226) | 5,588 |
| **Other comprehensive income** | | | | | | | | | | | | | |
| Currency translation differences | | – | – | – | – | – | 1,190 | – | – | – | – | 615 | 1,805 |
| Changes in the fair value of equity investments at fair value through other comprehensive income | | – | – | – | – | 80 | – | – | – | – | – | – | 80 |
| ***Total comprehensive income*** | | **-** | **-** | **-** | **-** | ***80*** | ***1,190*** | **-** | **-** | **-** | ***6,814*** | ***(611)*** | ***7,473*** |
| **Transactions with owners** | | | | | | | | | | | | | |
| Dividends declared | | – | – | – | – | – | – | – | – | – | (43,455) | (34) | (43,489) |
| Contribution from the parent | | – | – | – | 1,081 | – | – | – | – | – | – | – | 1,081 |
| Employee share option: | | | | | | | | | | | | | |
| value of employee services | (16.3) | – | – | – | 1,664 | – | – | – | – | – | – | 413 | 2,077 |
| ***Total contributions by and distribution to owners of the Company*** | | **-** | **-** | **-** | ***2,745*** | **-** | **-** | **-** | **-** | **-** | ***(43,455)*** | ***379*** | ***(40,331)*** |
| Transactions with non-controlling interests | | | | | | | | | | | | | |
| Non-controlling interests recorded as liabilities | (6) | – | – | – | – | – | – | (5,804) | – | – | 274 | (274) | (5,804) |
| ***Total transactions with owners*** | | **-** | **-** | **-** | **-** | **-** | **-** | ***(5,804)*** | **-** | **-** | ***274*** | ***(274)*** | ***(5,804)*** |
| **Balance at 30 September 2018** | | **1,476,964,891** | **44,309** | **342,851** | **25,498** | **(2,892)** | **(41,648)** | **(61,780)** | **(378)** | **(25,965)** | **612,822** | **7,322** | **900,139** |
| **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** |
| Profit for the 6-month period | | – | – | – | – | – | – | – | – | – | 24,992 | 246 | 25,238 |
| **Other comprehensive income** | | | | | | | | | | | | | |
| Currency translation differences | | – | – | – | – | – | 2,984 | – | – | – | – | 160 | 3,144 |
| Changes in the fair value of equity investments at fair value through other comprehensive income | | – | – | – | – | (220) | – | – | – | – | – | – | (220) |
| ***Total comprehensive income*** | | **-** | **-** | **-** | **-** | ***(220)*** | ***2,984*** | **-** | **-** | **-** | ***24,992*** | ***406*** | ***28,162*** |
| **Transactions with owners** | | | | | | | | | | | | | |
| Dividends declared | | – | – | – | – | – | – | – | – | – | (43,400) | – | (43,400) |
| Contribution from the parent | | – | – | – | 486 | – | – | – | – | – | – | – | 486 |
| Employee share option: | | | | | | | | | | | | | |
| value of employee services | (16.3) | – | – | – | 1,788 | – | – | – | – | – | – | 500 | 2,288 |
| ***Total contributions by and distribution to owners of the Company*** | | **-** | **-** | **-** | ***2,274*** | **-** | **-** | **-** | **-** | **-** | ***(43,400)*** | ***500*** | ***(40,626)*** |
| Transactions with non-controlling interests | | | | | | | | | | | | | |
| Non-controlling interests recorded as liabilities | | – | – | – | – | – | – | – | – | (192) | 192 | – | – |
| ***Total transactions with owners*** | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | ***(192)*** | ***192*** | **-** |
| **Balance at 30 September 2019** | | **1,476,964,891** | **44,309** | **342,851** | **29,804** | **(3,790)** | **(29,613)** | **(58,585)** | **(399)** | **(25,903)** | **705,532** | **67,562** | **1,071,768** |

*The accompanying notes are an integral part of this condensed consolidated interim financial information.*

# CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

| *In thousands of euros* | *Notes* | ***Period ended 30 September*** ***2019*** | ***2018*** |
|---|---|---|---|
| **Cash flows relating to operating activities** | | | |
| Profit for the period | | 25,238 | 5,588 |
| *Adjustments to reconcile profit for the period to net cash from operating activities* | | | |
| Depreciation, amortisation and impairment | (21.3) | 95,427 | 30,717 |
| Deferred income taxes | | (15,706) | (10,420) |
| Unwinding of discount on lease liabilities | (23) | 6,843 | – |
| Unwinding of discount on other financial liabilities | (23) | 175 | 175 |
| Share-based payment | (16.3) | 2,774 | 3,158 |
| Change in the fair value of derivatives | (24) | 678 | (1,141) |
| Other losses/(gains) on sale of assets — net | (22) | 447 | 271 |
| Net movements in provisions | (20) | 820 | (1,144) |
| *Changes in working capital* | | | |
| Inventories | | (22,455) | (33,521) |
| Trade receivables | | (17,010) | 214 |
| Trade payables | | 21,121 | (19,065) |
| Salaries, wages, related payroll items and other tax liabilities | | (2,427) | (8,784) |
| Current income tax assets and liabilities | | 18,255 | 3,336 |
| Other assets and liabilities, net | | 3,412 | 3,702 |
| **Net cash inflow/(outflow) from operating activities** | | **117,592** | **(26,914)** |
| **Cash flows relating to investing activities** | | | |
| Acquisition of subsidiaries, net of cash acquired | (5) | 1,550 | (7) |
| Acquisition of property, plant and equipment | (7) | (32,941) | (36,431) |
| Acquisition of intangible assets | (10) | (7,126) | (7,663) |
| Proceeds from sale of intangible assets and property, plant and equipment | | 1,335 | 183 |
| Change in deposits and key money paid to lessors | | (69) | 82 |
| Change in non-current receivables and liabilities | | 406 | (1,209) |
| Other financial investments | (11) | (1,827) | (10,820) |
| **Net cash (outflow) from investing activities** | | **(38,672)** | **(55,865)** |
| **Cash flows relating to financing activities** | | | |
| Proceeds from borrowings | (17) | 1,042 | 73,211 |
| Repayments of borrowings | (17) | (68,604) | (69,758) |
| Principal components of lease payments | (8) | (69,097) | – |
| Transactions with non-controlling interests | (6) | – | (5,300) |
| Dividends paid to non-controlling interests | | – | (34) |
| **Net cash inflow/(outflow) from financing activities** | | **(136,659)** | **(1,881)** |

*The accompanying notes are an integral part of this condensed interim consolidated financial information.*

| *In thousands of euros* | *Notes* | ***Period ended 30 September*** ***2019*** | ***2018*** |
|---|---|---|---|
| Exchange gains/(losses) on cash, cash equivalents and bank overdrafts | | (6,324) | (1,657) |
| **Net (decrease)/increase in cash, cash equivalents and bank overdrafts** | | **(64,063)** | **(86,317)** |
| **Cash and cash equivalents at the beginning of the period** | | **144,442** | **385,712** |
| *Cash and cash equivalents* | | *144,442* | *385,712* |
| **Cash and cash equivalents at end of the period** | | **80,379** | **299,395** |
| *Cash and cash equivalents* | | *80,379* | *299,395* |

*The accompanying notes are an integral part of this condensed interim consolidated financial information.*

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 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" and "Melvita", a wide range of cosmetic products, perfumes, soaps and home fragrance products based on natural or organic ingredients.

The Group also designs and markets other ranges of home fragrance products, cosmetic products, perfumes, soaps and natural products under the trademarks "LimeLife", "Elemis", "Erborian" and "L'Occitane au Brésil".

L'Occitane International S.A. is a *société anonyme* organised and existing under the laws of Luxembourg and registered in the Luxembourg Trade and Commercial Register, Grand Duchy of Luxembourg under number B-80 359. The Company's address 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.

This condensed consolidated interim financial information was approved for issue by the Board of Directors on 25 November 2019.

This condensed interim consolidated financial information has been reviewed, not audited.

## 2. BASIS OF PREPARATION

### 2.1 Basis of preparation

This condensed consolidated interim financial information (the "interim consolidated financial information") for the six month period ended 30 September 2019 ("period ended 30 September 2019") has been prepared in accordance with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. The interim consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 March 2019, which were prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and adopted by the European Union.

### 2.2 Accounting policies

The accounting policies and methods used to prepare this interim consolidated financial information are consistent with those used to prepare the annual consolidated financial statements for the year ended 31 March 2019, except as described below:

Taxes on income for an interim period are calculated using the estimated tax rate for the full year.

Interpretations and amendments to IFRSs effective for reporting periods beginning on or after 1 April 2019 have no material impact on the interim consolidated financial information.

## 2. BASIS OF PREPARATION *(continued)*

### 2.2 Accounting policies *(continued)*

#### *2.2.1 New and amended standards*

A number of new or amended standards became applicable for the current reporting period. The Group also had to change its accounting policies and make adjustments as a result of the first-time application of IFRS 16 Leases.

The impact of applying these standards and the related new accounting policies are disclosed below. The other standards did not have an impact on the Group's accounting policies and did not require retrospective adjustments.

**IFRS 16 Leases — Impact of the first-time application**

The Group adopted IFRS 16 retrospectively from 1 April 2019 but has not restated comparatives for the prior year reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules have therefore been recognised in the opening balance sheet on 1 April 2019.

As a lessee, the Group now recognises:

- a right-of-use asset in the interim consolidated balance sheet, representing its right to use the underlying asset, and a lease liability representing its obligation to make future lease payments;

- Depreciation of the right-of-use asset and interest on the related lease liability in place of the operating lease expenses previously incurred.

***Adjustments recognised on the first-time application of IFRS 16***

The Group has recognised lease liabilities in relation to leases that had previously been classified as operating leases under IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 April 2019.

The associated right-of-use assets have been measured at an amount equal to the lease liability, adjusted for any prepaid or accrued payments related to the lease and for the onerous lease contracts recognised in the Group's consolidated financial statements as at 1 April 2019.

For leases previously classified as finance leases, the entity recognised the carrying amount of the lease asset and the lease liability immediately before the transition as the carrying amount of the right-of-use asset, and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 2. BASIS OF PREPARATION *(continued)*

### 2.2 Accounting policies *(continued)*

#### *2.2.1 New and amended standards* *(continued)*

**IFRS 16 Leases — Impact of the first-time application** *(continued)*

***Practical expedients***

At the transition date, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether leases are onerous;
- Operating leases with a remaining lease term of less than 12 months as at 1 April 2019 accounted for as short term leases;
- The inclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and;
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made when applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

# 2. BASIS OF PREPARATION *(continued)*

## 2.2 Accounting policies *(continued)*

### *2.2.1 New and amended standards (continued)*

IFRS 16 Leases — Impact of the first-time application *(continued)*

***Accounting impacts of the first-time application of IFRS 16***

The following table presents the impacts in the condensed consolidated balance sheet as at 1 April 2019:

| **ASSETS**<br>*In thousands of euros* | **31 March 2019** | **Adjustment for IFRS 16** | **1 April 2019** |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment (a) | 198,662 | (7,731) | 190,931 |
| Intangible assets (b) | 80,109 | (30,940) | 49,169 |
| Right-of-use assets (c) | – | 476,094 | 476,094 |
| Other non-current assets (d) | 57,581 | (1,711) | 55,870 |
| **Current assets** | | | |
| Other current assets (d) | 64,758 | (4,927) | 59,831 |
| **TOTAL IMPACT ON ASSETS** | **401,110** | **430,785** | **831,895** |

| **EQUITY AND LIABILITIES**<br>*In thousands of euros* | **31 March 2019** | **Adjustment for IFRS 16** | **1 April 2019** |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Borrowings (g) | 569,378 | (5,750) | 563,628 |
| Lease liabilities (c) | – | 355,930 | 355,930 |
| Other non-current liabilities (e) | 34,448 | (14,907) | 19,541 |
| **Current liabilities** | | | |
| Borrowings (g) | 8,562 | (1,205) | 7,357 |
| Lease liabilities (c) | – | 102,589 | 102,589 |
| Provisions (f) | 7,124 | (4,456) | 2,668 |
| Other current liabilities (e) | 19,301 | (1,416) | 17,885 |
| **TOTAL IMPACT ON EQUITY AND LIABILITIES** | **638,813** | **430,785** | **1,069,59** |

## 2. BASIS OF PREPARATION *(continued)*

### 2.2 Accounting policies *(continued)*

#### *2.2.1 New and amended standards (continued)*

**IFRS 16 Leases — Impact of the first-time application** *(continued)*

***Accounting impacts of the first-time application of IFRS 16*** *(continued)*

(a) Reclassification of finance lease assets previously classified in property, plant and equipment as an increase to right-of-use assets (Note 7).

(b) Reclassification of key money paid to a former lessee previously classified in intangible assets as an increase to right-of-use assets (Note 10).

(c) Following the adoption of IFRS 16, right-of-use assets have been recognized for an amount of €476,094,000, and lease liabilities (current and non-current) have been recognized for an amount of €458,519,000.

(d) Reclassification of key money paid to a lessor recognised as prepaid expenses and previously classified in other current assets and in other non-current assets as an increase to right-of-use assets (Notes 11 and 14).

(e) Reclassification of liabilities related to operating leases previously classified in other current and non-current liabilities as a reduction in right-of-use assets (Note 18).

(f) Reclassification of the provision for onerous lease contracts as a reduction in right-of-use assets (Note 20).

(g) Reclassification of current and non-current finance lease liabilities as an increase to lease liabilities (Note 17).

# 2. BASIS OF PREPARATION *(continued)*

## 2.2 Accounting policies *(continued)*

### *2.2.1 New and amended standards (continued)*

**IFRS 16 Leases — Impact of the first-time application** *(continued)*

***Accounting impacts of the first-time application of IFRS 16*** *(continued)*

The following table presents the impacts in the interim consolidated statement of income:

| *In thousands of Euros* | **September 19 6 months (IAS 17)** | **IFRS 16** | **September 19 6 months (IFRS 16)** |
|---|---|---|---|
| **Net Sales** | **727,157** | **–** | **727,157** |
| Cost of sales | (137,047) | – | (137,047) |
| **Gross profit** | **590,110** | **–** | **590,110** |
| *% of net sales* | *81.2%* | – | *81.2%* |
| Distribution expenses | (368,136) | 1,891 | (366,245) |
| Marketing expenses | (92,703) | – | (92,703) |
| Research & development expenses | (10,312) | – | (10,312) |
| General and administrative expenses | (79,395) | 60 | (79,335) |
| Other (losses)/gains, net | 256 | – | 256 |
| **Operating profit** | **39,820** | **1,951** | **41,771** |
| Finance income | 915 | – | 915 |
| Finance costs | (4,763) | (6,843) | (11,606) |
| Foreign currency gains/(losses) | 2,023 | (405) | 1,618 |
| **Profit before income tax** | **37,995** | **(5,297)** | **32,698** |
| Income tax expense | (8,668) | 1,208 | (7,460) |
| **Profit for the year from continuing operations** | **29,327** | **(4,089)** | **25,238** |
| **Attributable to:** | | | |
| Owners of the company | 29,081 | (4,089) | 24,992 |
| Non-controlling interests | 246 | – | 246 |
| **Total** | **29,327** | **(4,089)** | **25,238** |

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 2. BASIS OF PREPARATION *(continued)*

### 2.2 Accounting policies *(continued)*

#### *2.2.1 New and amended standards (continued)*

**IFRS 16 Leases — Impact of the first-time application** *(continued)*

***Off-balance sheet commitments***

Off-balance sheet commitments as at 1 April 2019 are reconciled with lease liabilities at the transition date as follows:

*In thousands of euros*

| | |
|---|---|
| Operating lease commitments disclosed as at 31 March 2019 | 485,197 |
| Discounting using the lessee's incremental borrowing rate at the date of initial application | (22,847) |
| Add: finance lease liabilities recognised as at 31 March 2019 | 6,955 |
| (Deduct): short-term leases recognised on a straight-line basis as expenses | (1,417) |
| (Deduct): low-value leases recognised on a straight-line basis as expenses | (79) |
| Add/(Deduct): adjustments as a result of the different treatment of extension and termination options | (9,303) |
| **Lease liabilities recognised at 1 April 2019** | **458,506** |
| *of which:* | |
| — Current lease liabilities | 101,384 |
| — Non-current lease liabilities | 357,135 |

**IFRS 16 Leases — Accounting policies applied from 1 April 2019**

The Group leases various retail stores, offices, equipment and vehicles. Leases are typically made for terms of 2 to 24 years but may have extension options as described below. Leases are negotiated on an individual basis and contain a wide range of different terms and conditions.

Until 31 March 2019, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the lease term.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. Lease payments are recognised in liabilities and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

# 2. BASIS OF PREPARATION *(continued)*

## 2.2 Accounting policies *(continued)*

### *2.2.1 New and amended standards (continued)*

**IFRS 16 Leases — Accounting policies applied from 1 April 2019** *(continued)*

***Measurement of assets and liabilities arising from a lease***

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- Variable lease payments that are based on an index or a rate,
- Amounts expected to be payable by the lessee under residual value guarantees,
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, namely the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability (see above),
- Any lease payments made at or before the commencement date, less any lease incentives received,
- Any initial direct costs, and
- Restoration costs.

Payments associated with short-term leases and leases of low-value assets (individually under €4,200) are recognised on a straight-line basis as an expense within profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

## 2. BASIS OF PREPARATION *(continued)*

### 2.2 Accounting policies *(continued)*

#### *2.2.1 New and amended standards (continued)*

**IFRS 16 Leases — Accounting policies applied from 1 April 2019** *(continued)*

***Variable lease payments***

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100 per cent of lease payments are on the basis of variable payment terms and there is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised within profit or loss in the period in which the condition that triggers those payments occurs.

***Estimation of lease terms: extension and termination options***

The lease term corresponds to the non-cancellable period for which a lessee has the right to use an underlying asset, together with both:

- Periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option; and

- Periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

Extension and termination options are included in a number of property and equipment leases across the Group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Group divides the underlying assets into three categories:

- Flagship store on the Champs-Élysées, Paris, France: considering the existence of an option to extend the lease and the characteristics of this store (premium location and the amount of initial investments, the Group is reasonably certain to exercise that option. Therefore the lease term corresponds to the initial term of the lease on the signature date (12 years) taking into account an extension period (12 years);

- Other stores: the lease term corresponds to the initial term of the lease on the signature date, namely without taking into account any extension options, as the Group views the ability to take advantage of opportunities to relocate its stores throughout the term of the lease to be a key part of its store network management policy. Consequently, options to extend or even terminate leases are only accounted for if the Group has exercised the extension period. In the specific case of called "3-6-9"-type commercial leases in France granting the lessee an option to terminate the lease after 3 or 6 years, the Group does not consider the extension option;

- Other properties (offices, logistics platforms, plants): the lease term corresponds to the initial term of the lease.

Certain leases include automatic renewal clauses or have indefinite terms. Excluding the flagship store on the Champs-Élysées, the Group is unable to reliably estimate the lease term for these leases beyond their strictly contractual period. Accordingly, they are accounted for as leases with no extension option. The assessment is reviewed if a significant event or a significant change in circumstances occurs that affects this assessment and that is within the control of the lessee. During the current financial year, there was no financial effect of revising lease terms to reflect the effect of exercising extension and termination options.

## 2. BASIS OF PREPARATION *(continued)*

### 2.2 Accounting policies *(continued)*

#### *2.2.1 New and amended standards (continued)*

**IFRS 16 Leases — Accounting policies applied from 1 April 2019** *(continued)*

***Depreciation of improvements to stores and other properties***

The Group continues to depreciate improvements to its stores and other properties consistently with the term of the underlying leases and has not changed its approach from the accounting treatment applicable under IAS 17.

The assessment is reviewed if a significant event or a significant change in circumstances occurs that affects this assessment and that is within the control of the lessee.

***Determination of the discount rate applicable to lease liabilities***

Discount rates applied at the transition date are based on the lessee's incremental borrowing rate, estimated in currency based on the local IRS swap rate adjusted for country risk, borrowers' risk and corporate spread. The discount rates were determined based on the rate at maturity of each lease term remaining at the transition date. The weighted average incremental borrowing rate as at 1 April 2019 was 2.9%.

**IFRS IC 23 Uncertainty over Income Tax Treatments**

IFRIC 23 Uncertainty over Income Tax Treatments, applicable from 1 April 2019, clarifies the accounting treatment of income tax uncertainties. The adoption of this interpretation has no impact on the measurement of the Group's income tax expense or in the condensed consolidated balance sheet.

#### *2.2.2.Impact of standards issued but not yet applied by the entity*

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 foreseeable future transactions.

### 2.3 Estimates

The preparation of interim consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the carrying amounts of assets and liabilities, income and expenses. Although these estimates are based on management's knowledge of current events and actions, actual results may ultimately differ from these estimates.

In preparing this interim consolidated financial information, the significant judgements and estimates made by management when applying the Group's accounting policies and the key sources of uncertainty were the same as those applicable to the annual consolidated financial statements for the year ended 31 March 2019, with the exception of estimates related to the first-time adoption of IFRS 16 as disclosed in Note 2.2.1 above, and changes in estimates that are required to determine taxes on income.

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 2. BASIS OF PREPARATION *(continued)*

### 2.4 Seasonality of operations

The Group is subject to significant seasonal variation in its sales, which are substantially higher in its financial third quarter (between 1 October and 31 December) in anticipation of and during the Christmas holiday season. For the period ended 30 September 2018, the sales generated during the period represented 41.7% of the Group's annual sales for the year ended 31 March 2019 and operating profit represented 3.9% of annual operating profit. These ratios are not representative of sales and operating profit expected for the year ended 31 March 2020.

Seasonality also has an impact on the production schedule and the use of working capital. The Group generally uses a significant part of its working capital between April to November in order to increase production in anticipation of increased sales during the Christmas holiday season.

## 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 programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

The condensed interim consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements and should therefore be read in conjunction with the annual consolidated financial statements for the year ended 31 March 2019.

*(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 a major part of the production and purchasing costs is therefore denominated in euros. The Group is thus exposed to foreign exchange risk on its commercial transactions, whether known or forecasted.

The Group invoices its subsidiaries in their local currencies, whenever possible, in order to centralise foreign exchange risk at the Group level. The Group's foreign exchange 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.

# 3. FINANCIAL RISK MANAGEMENT *(continued)*

## 3.1 Financial risk factors *(continued)*

### *(a) Market risk (continued)*

**Foreign exchange risk** *(continued)*

***Financing operations***

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

For those currencies not covered by multicurrency bank facilities, the Group'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%.

***Cash flow and fair value interest rate risk***

The Group's cash is currently invested in short-term treasury deposits to take advantage 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.

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.

**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-asset funds. Investments are made in accordance with the limits and rules set by the Financial Investments Policy.

On 30 September 2019, the Group had no significant investments in external equity securities.

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 3. FINANCIAL RISK MANAGEMENT *(continued)*

### 3.1 Financial risk factors *(continued)*

#### *(b) Credit risk*

Credit risk is managed on a Group basis, except where it relates to accounts receivable balances. Each local entity is responsible for monitoring and analysing the credit risk of its customers. 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 amortized 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 between 60 and 90 days. The Group maintains adequate allowances for potential credit losses and monitors the solvency of its counterparts. As at 30 September 2019 and 2018, the Group did not have any significant concentrations of business conducted with a particular customer that could, if suddenly eliminated, severely impact its operations;

- 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. 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 with an investment grade rating and are invested in fixed-term deposits with negotiated terms and conditions and interest rates, or in mutual funds. The Group has temporary exposure to non-investment grade institutions on payments made by customers in certain countries, until the related amounts to investment grade institutions. Cash and cash equivalents and derivative financial instruments are concentrated with a 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 its 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 to extend for two additional years.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facilities and cash and cash equivalents) based on expected cash flows. The liquidity reserves as at 30 September 2019 were as follows:

| *In thousands of euros* | ***30 September 2019*** | ***31 March 2019*** |
|---|---|---|
| Cash and cash equivalents and bank overdrafts | 80,379 | 144,442 |
| Undrawn borrowing facilities *(Note 17.2)* | 228,180 | 161,917 |
| **Liquidity reserves** | **308,559** | **306,359** |

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 covenant (Note 17.2).

## 3.2 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, such 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.

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 3. FINANCIAL RISK MANAGEMENT *(continued)*

### 3.3 Fair value measurement hierarchy

IFRS 13 for financial instruments requires the disclosure of fair value measurements by level according to 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 (i.e., as prices) or indirectly (i.e., derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs) (level 3).

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

| | ***30 September 2019*** | | | ***31 March 2019*** | | |
|---|---|---|---|---|---|---|
| *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 *(Note 15)* | – | 148 | – | – | 50 | – |
| Financial assets at fair value through other comprehensive income (FVOCI) *(Note 11)* | – | 11,909 | 14,480 | – | 11,861 | 12,893 |
| **Total assets** | **–** | **12,057** | **14,480** | **–** | **11,911** | **12,893** |
| **Liabilities** | | | | | | |
| Other financial liabilities *(Note 6)* | – | – | 4,233 | – | – | 4,058 |
| Derivatives at fair value through profit and loss | – | 1,625 | – | – | 849 | – |
| **Total liabilities** | **–** | **1,625** | **4,233** | **–** | **849** | **4,058** |

(a) The fair value of financial instruments traded in active markets (such as equity 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.

# 3. FINANCIAL RISK MANAGEMENT *(continued)*

## 3.3 Fair value measurement hierarchy *(continued)*

(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 measure the fair value of 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.

There were no transfers between the levels of the fair value hierarchy in the period ended 30 September 2019. No changes were made to any of the valuation techniques applied as at 31 March 2019.

### *Fair value measurements using significant unobservable inputs (level 3)*

The following table presents the change in level 3 instruments for the period ended 30 September 2019:

| *In thousands of euros* | Balance as at 31 March 2019 | Disposals | Acquisitions | Unwinding of discount | Gain/(loss) recognized in other comprehensive income | Balance as at 30 September 2019 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Financial assets at fair value through other comprehensive income (FVOCI) *(Note 11)* | 12,893 | – | 1,587 | – | – | 14,480 |
| **Total assets (level 3)** | **12,893** | **–** | **1,587** | **–** | **–** | **14,480** |
| **Liabilities** | | | | | | |
| Other financial liabilities | 4,058 | – | – | 175 | – | 4,233 |
| **Total liabilities (level 3)** | **4,058** | **–** | **–** | **175** | **–** | **4,233** |

The fair value of the investment in My Glamm is assessed though the recent price value of shares used for the increase in capital subscribed by 3 investors and translated with the exchange rate as at September 30, 2019.

### *Fair value of other financial instruments (unrecognised)*

The Group also has a number of financial instruments (bank borrowings) that are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short term in nature.

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 4. SEGMENT INFORMATION

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;

- 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.

The management also evaluates the sales performance by brand.

## 4. SEGMENT INFORMATION *(continued)*

### 4.1 Operating segments

The measure of profit or loss for each operating segment is its operating profit. Operating segment information is as follows:

| | | *Period ended 30 September 2019* | | |
|---|---|---|---|---|
| *In thousands of euros* | **Sell-Out** | **Sell-In and B-to-B** | **Other reconciling items** | **Total** |
| **Net sales** | **480,936** | **246,221** | **–** | **727,157** |
| *In %* | *66.1%* | *33.9%* | *–* | *100.0%* |
| **Gross profit** | **419,143** | **170,967** | **–** | **590,110** |
| *% of sales* | *87.2%* | *69.4%* | *–* | *81.2%* |
| Distribution expenses | (286,661) | (45,896) | (33,688) | (366,245) |
| Marketing expenses | (29,206) | (7,027) | (56,470) | (92,703) |
| Research and development expenses | – | – | (10,312) | (10,312) |
| General and administrative expenses | – | – | (79,335) | (79,335) |
| Other gains/(losses), net | (102) | (3) | 361 | 256 |
| **Operating profit** | **103,174** | **118,041** | **(179,444)** | **41,771** |

| | | *Period ended 30 September 2018* | | |
|---|---|---|---|---|
| *In thousands of euros* | **Sell-Out** | **Sell-In and B-to-B** | **Other reconciling items** | **Total** |
| **Net sales** | **435,924** | **159,461** | **–** | **595,385** |
| *In %* | *73.2%* | *26.8%* | *–* | *100.0%* |
| **Gross profit** | **378 ,919** | **111,609** | **–** | **490,528** |
| *% of sales* | *86.9%* | *70.0%* | *–* | *82.4%* |
| Distribution expenses | (269,467) | (28,453) | (29,426) | (327,346) |
| Marketing expenses | (25,589) | (5,702) | (55,777) | (87,068) |
| Research and development expenses | – | – | (8,387) | (8,387) |
| General and administrative expenses | – | – | (62,456) | (62,456) |
| Other gains/(losses), net | (240) | (29) | 810 | 541 |
| **Operating profit** | **83,623** | **77,425** | **(155,236)** | **5,812** |

Reconciling items include amounts corresponding to central corporate functions unrelated to a specific operating segment (mainly the central distribution warehouses, central marketing and most general and administration expenses). There are no significant inter-segment transfers or transactions.

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 4. SEGMENT INFORMATION *(continued)*

### 4.2 Geographic areas

#### *4.2.1 Net sales by geographic area*

Net sales allocated based on the geographic areas of the invoicing subsidiary are as follows:

| | **Period ended 30 September** | | | |
|---|---|---|---|---|
| | ***2019*** | | ***2018*** | |
| *In thousands of euros* | **Total** | ***In %*** | **Total** | ***In %*** |
| United States | 133,555 | *18.4%* | 100,367 | *16.9%* |
| Japan | 107,255 | *14.7%* | 96,164 | *16.2%* |
| China | 76,653 | *10.5%* | 67,845 | *11.4%* |
| Hong Kong | 58,298 | *8.0%* | 58,436 | *9.8%* |
| France | 48,657 | *6.7%* | 45,450 | *7.6%* |
| Luxembourg — Swiss branch | 36,863 | *5.1%* | 34,532 | *5.8%* |
| Brazil | 26,457 | *3.6%* | 23,869 | *4.0%* |
| United Kingdom | 76,810 | *10.6%* | 23,173 | *3.9%* |
| Russia | 22,370 | *3.1%* | 18,614 | *3.1%* |
| Taiwan | 15,067 | *2.1%* | 14,360 | *2.4%* |
| Other geographic areas | 125,172 | *17.2%* | 112,575 | *18.9%* |
| **Net sales** | **727,157** | ***100%*** | **595,385** | ***100%*** |

#### *4.2.2 Net sales by brands*

Net sales allocated based on product brand are as follows:

| **Period ended 30 September** | ***2019*** | | ***2018*** | |
|---|---|---|---|---|
| *In thousands of euros* | **Total** | ***In %*** | **Total** | ***In %*** |
| L'Occitane en Provence | 554,889 | *76.3%* | 511,454 | *85.9%* |
| Elemis | 84,207 | *11.6%* | – | *0.0%* |
| LimeLife | 40,702 | *5.6%* | 41,049 | *6.9%* |
| Other brands | 47,359 | *6.5%* | 42,882 | *7.2%* |
| **Net sales** | **727,157** | ***100%*** | **595,385** | ***100%*** |

# 5. INFORMATION RELATING TO CHANGES IN THE GROUP STRUCTURE

## 5.1 For the period ended 30 September 2019

No change occurred during the period ended 30 September 2019.

## 5.2 For the year ended 31 March 2019

### *5.2.1 Acquisition of Elemis*

On 11 January 2019, the Group acquired 100% of the ownership interests in Elemis USA, Elemis Limited and Cosmetics Ltd ("Elemis") for total consideration of €753.6 million (US$861 million) to expand the business in key geographical areas and penetrate a new distribution channel.

**Consideration for the acquisition**

***in millions of euros***

The breakdown of the consideration is as follows:

| | |
|---|---|
| Cash paid | 753.6 |
| Ordinary shares issued | – |
| Contingent consideration | – |
| Percentage of interests | 100% |
| Net identifiable assets acquired by the Group | **(8.7)** |
| **Provisional goodwill** | **762.3** |

**Assets acquired and liabilities assumed**

| *In millions of euros* | ***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) |
| Payroll and tax liabilities | (51.4) |
| Other current liabilities | (0.1) |
| **Net identifiable assets acquired** | **(8.7)** |
| Deduct: non-controlling interests | – |
| Add: goodwill (provisional) | 762.3 |
| **Net assets acquired** | **753.6** |

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 5. INFORMATION RELATING TO CHANGES IN THE GROUP STRUCTURE *(continued)*

### 5.2 For the year ended 31 March 2019 *(continued)*

#### *5.2.1 Acquisition of Elemis* *(continued)*

**Assets acquired and liabilities assumed In millions of euros** *(continued)*

The above fair values have been determined on a provisional basis. In particular, the fair value of the acquired trademark and customer relationships and the evaluation of the assumed tax risks are still under assessment by the Group, with its experts. The net identifiable assets acquired are based on the net book value of assets and liabilities as at 1 March 2019.

The Group considers that the trade receivables acquired will be recovered.

The goodwill resulting from this business combination is attributable to future synergies, thanks to the penetration of a new distribution channel and the additional retail stores in the U.S. and in the U.K..

There was no deductible goodwill for tax purposes.

**Consideration for the acquisition — cash outflow**

Payroll and tax liabilities included €50.3 million in exit bonuses decided by the previous owner of Elemis before the acquisition. These employee benefits were paid at the time of the acquisition with Elemis' own cash in an amount of €10.1 million. This amount was recognised within "Acquisition of subsidiaries, net of cash acquired' in the statement of cash flows, together with the acquisition price of €753.6 million as at 31 March 2019.

The combination of the acquisition price and the exit bonuses corresponded to a total cash outflow of €793.8 million (US$907 million).

**Contribution to net sales and profit**

The acquired business did not contribute to the Group's net sales or profit for the period from 1 to 31 March 2019. The amounts were not material and have been recognised in the period ended 30 September 2019.

The acquired business would have contributed net sales of US$151.3 million and net profit of US$34.9 million for the year ended 31 December 2018.

**Acquisition — related costs**

The acquisition-related costs amounted to €5,500,000 and were recognised in administrative expenses.

# 5. INFORMATION RELATING TO CHANGES IN THE GROUP STRUCTURE *(continued)*

## 5.2 For the year ended 31 March 2019 *(continued)*

### *5.2.2 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. This transaction did not have any impact on the Group's exclusive control of Elemis. Chasselas Equity S.A. is therefore a non-controlling interest of Elemis.

The difference between the price of €61.1 million and the share of non-controlling interests in Elemis' net assets, namely €57.9 million, was recorded within "Other reserves" for an amount of €3.2 million.

As part of this transaction, a call option was granted to the Group to acquire Chasselas Equity S.A.'s interest in Elemis with three different exercise periods, each with a maximum price. As at 31 March 2019, the fair value of this call was not significant and had not been recorded. This is because the time value was not significant and the intrinsic value was nil, as the estimated fair value was lower than the maximum price. In June 2019, the parties renegotiated the call with a fixed price for each exercise period. The call does not constitute a derivative, but an equity instrument, and has not been recorded in the interim consolidated financial information.

### *5.2.3 Acquisition of Natural Cosmetics*

On 30 April 2018, the Group acquired 100% of Natural Cosmetics from two shareholders in order to expand the business of its LimeLife brand outside the U.S., previously comprising LimeLife Canada, Brazil, UK, and France. The total consideration paid amounted to €6,720,000. Management concluded that the acquisitions from the two shareholders were part of the same transaction and could consequently be recognised as a single operation. The related goodwill was therefore calculated on the total price paid to both former shareholders.

As these entities and the Group are under common control, the Group decided to account for this business combination by applying the acquisition method.

**Consideration for the acquisition**

***in millions of euros***

The breakdown of the consideration is as follows:

| | |
|---|---|
| Cash paid | 6.7 |
| Percentage of interests | 100% |
| Net identifiable assets acquired by the Group | **(2.4)** |
| **Goodwill** | **9.1** |

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 5. INFORMATION RELATING TO CHANGES IN THE GROUP STRUCTURE *(continued)*

### 5.2 For the year ended 31 March 2019 *(continued)*

#### *5.2.3 Acquisition of Natural Cosmetics* *(continued)*

**Assets acquired and liabilities assumed**

The assets and liabilities recognised as a result of the acquisition were as follows:

| *In millions of euros* | ***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 future synergies, thanks to the penetration of the international development of a new sell-out channel.

**Consideration for the acquisition — cash outflow**

No additional cash consideration was paid as part of the acquisition of the additional interests in Natural Cosmetics.

**Contribution to net sales and profit**

The acquired business contributed net sales of €4,579,000 and a 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.

# 5. INFORMATION RELATING TO CHANGES IN THE GROUP STRUCTURE *(continued)*

## 5.2 For the year ended 31 March 2019 *(continued)*

### *5.2.4 Adjustment of the LimeLife goodwill recognised 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 consideration of €114,224,000 (US$128 million) through a contribution to its capital, gaining joint control in order to expand the business model outside the U.S..

The provisionally determined fair value of the company's net identifiable assets at the acquisition date was €19.4 million and the purchased goodwill amounted to €102.5 million. As at 31 March 2019, the goodwill had been finalised at an amount of €108,394,000.

The deductible amount of €96 million is fiscally amortized over 15 years. A deferred tax liability is recognised for any difference between the tax value and the carrying amount of the goodwill. This means that the positive effect on the current income tax expense will be compensated by the recognition of deferred tax expense and liabilities.

### *5.2.5 Changes in ownership interests of LimeLife*

The minority shareholders of LimeLife receive share-based payments (Note 16.3). Consequently, the Group's interest in LimeLife decreased from 60.48% to 59.85% as at 31 March 2019. This resulted in an increase of €117,000 of the non-controlling interest in equity.

# 6. OTHER FINANCIAL LIABILITIES

The Group has granted the following put options to non-controlling interests:

| *In thousands of euros* | 31 March 2019 | Payments relating to the excessive exercise of put options | Change in estimates in the valuation of the exercise price | Classification under other current liabilities *(Note 18)* | Unwinding of discount *(Note 23)* | 30 September 2019 |
|---|---|---|---|---|---|---|
| Katalin Berenyi and Hojung Lee (Erborian) | 9,953 | – | – | (9,953) | – | – |
| Elizabeth Hajek (Austria) | 4,058 | – | – | – | 175 | 4,233 |
| **Total other financial liabilities** | **14,011** | **–** | **–** | **(9,953)** | **175** | **4,233** |

The minority shareholder of Erborian signed a settlement agreement with the Group on 2 September 2019 related to the value of the put option exercised as at 15 October 2018. The agreed value of the shares owned by the minority shareholder amounted to €9,953,000 and was paid by the Group on 1 October 2019. Consequently, the related liability was classified under other current liabilities as at 30 September 2019 (Note 18).

## 7. PROPERTY, PLANT AND EQUIPMENT

Changes in property, plant and equipment can be analysed as follows:

| *In thousands of euros* | |
|---|---|
| **Net book value as at 31 March 2019** | **198,662** |
| Additions | 32,173 |
| Disposals | (1,516) |
| Depreciation *(Note 21.3)* | (28,273) |
| Reversal of impairment loss *(Note 21.3)* | 686 |
| Other movements | (1,002) |
| First-time application of IFRS 16 *(Note 2.2.1)* | (7,731) |
| Exchange differences | 975 |
| **Net book value as at 30 September 2019** | **193,974** |

As a result of the first-time application of IFRS 16, the finance leases were reclassified from property, plant and equipment to right-of-use assets (Note 8). These assets mainly relate to the plants in Lagorce and Manosque, France (land and buildings).

The additions of the period mainly relate to store openings and refurbishments for €18,052,000.

## 8. LEASES

### 8.1 Right-of-use assets

Changes in right-of-use assets can be analysed as follows:

| *In thousands of euros* | **Stores** | **Offices** | **Other** | **Total** |
|---|---|---|---|---|
| **Net book value as at 31 March 2019** | | | | |
| First-time application of IFRS 16 *(Note 2.2.1)* | 421,051 | 44,057 | 10,986 | 476,094 |
| Additions | 39,588 | 719 | 778 | 41,085 |
| Disposals | (3,847) | (220) | (41) | (4,108) |
| Depreciation *(Note 21.3)* | (54,916) | (6,050) | (2,116) | (63,082) |
| Exchange differences | 4,562 | 274 | 130 | 4,966 |
| **Net book value as at 30 September 2019** | **406,438** | **38,780** | **9,737** | **454,955** |

There was no change in the net deferred tax recorded on right-of-use assets at the transition date (Note 25.2). During the period ended 30 September 2019, the additions mainly relate to the new stores, the renegotiation of lease agreements, increase in leases expenses and renewal options.

# 8. LEASES *(continued)*

## 8.2 Lease liabilities

Maturities of lease liabilities can be analysed as follows:

| *In thousands of euros* | **Lease liabilities** |
|---|---|
| Within 1 year | 103,372 |
| Between 1 and 2 years | 85,644 |
| Between 2 and 5 years | 143,421 |
| Over 5 years | 106,295 |
| **Total** | **438,732** |

There was no change in the net deferred tax recorded on right-of-use assets and lease liabilities at the transition date (Note 25.2).

# 9. GOODWILL

Changes in goodwill are as follows:

| *In thousands of euros* | |
|---|---|
| **Net book value as at 31 March 2019** | **1,011,139** |
| Adjustment to Elemis goodwill *(Note 5)* | (1,549) |
| Exchange differences | 6,136 |
| **Net book value as at 30 September 2019** | **1,015,726** |

# 10. INTANGIBLE ASSETS

Intangible assets include:

- Acquired trademarks (Melvita, Erborian) with indefinite useful lives;
- Internally used software, including enterprise resource planning (ERP) systems, point-of-sales systems, etc.

Changes in intangible assets can be analysed as follows:

| *In thousands of euros* | |
|---|---|
| **Net book value as at 31 March 2019** | **80,109** |
| Additions | 7,126 |
| Disposals | (253) |
| Amortisation *(Note 21.3)* | (4,758) |
| Other movements | 6 |
| First-time application of IFRS 16 *(Note 2.2.1)* | (30,940) |
| Exchange differences | 41 |
| **Net book value as at 30 September 2019** | **51,331** |

## 10. INTANGIBLE ASSETS *(continued)*

As a result of the first-time application of IFRS 16, key money amounts were reclassified from intangible assets to right-of-use assets (Note 8).

Additions mainly concern software for an amount of €6,808,000.

## 11. OTHER NON-CURRENT ASSETS

Other non-current assets can be analysed as follows:

| *In thousands of euros* | ***30 September 2019*** | ***31 March 2019*** |
|---|---|---|
| Deposits | 29,627 | 28,491 |
| Equity investments at fair value through other comprehensive income (FVOCI) | 26,389 | 24,754 |
| Key money paid to lessors | – | 1,770 |
| Loan to joint venture | 366 | 301 |
| Other | 3,135 | 2,265 |
| **Other non-current assets** | **59,517** | **57,581** |

As a result of the first-time application of IFRS 16, key money amounts paid to lessors were reclassified to right-of-use assets as at 1 April 2019.

Equity investments at fair value through other comprehensive income mainly correspond to the investment in MyGlamm for an amount of €14,480,000 and in funds for an amount of €11,909,000.

## 12. INVENTORIES

Inventories can be analysed as follows:

| *In thousands of euros* | ***30 September 2019*** | ***31 March 2019*** |
|---|---|---|
| Raw materials and supplies | 28,415 | 28,390 |
| Finished goods and work in progress | 208,713 | 184,059 |
| **Inventories, gross** | **237,128** | **212,449** |
| (Deduct) allowance | (10,815) | (9,622) |
| **Inventories** | **226,313** | **202,827** |

## 13. TRADE RECEIVABLES

The trade receivables ageing analysis report is as follows:

| *In thousands of euros* | ***30 September 2019*** | ***31 March 2019*** |
|---|---|---|
| Current and past due within 3 months | 162,909 | 143,086 |
| Past due 3 to 6 months | 376 | 1,335 |
| Past due 6 to 12 months | 251 | 114 |
| Past due over 12 months | 337 | 310 |
| Allowance for doubtful accounts | (2,444) | (1,453) |
| **Trade receivables** | **161,429** | **143,392** |

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.

## 14. OTHER CURRENT ASSETS

The following table presents details of other current assets:

| *In thousands of euros* | ***30 September 2019*** | ***31 March 2019*** |
|---|---|---|
| Value added tax receivable and other taxes and payroll items receivable | 22,723 | 21,228 |
| Prepaid expenses (a) | 20,223 | 27,073 |
| Income tax receivable (b) | 3,199 | 6,583 |
| Advance payments to suppliers | 6,882 | 5,789 |
| Other current assets | 4,296 | 4,086 |
| **Total other current assets** | **57,323** | **64,758** |

(a) As a result of the first-time application of IFRS 16, prepaid expenses relating to the prepayment of rental expenses for the stores were reclassified as an increase to right-of-use assets (Note 2.2.1).

(b) The income tax receivable relates to down payments of income tax that are higher than the final income tax expense expected to be paid for the period.

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 15. DERIVATIVE FINANCIAL INSTRUMENTS

### (a) Analysis of derivative financial instruments

Derivative financial instruments can be analysed as follows:

| *In thousands of euros* | ***30 September 2019*** | | ***31 March 2019*** | |
|---|---|---|---|---|
| | **Assets** | **Liabilities** | **Assets** | **Liabilities** |
| Foreign exchange derivatives at fair value through profit and loss | 116 | 1,625 | 18 | 849 |
| **Sub-total derivative financial instruments at fair value through profit and loss** | **116** | **1,625** | **18** | **849** |
| Interest rate derivatives at fair value through other comprehensive income | 32 | – | 32 | – |
| **Sub-total derivative financial instruments designated as hedging instruments** | **32** | **–** | **32** | **–** |
| **Current portion of derivative financial instruments** | **148** | **1,625** | **50** | **849** |

The change in the fair value of derivatives at fair value through profit and loss is recognised in the statement of income within "Finance income"/"Finance costs" for interest derivatives and within "Foreign currency gains/(losses)" for currency derivatives.

### (b) Notional amounts of derivative financial instruments

The notional principal amounts of the outstanding forward foreign exchange derivatives are as follows (in thousands of euros):

| *Currencies* | ***30 September 2019*** | ***31 March 2019*** |
|---|---|---|
| ***Sale of currencies*** | | |
| CNY | 29,401 | 15,120 |
| USD | 22,463 | 890 |
| JPY | 17,656 | 17,204 |
| HKD | 14,156 | 22,564 |
| GBP | 6,407 | 3,262 |
| AUD | 4,188 | 2,023 |
| RUB | 3,493 | 2,471 |
| MXN | 3,086 | 1,500 |
| THB | 2,700 | 2,639 |
| BRL | 2,208 | 2,280 |
| CZK | 793 | 401 |
| HUF | 492 | 177 |
| NOK | 405 | 285 |
| PLN | 330 | 314 |
| SEK | 179 | 120 |
| ZAR | 168 | 121 |

## 16. CAPITAL AND RESERVES

L'Occitane International S.A. is a *société anonyme* incorporated in the Grand Duchy of Luxembourg. The Company's authorised capital is €1,500,000,000 of which €44,309,000 was issued as at 30 September 2019. At the same date, 73.02% of the Company's share capital was held by L'Occitane Groupe S.A. ("LOG" or the "parent company").

All of the Company's issued shares are fully paid up and bear the same rights and obligations.

### 16.1 Share capital and additional paid-in capital

Changes in the number of shares, share capital and additional paid-in capital are as follows (in thousands of euros, except for the number of shares):

| | Number of shares | Share capital | Additional paid-in capital |
|---|---|---|---|
| **At 31 March 2019** | **1,476,964,891** | **44,309** | **342,851** |
| **At 30 September 2019** | **1,476,964,891** | **44,309** | **342,851** |

### 16.2 Treasury shares

As at 31 March 2019 and 30 September 2019, the Company held 15,912,720 of its own shares in treasury. 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

The Company grants two types of share-based payment: (i) share-based payments related to LOI equity instruments and (ii) share-based payments related to LOG equity instruments.

#### *(i) Main characteristics and details of the plans with LOI equity instruments*

The stock option plans can be summarised as follows:

| | ***30 September 2019*** | | ***31 March 2019*** | |
|---|---|---|---|---|
| | **Average exercise price in HKD per stock option** | **Number of options** | **Average exercise price in HKD per stock option** | **Number of options** |
| At the beginning of the period | 16.15 | 24,696,747 | 16.29 | 34,652,347 |
| Cancelled/lapsed during the period | 17.08 | (4,037,625) | 16.62 | (9,955,600) |
| **At the end of the period** | **15.97** | **20,659,122** | **16.15** | **24,696,747** |

The cancelled stock options relate to employees who left the Company before the end of the vesting period.

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 16. CAPITAL AND RESERVES *(continued)*

### 16.3 Share-based payments *(continued)*

#### *(i) Main characteristics and details of the plans with LOI equity instruments (continued)*

Stock options outstanding at the end of the periods have the following vesting dates and exercise prices:

| | | | ***Number of share options*** | |
|---|---|---|---|---|
| | | | ***30 September*** | ***31 March*** |
| **Grant date** | **Vesting date** | **Exercise price** | ***2019*** | ***2019*** |
| 4 April 2011 | 4 April 2015 | HKD19.84 | – | 1,387,825 |
| 4 April 2011 | 4 April 2015 | HKD19.84 | – | 117,000 |
| 4 April 2011 | 4 April 2015 | HKD19.84 | – | 14,500 |
| 26 October 2012 | 26 October 2016 | HKD23.60 | 889,000 | 971,500 |
| 28 November 2012 | 29 November 2016 | HKD24.47 | 672,422 | 672,422 |
| 4 December 2013 | 4 December 2017 | HKD17.62 | 3,486,000 | 3,818,000 |
| 23 February 2015 | 23 February 2019 | HKD19.22 | 238,000 | 238,000 |
| 21 March 2016 | 21 March 2020 | HKD14.36 | 3,905,900 | 4,370,800 |
| 02 February 2017 | 02 February 2021 | HKD15.16 | 6,139,600 | 7,018,700 |
| 29 March 2018 | 29 March 2022 | HKD14.50 | 5,328,200 | 6,088,000 |
| **Total** | | | **20,659,122** | **24,696,747** |

The free share plans can be summarised as follows:

| | ***30 September 2019*** | | ***31 March 2019*** | |
|---|---|---|---|---|
| | **Average exercise price in HKD per free share** | **Number of free shares** | **Average exercise price in HKD per free share** | **Number of free shares** |
| At the beginning of the period | 14.81 | 5,941,900 | 14.81 | 6,692,000 |
| Vested during the period | – | – | 14.32 | (369,700) |
| Forfeited during the period | 14.44 | (101,000) | 15.50 | (380,400) |
| **At the end of the period** | **14.78** | **5,840,900** | **14.81** | **5,941,900** |

Free shares outstanding at the end of the periods have the following vesting dates and exercise prices:

| | | | ***Number of free shares*** | |
|---|---|---|---|---|
| | | | ***30 September*** | ***31 March*** |
| **Grant date** | **Vesting date** | **Exercise price** | ***2019*** | ***2019*** |
| 23 March 2016 | 23 March 2020 | – | 272,200 | 316,800 |
| 23 March 2016 | 23 March 2020 | – | 156,300 | 156,300 |
| 29 March 2018 | 29 March 2022 | – | 5,412,400 | 5,468,800 |
| **Total** | | | **5,840,900** | **5,941,900** |

# 16. CAPITAL AND RESERVES *(continued)*

## 16.3 Share-based payments *(continued)*

### *(ii) Main characteristics and details of the plans with LOG equity instruments*

LOG, the parent company of L'Occitane International S.A., granted rights to its own equity instruments to L'Occitane International S.A. and to its subsidiaries' employees.

### *(iii) Total share-based compensation expense*

During the periods ended 30 September 2019 and 30 September 2018, the share-based compensation expense recognized within employee benefits was as follows:

| *In thousands of euros* | ***2019*** | ***2018*** |
|---|---|---|
| LOI equity instruments | 1,042 | 1,295 |
| LOG equity instruments | 486 | 1,081 |
| LimeLife equity instruments | 1,248 | 1,046 |
| Social charges | 186 | 264 |
| **Total** | **2,962** | **3,686** |

As at 30 September 2019, an amount of €1,248,000 had been recorded as share-based payments for the minority shareholders of LimeLife.

## 16.4 Distributable reserves

As at 30 September 2019, the distributable reserves of L'Occitane International S.A. amounted to €669,115,963.

## 16.5 Dividend per share

On 25 September 2019, the Annual Shareholder's Meeting approved the distribution of €43,400,000, namely €0.0297 per share (excluding €15,912,720 treasury shares), which was paid on 18 October 2019.

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 17. BORROWINGS

Borrowings include the following items:

| *In thousands of euros* | ***30 September 2019*** | ***31 March 2019*** |
|---|---|---|
| FY2019 Term loan | 300,009 | 300,211 |
| FY2019 Long-term loan | 20,555 | 21,532 |
| FY2015 Revolving facility | 171,989 | 238,246 |
| FY2012 bank borrowing | 5,715 | 5,715 |
| Other bank borrowings | 5,325 | 5,191 |
| Finance lease liabilities | – | 6,955 |
| Current accounts with minority shareholders and related parties | 88 | 90 |
| **Total** | **503,681** | **577,940** |
| (Deduct) current portion: | | |
| — FY2019 Term loan | (9) | (211) |
| — FY2019 Long-term loan | (1,969) | (1,077) |
| — FY2015 Revolving facility | (168) | (163) |
| — FY2012 bank borrowing | (715) | (715) |
| — Other bank borrowings | (5,325) | (5,191) |
| — Finance lease liabilities | – | (1,205) |
| **Total current portion** | **(8,186)** | **(8,562)** |
| **Total non-current portion** | **495,495** | **569,378** |

As a result of the first-time application of IFRS16, finance lease liabilities were reclassified within lease liabilities (Note 2.2.1).

### 17.1 Maturity of non-current borrowings

For the period ended 30 September 2019 and for the year ended 31 March 2019, maturity of non-current borrowings, excluding the current portion, can be broken down as follows:

| *In thousands of euros* | **Between 1 and 2 years** | **Between 2 and 5 years** | **Over 5 years** | **Total** |
|---|---|---|---|---|
| FY2019 Term loan | – | 300,000 | – | 300,000 |
| FY2019 Long-term loan | 1,986 | 6,075 | 10,525 | 18,586 |
| FY2015 Revolving facility | 171,821 | – | – | 171,821 |
| FY2012 bank borrowing | 714 | 2,143 | 2,143 | 5,000 |
| Current account with non-controlling interests | 88 | – | – | 88 |
| **Maturity at 30 September 2019** | **174,609** | **308,218** | **12,668** | **495,495** |
| FY2019 Term loan | – | 300,000 | – | 300,000 |
| FY2019 Long-term loan | 2,045 | 6,137 | 12,273 | 20,455 |
| FY2015 Revolving facility | – | 238,083 | – | 238,083 |
| FY2012 bank borrowing | 714 | 2,143 | 2,143 | 5,000 |
| Current account with non-controlling interests | 90 | – | – | 90 |
| Finance lease liabilities | 1,268 | 3,587 | 895 | 5,750 |
| **Maturity at 31 March 2019** | **4,117** | **549,950** | **15,311** | **569,378** |

## 17. BORROWINGS *(continued)*

### 17.2 Credit facility agreements

#### *FY2019 Term Loan*

On 31 January 2019, the Company signed a Term Loan Agreement for an amount of €300,000,000 and with a three-year maturity related to the Elemis acquisition. An amount of €300,000,000 had been drawn as at 31 March 2019.

Event of default resulting in the early repayment of the FY2019 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 grants to a foundation) — cash and cash equivalents |
| EBITDA | Operating profit before depreciation, amortization and impairment and before net movements in provisions (excluding the impact of IFRS 16) |

The leverage ratio must be lower than 2.0. The covenant was respected as at 30 September 2019.

The FY2019 Term Loan Agreement includes a repricing option. The interest rates depend on the above-described leverage ratio calculated annually after the consolidated financial statements of the Company are issued. The interest rate is repriced in line with the change in the ratio, as follows:

| **Leverage ratio** | **Repricing** |
|---|---|
| Ratio higher than 1.5 | Euribor + Margin |
| Ratio between 1.0 and 1.5 | Euribor + Margin-0.15 |
| Ratio between 0.5 and 1.0 | Euribor + Margin-0.25 |
| Ratio lower than 0.5 | Euribor + Margin-0.35 |

During the period ended 30 September 2019, the interest rate was based on Euribor + Margin.

The directly attributable transaction costs related to the issuance of this FY2019 Term Loan Agreement amounted to €1,200,000. As this financing is a Term Loan, the fees were capitalised as a deferred charge and amortized over the term of the Loan.

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 17. BORROWINGS *(continued)*

### 17.2 Credit facility agreements *(continued)*

#### *FY2019 Long-Term Loan*

On 4 September 2018, the Group signed a long-term loan agreement for an amount of €22.5 million with an 11-year maturity and that Can be drawn by M&L Distribution France. As at 31 October 2018, the bank borrowing was totally drawn. This long-term loan is amortized quarterly and two repayments were made in June 2019 and in September 2019 for amounts of €487,543 and €488,725 respectively. The balance of the FY2019 Long-Term Loan as at 30 September 2019 was €20,555,000.

The interest rate of the Long-Term Loan is 0.97% (fixed rate).

The FY2019 Long-Term Loan is secured by a pledge on business assets related to the 86 Champs-Élysées flagship Store in Paris.

#### *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 and an option to extend for two additional year, which was exercised 24 June 2016. An amount of €171,820,132 had been drawn as at 30 September 2019.

Event of default resulting in the early repayment of the FY2015 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 grants to a foundation) — cash and cash equivalents |
| EBITDA | Operating profit before depreciation, amortization and impairment and before net movements in provisions (excluding the impact of IFRS 16) |

The leverage financial ratio initially had to be lower than 3.5. Since 5 April 2017, it must be lower than 2.0. This level was respected as at 30 September 2019.

The FY2015 Revolving Facility includes a repricing option. The interest rates depend on the above-described leverage ratio calculated annually after the consolidated financial statements of the Group are issued. The interest rate is repriced in line with the change in the ratio, as follows:

| **Leverage ratio** | **Repricing** |
|---|---|
| Ratio higher than 1.5 | Euribor/Libor + Margin-0.35 |
| Ratio between 1.0 and 1.5 | Euribor/Libor + Margin-0.50 |
| Ratio between 0.5 and 1.0 | Euribor/Libor + Margin-0.60 |
| Ratio lower than 0.5 | Euribor/Libor + Margin-0.70 |

During the period ended 30 September 2019, the interest rate was based on Euribor/Libor + Margin-0.35.

The directly attributable transaction costs related to the issuance of this FY2015 Revolving Facility and the two-year extension option amounted to €1,300,000. As there is no evidence that some or all the facility will likely be drawn down, the fees were capitalised as a deferred charge and amortized over the term of the facility.

## 17. BORROWINGS *(continued)*

### 17.2 Credit facility agreements *(continued)*

#### *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. The borrowing can only be drawn by Laboratoires M&L (formerly known as L'Occitane S.A.).

The interest rate of the bank borrowing is based on Euribor 3M + margin.

The FY2012 bank borrowing is secured by a pledge on the land and building acquired by Laboratoires M&L to build the new logistics platform in Manosque, France (Note 28.3).

## 18. OTHER CURRENT AND NON-CURRENT LIABILITIES

Other current and non-current liabilities include the following:

| *In thousands of euros* | ***30 September 2019*** | ***31 March 2019*** |
|---|---|---|
| Liabilities linked to operating leases (a) | – | 14,907 |
| Retirement indemnities | 13,485 | 11,528 |
| Provisions for dismantling and restoring | 8,300 | 7,178 |
| Long-term employment benefits | 839 | 785 |
| Grants to a foundation | – | 50 |
| **Total non-current liabilities** | **22,624** | **34,448** |
| Dividends payable to equity owners of the Company *(note 16.5)* | 43,400 | – |
| Deferred revenue (b) | 20,762 | 18,196 |
| Amount owned to non-controlling interest *(note 6)* | 9,953 | – |
| Grants to a foundation | 1,464 | 142 |
| Right to returned goods | 2,150 | 963 |
| **Total current liabilities** | **77,729** | **19,301** |

(a) As a result of the first-time application of IFRS 16, the liabilities linked to operating leases were reclassified as a decrease to right-of-use assets (Note 2.2.1).

(b) Deferred revenue related to (i) sales for which the transfer of control and related risks has not occurred at the period-end; and (ii) the fair value of the consideration received allocated to the award credits granted for any loyalty programmes.

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 19. TRADE PAYABLES

The credit terms granted by the suppliers to the production subsidiaries and to the distribution subsidiaries were generally between 80 and 110 days and between 30 and 60 days, respectively.

The ageing analysis of trade payables by due date at the respective balance sheet date is as follows:

| *In thousands of euros* | ***30 September 2019*** | ***31 March 2019*** |
|---|---|---|
| Current and past due within 3 months | 157,555 | 140,323 |
| Past due from 3 to 6 months | 682 | 388 |
| Past due from 6 to 12 months | 59 | 462 |
| Past due over 12 months | 336 | 74 |
| **Trade payables** | **158,632** | **141,247** |

## 20. PROVISIONS

Provisions can be analysed as follows:

| | | Charged/(credited) to the statement of income | | | | | |
|---|---|---|---|---|---|---|---|
| *In thousands of euros* | **31 March 2019** | **Additional provisions** | **Unused amounts reversed** | **Used amounts reversed** | **Reclassifi-cation** | **Exchange differences** | **30 September 2019** |
| Social litigations (a) | 1,087 | 345 | – | (270) | – | 13 | 1,175 |
| Commercial claims (b) | 51 | 158 | (148) | (7) | 15 | 20 | 89 |
| Onerous contracts (c) | 4,456 | – | – | – | (4,456) | – | – |
| Tax risks | 1,530 | 15 | – | (833) | – | (23) | 689 |
| **Total** | **7,124** | **518** | **(148)** | **(1,110)** | **(4,441)** | **10** | **1,953** |

(a) Employee-related disputes relate mainly to disputes with employees with respect to employee benefits or potential claims from social security authorities.

(b) Commercial claims relate mainly to claims from distributors.

(c) As a result of the first-time application of IFRS 16, the provision for onerous lease contracts was reclassified as a decrease to right-of-use assets (Note 2.2.1).

In management's opinion, after taking appropriate legal advice, these legal claims will not give rise to any significant loss beyond the amounts provisioned at each balance sheet date.

No reimbursement is expected in connection with these provisions and accordingly no corresponding asset was recognised.

The provisions reversed unused are mainly due to certain risks reaching the end of the applicable limitation period.

# 21. EXPENSES BY NATURE

## 21.1 Breakdown of expenses by nature

Expenses by nature include the following amounts:

| *In thousands of euros* | ***Period ended 30 September*** ***2019*** | ***2018*** |
|---|---|---|
| Employee benefits expenses (a) | 218,562 | 194,823 |
| Rent and occupancy (b) | 55,428 | 111,354 |
| Raw materials and consumables used | 97,994 | 77,011 |
| Change in inventories of finished goods and work in progress | (22,593) | (35,087) |
| Advertising costs (c) | 72,892 | 65,918 |
| Professional fees (d) | 72,028 | 60,388 |
| Depreciation, amortisation and impairment *(Note 21.3)* (b) | 95,427 | 30,717 |
| Transport expenses | 30,951 | 28,196 |
| Other expenses | 64,953 | 56,794 |
| **Total cost of sales, distribution expenses, marketing expenses, research and development expenses, general and administrative expenses** | **685,642** | **590,114** |

(a) Employee benefits include wages, salaries, bonuses, share-based compensation, social security, post-employment benefits and temporary staff expenses.

(b) The decrease in rent and occupancy relates to the first-time application of IFRS 16 (Note 2.2.1). The depreciation of right-of-use assets is now recognised within "Depreciation, amortization and impairment". The rent and occupancy amount as at 30 September 2019 mainly includes variable lease payments based on sales for €28,342,000, rent and occupancy costs relating to short-term leases for €3,195,000 and low-value leases for €304,000.

(c) Advertising costs also include all promotional goods gifted to customers with no obligation to purchase products.

(d) Professional fees mainly include payments made to warehouse management companies, marketing agencies and lawyers.

## 21.2 Workforce

| *In thousands of euros* | ***Period ended 30 September*** ***2019*** | ***2018*** |
|---|---|---|
| **Workforce (full-time equivalent)** | **9,284** | **8,631** |

The Group's workforce is expressed as the number of employees at the end of the period.

## 21. EXPENSES BY NATURE *(continued)*

### 21.3 Breakdown of depreciation, amortization and impairment

Depreciation, amortization and impairment include the following:

| *In thousands of euros* | ***Period ended 30 September*** ***2019*** | ***2018*** |
|---|---|---|
| Depreciation of property, plant and equipment *(Note 7)* | 28,273 | 25,680 |
| Impairment reversal on property, plant and equipment *(Note 7)* | (686) | (860) |
| Depreciation of right-of-use assets *(Note 8)* | 63,082 | – |
| Amortisation of intangible assets *(Note 10)* | 4,758 | 5,897 |
| **Depreciation, amortization and impairment** | **95,427** | **30,717** |

## 22. OTHER GAINS/(LOSSES), NET

Other gains/(losses), net in the consolidated statement of income breaks down as follows:

| *In thousands of euros* | ***Period ended 30 September*** ***2019*** | ***2018*** |
|---|---|---|
| Net profit/(loss) on sale of assets | (447) | (271) |
| Government grants for research and development costs | 703 | 696 |
| Other items | – | 116 |
| **Other gains/(losses), net** | **256** | **541** |

## 23. FINANCE INCOME AND FINANCE COSTS

Finance income and finance costs break down as follows:

| *In thousands of euros* | ***Period ended 30 September*** ***2019*** | ***2018*** |
|---|---|---|
| Interest on cash and cash equivalents | 915 | 589 |
| **Finance income** | **915** | **589** |
| Interest expense | (4,588) | (2,101) |
| Interest and finance expenses paid/payable for lease liabilities *(Note 8)* | (6,843) | – |
| Unwinding of discount on other financial liabilities *(Note 6)* | (175) | (175) |
| **Finance costs** | **(11,606)** | **(2,276)** |
| **Finance costs, net** | **(10,691)** | **(1,687)** |

## 24. FOREIGN CURRENCY GAINS/(LOSSES)

Foreign currency gains/(losses) break down as follows:

| | *Period ended 30 September* | |
|---|---|---|
| *In thousands of euros* | ***2019*** | ***2018*** |
| Foreign exchange differences | 2,296 | (2,677) |
| Fair value gains/(losses) on derivatives *(Note 15)* | (678) | 1,141 |
| **Foreign currency gains/(losses)** | **1,618** | **(1,536)** |

Foreign exchange differences mainly correspond to:

- Unrealised net foreign exchange gain: €2.3 million (net losses amounting to €0.6 million for the period ended 30 September 2018);
- Realised net foreign exchange losses: €0.7 million (net losses amounting to €0.9 million for the period ended 30 September 2018).

## 25. INCOME TAX

### 25.1 Income tax expense

Taxes on income in interim periods are calculated using the estimated tax rate for the full year.

Reconciliation between the reported income tax expense and the theoretical amount arising using a standard tax rate is as follows:

| | *Period ended 30 September* | |
|---|---|---|
| *In thousands of euros* | ***2019*** | ***2018*** |
| Profit before income tax excluding profit/(loss) from joint ventures | 32,698 | 2,589 |
| Income tax calculated at corporate tax rate *(Luxembourg tax rate of 24.94% as at 30 September 2019 and 26.01% as at 30 September 2018)* | (8,155) | (673) |
| Effect of different tax rates in foreign countries | 7,479 | 8,031 |
| Effect of unrecognised tax assets | (6,310) | (2,259) |
| Expenses not deductible for tax purposes | (572) | (2,234) |
| Effect of unremitted tax earnings | 98 | 134 |
| **Income tax (expense)/credit** | **(7,460)** | **2,999** |

### 25.2 Deferred income tax assets and liabilities

The increase in deferred income tax assets mainly corresponds to the losses generated in a tax jurisdiction over the period ended 30 September 2019. The first-time application of IFRS 16 (Note 2.2.1) has no impact on deferred income tax assets and liabilities at the transition date.

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 26. EARNINGS PER SHARE

### 26.1 Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity owners of the Company by the weighted average number of ordinary shares outstanding during the period, excluding ordinary shares purchased by the Group and held as treasury shares (Note 16.2).

| | *Period ended 30 September* | |
|---|---|---|
| | ***2019*** | ***2018*** |
| **Profit for the period attributable to equity owners of the Company *(in thousands of euros)*** | **24,992** | **6,814** |
| Weighted average number of ordinary shares outstanding | 1,461,052,171 | 1,460,682,471 |
| **Basic earnings per share *(in € per share)*** | **0.017** | **0.005** |

### 26.2 Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding with the assumption that all convertible securities have been converted to ordinary shares.

| | *Period ended 30 September* | |
|---|---|---|
| | ***2019*** | ***2018*** |
| **Profit for the period attributable to equity owners of the Company *(in thousands of euros)*** | **24,992** | **6,814** |
| Weighted average number of ordinary shares outstanding | 1,461,052,171 | 1,460,682,471 |
| Adjustment for share options | 127,114 | – |
| Adjustment for free shares | 4,740,798 | 1,874,011 |
| Weighted average number of ordinary shares for diluted earnings per share | 1,465,920,083 | 1,462,556,482 |
| **Diluted earnings per share *(in € per share)*** | **0.017** | **0.005** |

# 27. CONTINGENCIES

## 27.1 Legal proceedings

The Group is subject to legal proceedings, claims and litigation arising in the ordinary course of business. The Group's management does not expect that the ultimate costs required to resolve these other matters will have a material adverse effect on its consolidated financial position, statement of income or cash flows.

## 27.2 Other contingent liabilities

The Group has contingent liabilities in respect of bank, other guarantees and other matters arising in the ordinary course of business. The Group's management does not anticipate that any material liabilities will arise from these contingent liabilities. All guarantees given by the Group are described in Note 28.

# 28. COMMITMENTS

## 28.1 Capital and other expenditure commitments

Capital and other expenditure contracted at the balance sheet date but not yet incurred is as follows:

| *In thousands of euros* | ***30 September 2019*** | ***31 March 2019*** |
|---|---|---|
| Property, plant and equipment | 5,167 | 10,087 |
| Intangible assets | 947 | 1,283 |
| Raw materials | 863 | 2,424 |
| **Total** | **6,977** | **13,794** |

The amounts as at 30 September 2019 and 31 March 2019 mainly related to the plants in France.

## 28.2 Other commitments

| *In thousands of euros* | ***30 September 2019*** | ***31 March 2019*** |
|---|---|---|
| Pledge over property (land and buildings) | 28,215 | 28,215 |
| **Total** | **28,215** | **28,215** |

The Company, through its incubator L'Occitane Innovation Lab, has committed to invest up to €20,000,000 in an investment fund named Truffle Capital.

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 29. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are described below.

### 29.1 Key management compensation

Key management is composed of the directors (executive and non-executive Board members of the Company) and senior management.

Compensation paid to key management can be analysed as follows:

| | **Period ended 30 September** | |
|---|---|---|
| *In thousands of euros* | ***2019*** | ***2018*** |
| Executive directors | 1,916 | 1,754 |
| Non-executive directors | 82 | 82 |
| Senior management | 2,988 | 2,489 |
| **Total key management compensation** | **4,986** | **4,325** |

During the periods ended 30 September 2019 and 30 September 2018, no stock options were granted to the directors.

As at 30 September 2019, senior management comprised 11 employees, as compared to 10 employees one year earlier.

### 29.2 Other transactions with related parties

Sales/(purchases) made with other related parties were as follows:

| | **Period ended 30 September** | |
|---|---|---|
| *In thousands of euros* | ***2019*** | ***2018*** |
| Sales of goods | 42 | 88 |
| Sales of services | 1224 | 1505 |
| Purchase of products from related parties (a) | (1,054) | (1,671) |
| Purchase of services from related parties (a) | (759) | (18) |

(a) Together with Pierre Hermé SAS, an investment of L'Occitane Groupe SA, the Company runs two flagship stores (in Paris and London). The lease payments are shared and the Company purchases Pierre Hermé SAS pastries for take-away sales.

## 30. POST-BALANCE SHEET EVENTS

On 17 October 2019, the Group signed a letter of intent with the current distributor for the Middle East region to create a new company that would be held by L'Occitane International S.A. for 51% and by the distributor for 49%. The objective is to acquire the existing business of the distributor and to develop the business in this region. The cost of acquisition of the existing business, to be borne by the new company, is estimated to US$74.5 million.

A new financing is in place since 17 October 2019 on the NEU CP market which is a commercial paper market in the Euro zone ruled by the Banque de France. The maximum amount that L'Occitane International S.A. will issue will be around €300 million.

*Disclaimer: some information presented in tables has been rounded to the nearest whole number or the nearest decimal. Consequently, the sum of the numbers presented in a given column may not correspond 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 correspond exactly to the percentages that would be presented if the relevant calculations had been based upon the rounded numbers.*

# OTHER INFORMATION

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

As at 30 September 2019, the following directors (the "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 Stock Exchange of Hong Kong Limited (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 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"):

### (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 | 1,095,888,322 (long position) | 74.20% |
| André Hoffmann | Beneficial interest | 2,772,461 (long position) | 0.19% |
| Thomas Levilion | Beneficial interest | 1,840,300 (long position) | 0.12% |
| Karl Guénard | Beneficial interest | 354,400 (long position) | 0.02% |
| Jackson Chik Sum Ng | Beneficial interest | 30,000 (long position) | 0.00% |
| Martial Lopez | Beneficial interest | 60,000 (long position) | 0.00% |
| Pierre Milet | Beneficial interest | 100,000 (long position) | 0.01% |

*Notes:*

*(1) Mr. Reinold Geiger is the ultimate beneficial owner 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 75.97% of the entire issued share capital of LOG (being beneficial owner of 10,896,155 shares, having deemed interest in 758,834 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 is also the beneficial owner of 1,148,750 shares and has a beneficial interest in shares under option (277,211 underlying shares). See details in Share Option Plan section.*

*(2) Based on guidance received from the Securities and Futures Commission (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 | 11,655,242 (Note 1) | 75.97% |
| 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, 10,896,155 shares held by CIME and 758,834 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 758,834 treasury shares held by LOG.*

Save as disclosed herein, as at 30 September 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.

# OTHER INFORMATION

## INTERESTS IN THE SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS

As at 30 September 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 of the Company:

| *Name of Shareholder* | *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 75.97% of the total issued share capital of LOG (being beneficial owner of 10,896,155 shares and having deemed interest in 758,834 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 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.*

Save as disclosed herein, as at 30 September 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 by the Company under section 336 of the SFO.

## SHARE OPTION PLAN

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. Particulars and movements of share options granted under the Share Option Plans 2010, 2013 and 2016 (the "2010, 2013 and 2016 Options") during the six months ended 30 September 2019 were as follows. No share options were granted under the Share Option Plan 2016 during this period.

# OTHER INFORMATION

| Name/Category of Participant | As of 01/04/2019 | Granted during the period | Cancelled or forfeited during the period | Exercised during the period | As of 30/09/2019 | Date of grant | Exercise period (Note 1) | Exercise price per share (HK$) | Price immediately preceding the date of grant (Note 2) (HK$) |
|---|---|---|---|---|---|---|---|---|---|
| | Number of share options | | | | | | | | |
| **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 | – | (365,000) | – | 2,749,122 | | | | |
| **Others** | | | | | | | | | |
| Employees | 1,154,325 | – | (1,154,325) | – | – | 4-Apr-11 | 04/04/2015-03/04/2019 | 19.84 | 19.84 |
| | 971,500 | – | (82,500) | – | 889,000 | 26-Oct-12 | 26/10/2016-26/10/2020 | 23.60 | 23.60 |
| | 3,416,000 | – | (332,000) | – | 3,084,000 | 4-Dec-13 | 04/12/2017-03/12/2021 | 17.62 | 17.62 |
| | 147,000 | – | – | – | 147,000 | 24-Feb-15 | 24/02/2019-23/02/2023 | 19.22 | 19.22 |
| | 3,785,000 | – | (464,900) | – | 3,320,100 | 23-Mar-16 | 23/03/2020-22/03/2024 | 14.36 | 14.00 |
| | 6,516,400 | – | (879,100) | – | 5,637,300 | 10-Feb-17 | 10/02/2021-10/02/2025 | 15.16 | 15.03 |
| | 5,592,400 | – | (759,800) | – | 4,832,600 | 29-Mar-18 | 29/03/2022-29/03/2026 | 14.50 | 14.50 |
| Sub-total (Note 3) | 21,582,625 | – | (3,672,625) | – | 17,910,000 | | | | |
| **Total** | 24,696,747 | – | (4,037,625) | – | 20,659,122 | | | | |

*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 Hong Kong 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 Share Option Plan 2010 on 4 April 2011, 26 October 2012, 28 November 2012, under the Share Option Plan 2013 on 4 December 2013, 24 February 2015 and 23 March 2016 and under the Share Option Plan 2016 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 €1,042,000 was included in the interim consolidated statements of comprehensive income for the six months ended 30 September 2019 (six months ended 30 September 2018: €1,295,000). 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 Share Option Plans 2013 and 2016.*

## FREE SHARE PLAN

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 rules of the Free Share Plan 2018 (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.

# OTHER INFORMATION

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 30 September 2019.

## TREASURY SHARES

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 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 are 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 the six months ended 30 September 2019, the Company was in compliance with the conditions of the Waiver.

The Company holds as at 30 September 2019, 15,912,720 ordinary shares as treasury shares, and the total number of ordinary shares in issue (excluding shares held as treasury shares) is 1,461,052,171.

## HUMAN RESOURCES

As at 30 September 2019, the Group had 9,284 employees (30 September 2018: 8,631 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.

## AUDIT COMMITTEE

As required under the Listing Rules, the Company has an Audit Committee comprising of three non-executive Directors, two of whom are Independent Non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has also discussed auditing, internal control and financial reporting matters including the review of the consolidated interim results of the Group for the six months ended 30 September 2019.

## CORPORATE GOVERNANCE

The Board reviews its corporate governance practices regularly in order to meet the rising expectations of Shareholders, to comply with 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.

The Company has complied with all of the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") set out in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2019 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 (the "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 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.

## CHANGES IN DIRECTORS' INFORMATION

No change has occurred in Directors' information during the six months ended 30 September 2019 which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

# OTHER INFORMATION

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted 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 required standard of the Model Code during the six months ended 30 September 2019.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2019.


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