Groupe L'OCCITANE

L'OCCITANE INTERNATIONAL S.A.

(Incorporated under the laws of Luxembourg with limited liability)

Stock code : 973

FY2020

Annual 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.

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CORPORATE INFORMATION

Executive Directors

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

Non-Executive Director

Martial Lopez

Independent Non-Executive Directors

Valérie Bernis
Charles Mark Broadley
Pierre Milet
Jackson Chik Sum Ng

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

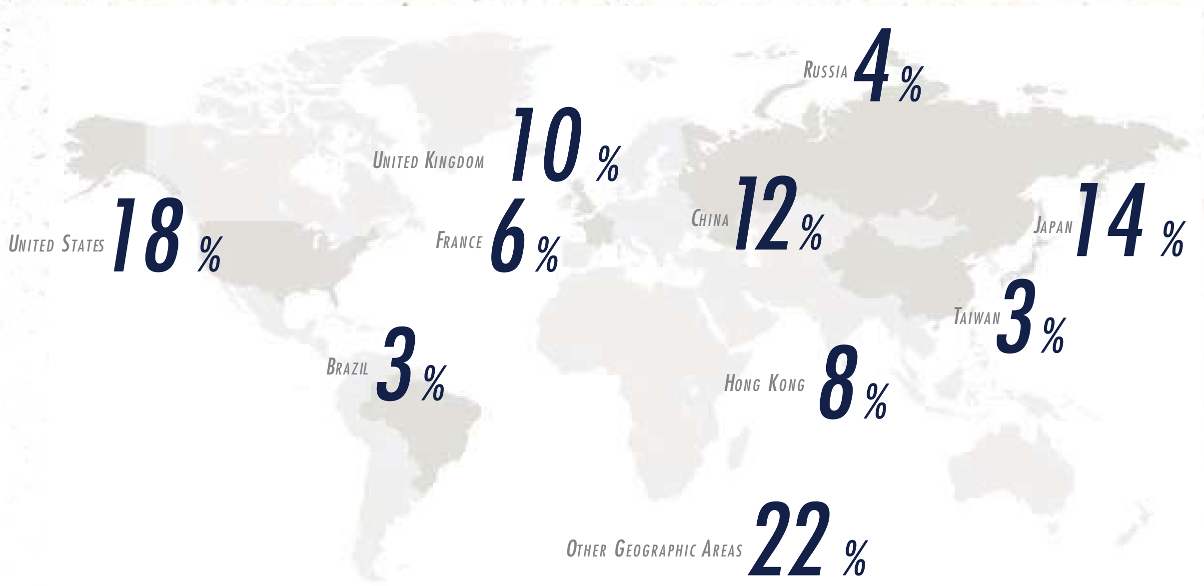
49, Boulevard Prince Henri
L-1724 Luxembourg

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

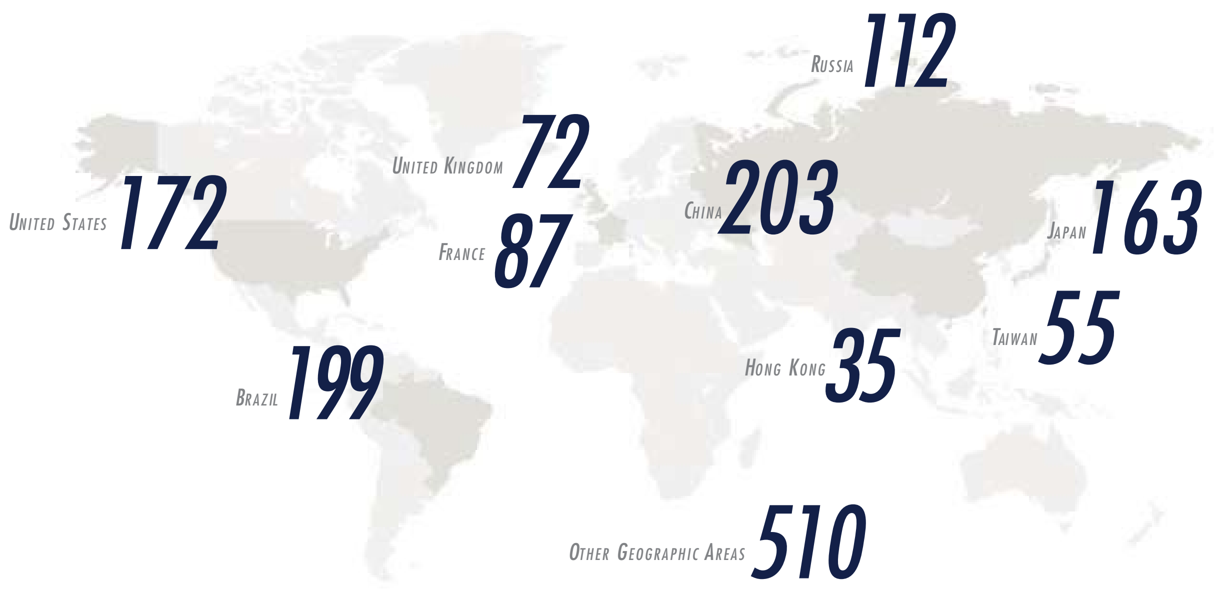
FINANCIAL HIGHLIGHTS

OUR ACTIVITY WORLDWIDE



* Net sales (%) by geographic area

OUR STORES WORLDWIDE



* 3,486 retail locations and
1,608 stores operated directly by the Group

KEY FINANCIAL HIGHLIGHTS

For the year ended 31 March	***2020***	***Excluding IFRS 16 impact 2020***	*2019*[11]
Net sales *(€ million)*	**1,644.1**	**1,644.1**	1,426.9
Operating profit *(€ million)*	**187.3**	**179.6**	150.7
Profit for the year *(€ million)*	**115.2**	**120.9**	117.6
Gross profit margin	**81.6%**	**81.6%**	83.2%
Operating profit margin	**11.4%**	**10.9%**	10.6%
Net profit margin	**7.0%**	**7.4%**	8.2%
Net operating profit after tax *(€ million)* (NOPAT) [1]	**131.2**	**126.7**	120.4
Capital employed *(€ million)* [2]	**1,905.7**	**1,496.5**	1,037.2
Return on capital employed (ROCE) [3]	**6.9%**	**8.5%**	11.6%
Return on equity (ROE) [4]	**10.6%**	**11.0%**	11.5%
Current ratio (times) [5]	**1.2**	**1.5**	2.2
Gearing ratio [6]	**37.2%**	**23.8%**	28.8%
Average inventory turnover days [7]	**245**	**245**	273
Turnover days of trade receivables [8]	**31**	**31**	32
Turnover days of trade payables [9]	**173**	**173**	203
Total number of own stores [10]	**1,608**	**1,608**	1,572
Profit attributable to equity owners *(€ million)*	**116.3**	**121.9**	118.2
Basic earnings per share *(€)*	**0.080**	**0.083**	0.081

Notes:

(1) (Operating profit + foreign currency net gains or losses) x (1-effective tax rate).
(2) Non-current assets – (deferred tax liabilities + other non-current liabilities) + working capital**.*
** excluded goodwill on Elemis*
*** excluded current financial liabilities to show only working capital relating to operations*
(3) NOPAT/Capital employed.
(4) Net profit attributable to equity owners of the Company/shareholders' equity excluding minority interest.
(5) Current assets/current liabilities.
(6) Total debts/total assets.
(7) Average inventory turnover days equals average inventory divided by cost of sales and multiplied by 365. Average inventory equals the average of net inventory at the beginning and end of a given period.
(8) Turnover days of trade receivable equals average trade receivables divided by net sales and multiplied by 365. Average trade receivables equals the average of net trade receivables at the beginning and end of a given period.
(9) Turnover days of trade payables equals average trade payables divided by cost of sales and multiplied by 365. Average trade payables equals the average of trade payables at the beginning and end of a given period.
(10) L'Occitane en Provence, Melvita, Erborian and L'Occitane Au Brésil branded boutiques and department stores corners directly managed and operated by us.
(11) After the fair valuation of the acquisition of ELEMIS had been finalised in FY2020, the ELEMIS goodwill, together with certain assets, reserves and liabilities of FY2019, was then restated.

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

29 June 2020

Perhaps FY2020 will be remembered as the year in which COVID-19 stopped the global economy in its tracks. However, it may also be remembered as the year of great resilience, creativity and strength. The COVID-19 crisis brought with it tremendous challenges but also new opportunities — a renewed enthusiasm for self-care and hygiene, increased loyalty to trusted and proven brands and the permanent emergence of digital and social sales channels. As a group of well-loved brands that has adapted to an omni-channel world, we are positioned to benefit from each of these trends and we see a bright future for the Group after this crisis.

Despite the challenges towards the end of FY2020, our sales growth accelerated and operating profitability improved. In the past two years, we have emphasised the importance of targeted investments on major campaigns, products and markets. Indeed, this strategy has begun to pay off. Sales of L'OCCITANE en Provence grew 3.9%, but its operating profit grew 9.8%, gaining 0.8 points of operating margin to 14.0%. Along with the contribution of ELEMIS, the Group's operating margin gained 0.8 points to 11.4%, a commendable achievement.

Our encouraging results in FY2020 were also underpinned by a number of strategies and actions. One was our ongoing commitment to the major tenets of the Pulse strategy: empowering teams; executing fundamentals especially in a retail context; adopting an omni-channel, mobile and digital approach; engaging customers; and strengthening brand commitments. Another factor was the contribution from ELEMIS, our most recent acquisition, which has become a significant growth and profitability driver. The third factor was greater sales diversity, both in terms of product and brand mix.

For the latter, our product strategy was extremely important, as we successfully balanced our expanding face care ranges with our evergreen body and hand care ranges. The hero product, *Immortelle Reset* serum was a key contributor to this. In FY2020, we reached our target of selling 1 million units of this product. Meanwhile, COVID-19 prompted consumers to seek for body and hand care products, not only for hygiene but also for comfort and self-care. This surge in demand was reflected in the increased sales mix of those two segments. As we invest in a targeted manner on our hero face care ranges, we also aim to maintain customer loyalty with our iconic body and hand care ranges, and drive recruitment with new and exciting product offerings.

Another key contributor to the increased diversification of our revenue sources was our multi-brand strategy. ELEMIS, which accounted for 10% of overall sales in FY2020, delivered on its growth and profitability targets despite COVID-19's devastating impact on the maritime channel. We are building other sales channels for the brand, particularly in the online space with the opening of an online store on TMall Global with plans to extend its footprint beyond the U.S. and U.K. markets to China, Russia and selected markets in Asia.

LimeLife had a more difficult year, as a result of its rebranding exercise last year and teething pains typical of fast expansion. However, we remain convinced of the potential of its social-selling model, especially under the context of COVID-19. Meanwhile, our other brands showed divergent performances — Erborian remained profitable, but Melvita and L'OCCITANE au Brésil faced near-term challenges and recorded operating losses. Under their respective refined strategies, we are confident those two brands will continue to command a unique and meaningful space in our brand portfolio.

While the Pulse strategy will continue to anchor our plans and actions, the outbreak of COVID-19 highlighted the importance of adaptability. Amidst global lockdowns and social distancing, the creativity and solidarity our teams demonstrated were truly inspirational. We encouraged local initiatives to leverage on social or digital selling, such as empowering our beauty associates to maintain customer relationships digitally via video consultations and live streaming and ramping up the visibility of our brand ambassadors and KOLs on popular social media apps. During FY2020, our Web Sell-out channels grew by 41.8% at constant rates, partially compensating for sales lost in the final quarter of the year after much of our store footprint was temporarily closed because of COVID-19.

Needless to say, we are closely monitoring how COVID-19 could reshape consumer behaviour and the global retail landscape. It is realistic to see adaptations in the format and footprint of our store network. Yet, our experience over these months also showed us real-life social interactions cannot be completely replaced through virtual means. After all, we are social beings. We are convinced the progress with our online and omni-channel initiatives also rides on the existence of stores, and believe the key to our long-term success lies in the ability to build on the strong store network, online activities and omni-channel know-how. Changes are happening in front of our eyes, which makes the coming months and years an exciting time to be at the forefront of premium beauty retail.

In the meantime, we are also focusing on other areas where we can make a lasting impact. We launched several sustainability initiatives during this financial year, in line with our longstanding commitments to reduce plastic use, support fair trade, respect biodiversity, care for eyesight and empower women. This includes entering into a new collaboration with Loop Industries that will enable us to reach our goal for 100% sustainable PET plastic packaging earlier than our original target of 2025. We also sought to make L'OCCITANE a more inclusive and fairer place to work with the launch of a new global parental leave policy that provides 20 weeks' fully paid leave to primary caregivers and a minimum of 12 weeks' fully paid leave to secondary caregivers.

At the same time, we have been contributing to the global fight against COVID-19. Over the past few months, we have been actively supporting healthcare workers and authorities around the world with donations of 1 million bottles of hand sanitiser and other hygiene products. We are also supporting the producers of our natural ingredients in Burkina Faso and Provence in meeting cashflow and labour availability challenges.

Looking ahead, although near-term turbulence is expected, we are already seeing some positive signs in markets such as China that could bode well for other markets as they begin to reopen. In the meantime, we will continue to implement our existing strategies, particularly in developing our multiple brands and omni-channels, while exploring new ones in areas such as social and digital engagement.

As the world changes, we must too. However, through this change, we will not lose sight of our authentic and human approach to beauty and our long-term mission to be a leader in the affordable premium beauty space. I thank you for your continued support.

STRONG GLOBAL PRESENCE

555 5th Avenue New York, United States

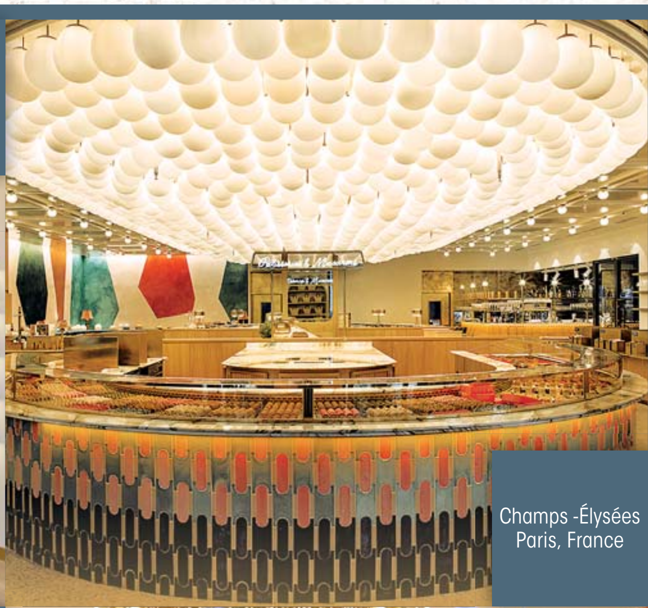
Regent Street London, United Kingdom

Omotesando Tokyo, Japan

Vegas Crocus City, Moscow, Russia (Erborian)

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

ION Orchard, Singapore



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:

	FY2020 € million or %	FY2019 € million or %
Net sales	**1,644.1**	1,426.9
Operating profit	**187.3**	150.7
Profit for the year	**115.2**	117.6
Gross profit margin	**81.6%**	83.2%
Operating profit margin	**11.4%**	10.6%
Net profit margin	**7.0%**	8.2%
Net cash inflow from operations [1]	**369.5**	168.7

[1] *Including impact of IFRS 16 in FY2020*

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.

REVENUE ANALYSIS

The Group's net sales reached €1,644.1 million in FY2020, representing growth of 15.2% at reported rates and 12.8% at constant exchange rates. ELEMIS became a subsidiary of the Group in March 2019 and its sales are consolidated from April 2019 onwards.

After three strong quarters, sales momentum continued in January 2020. However, in the subsequent two months, the unprecedented COVID-19 crisis and the corresponding restrictive measures, such as travel bans, lockdowns, and shop closures in some of our key markets significantly affected our business operations. In the fourth quarter of FY2020 ("FY2020 Q4"), the impact was mostly felt in China, Hong Kong and Japan and thus slowed down the growth of the whole year.

Performance by Brand

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

	FY2020		*FY2019*		*Growth at reported rates*	*Growth at constant rates*
	€ '000	**%**	*€ '000*	*%*	*%*	*%*
L'Occitane en Provence	**1,295,199**	**78.8**	1,247,153	87.4	3.9	1.7
ELEMIS [(1)]	**165,809**	**10.1**	–	–	n/a	n/a
LimeLife	**84,790**	**5.1**	83,780	5.9	1.2	(2.7)
Others [(2)]	**98,285**	**6.0**	95,941	6.7	2.4	1.0
Total	**1,644,083**	**100.0**	1,426,874	100.0	15.2	12.8

(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 brands Melvita, Erborian, and L'Occitane au Brésil.

L'Occitane en Provence accounted for 78.8% of the Group's total sales. Sales momentum of the brand was robust in the first three quarters of FY2020, with 6.0% growth at constant rates. However, after the outbreak of COVID-19 in FY2020 Q4, traffic dropped significantly, seriously affecting the retail business in China, Hong Kong and Japan as well as the travel retail business in the regions. Store closures started in China in late January 2020, after which widespread store closures were seen across Europe and the Americas since mid-March 2020. The loss of sales in brick and mortar was partly recovered by a sales boom in E-commerce and marketplaces. Sales decreased by 12.1% in FY2020 Q4 and ended the year with a decent growth of 1.7% at constant rates.

MANAGEMENT DISCUSSION & ANALYSIS

ELEMIS recorded €165.8 million in sales and accounted for 10.1% of the Group's total sales. Both the UK and the US showed outstanding performance especially in E-commerce sales throughout the year, posting mid-double-digit and high double-digit growth respectively. However, the maritime business followed the sluggish trend in the first three quarters of FY2020, and was further impacted by the COVID-19 outbreak in FY2020 Q4 that resulted in the suspension of all cruise lines. ELEMIS ended the year with around 20% growth (unaudited).

LimeLife posted a sales decline of 2.7% at constant rates for FY2020, mainly affected by the rebranding exercise last year, teething pains from new market expansion, as well as the COVID-19 outbreak in the US in FY2020 Q4, which paralysed sales activities and product delivery in the second half of March 2020. LimeLife accounted for 5.1% of the Group's total sales.

The other brands finished FY2020 with 1.0% growth at constant rates. Sales momentum was disrupted by the COVID-19 outbreak similar to the other brands of the Group in FY2020 Q4. Among the other brands, Erborian remained robust and posted double-digit growth for the year.

Performance by Distribution Channel

In FY2020, net sales in Sell-out and Sell-in distribution channels (representing 69.2% and 30.8% of total net sales respectively) increased by 3.4% and 41.6% respectively, at constant exchange rates. The Company increased the total number of retail locations from 3,420 as at 31 March 2019 to 3,486 as at 31 March 2020, an increase of 66 or 1.9%. The Company maintained its selective retail expansion strategy and increased the number of its own retail stores from 1,572 as at 31 March 2019 to 1,608 as at 31 March 2020, representing a net increase of 36 or 2.3%. The net own store openings included 25 openings in Asia Pacific, 5 openings in the Americas and 6 openings in EMEA (Europe, Middle East and Africa). In FY2020, the Group opened 30 L'Occitane en Provence, 4 L'Occitane au Brésil and 2 Erborian stores. At the end of March 2020, the breakdown of the 1,608 own stores by brand was as follows: L'Occitane en Provence (1,443), Melvita (60), L'Occitane au Brésil (90) and Erborian (15).

Sales from Comparable Stores, Non-comparable Stores & others and Sell-in distribution channels grew by -2.9%, 16.7% and 41.6% respectively at constant exchange rates. Geographically, the UK, the US, other geographic areas and China were the key contributing markets to Overall Growth.

The following table provides a breakdown of the net sales year-on-year growth (including and excluding foreign currency translation effects as indicated) by distribution channel for FY2020:

Year-on-year growth

	Growth € '000	*Growth at reported rates %*	*Growth at constant rates %*	*Contribution to Overall Growth %*
Sell-out	**62,341**	**5.8**	**3.4**	**19.9**
Comparable Stores	(5,332)	(0.7)	(2.9)	(11.6)
Non-comparable Stores & others(1)	67,673	19.7	16.7	31.5
Sell-in	**154,868**	**44.1**	**41.6**	**80.1**
Overall Growth	**217,209**	**15.2**	**12.8**	**100.0**

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

Sell-out

The Sell-out distribution channel accounted for 69.2% of the Group's total sales and amounted to €1,137.9 million, an increase of 5.8% at reported rates and 3.4% at constant exchange rates as compared to FY2019. This growth was partly contributed by non-comparable stores sales, principally the E-commerce sales of ELEMIS and the new stores opened in these two years, as well as by other sales which were mainly driven by marketplace channels of L'Occitane en Provence in China and Korea. The 36 net store openings consisted of: 17 stores in Brazil (13 L'Occitane en Provence and 4 L'Occitane au Brésil), 13 stores in China (16 L'Occitane en Provence openings and 3 Melvita closings), 9 stores in Japan (10 L'Occitane en Provence openings and 1 Melvita closing), 5 stores in Russia (3 L'Occitane en Provence and 2 Erborian), 2 stores in Taiwan (L'Occitane en Provence), 1 store in France (Melvita) and 4 stores in other geographic areas (2 L'Occitane en Provence and 2 Melvita); and closings of 12 stores in the US, 2 in the UK and 1 in Hong Kong during FY2020.

As compared to last year, sales of the Group's Web Sell-out channels (including own E-commerce and marketplaces) grew 41.8% at constant exchange rates, equivalent to 19.0% of the total Sell-out sales. Key drivers of the growth were ELEMIS in the UK and the US, and marketplace channels in China and Korea. Excluding ELEMIS, the Web Sell-out growth was strong at 21.9%, accelerating from the previous year. Overall Same Store Sales Growth turned from growth of 0.8% for the nine months ended December 2019 to -2.9% for FY2020, due mainly to store closures and poor retail sentiment under the COVID-19 threat in FY2020 Q4. Major markets adversely affected were China, Hong Kong, the US and Europe. E-commerce however performed very well which recovered part of the decrease in sales of the comparable retail stores.

Sell-in

The Sell-in distribution channel accounted for 30.8% of the Group's total sales in FY2020 and amounted to €506.2 million, an increase of 44.1% at reported rates and 41.6% at constant exchange rates as compared to FY2019, contributing 80.1% to Overall Growth. The increase was primarily driven by ELEMIS in the UK and the US, web partners of L'Occitane en Provence and wholesale of Erborian.

MANAGEMENT DISCUSSION & ANALYSIS

Performance by Geographic Area

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

	FY2020		FY2019		Growth at reported rates	Growth at constant rates	Contribution to Overall Growth at constant rates
	€ '000	%	€ '000	%	%	%	%
Japan	231,870	14.1	222,119	15.6	4.4	(1.7)	(2.0)
Hong Kong (1)	124,822	7.6	136,973	9.6	(8.9)	(12.6)	(9.5)
China	197,159	11.9	178,072	12.5	10.7	10.5	10.2
Taiwan	41,074	2.5	38,186	2.7	7.6	3.6	0.8
France	104,148	6.3	102,952	7.2	1.2	1.2	0.7
United Kingdom (2)	160,835	9.8	60,659	4.3	165.1	163.0	54.2
United States	295,786	18.0	232,404	16.3	27.3	22.3	28.4
Brazil	57,591	3.5	57,589	4.0	0.0	3.3	1.0
Russia	58,642	3.6	51,247	3.6	14.4	9.5	2.7
Other geographic areas (3)	372,156	22.7	346,673	24.2	7.4	7.1	13.5
Total	**1,644,083**	**100.0**	**1,426,874**	**100.0**	**15.2**	**12.8**	**100.0**

(1) Includes sales in Macau and to distributors and travel retail customers in Asia.

(2) Growth in the United Kingdom and the United States included contribution from ELEMIS.

(3) Includes sales from Luxembourg.

The following table provides a breakdown, by geographic area, of the number of own retail stores, their contribution percentage to Overall Growth and Same Store Sales Growth for FY2020 compared to the same period last year:

	Own Retail Stores				**% contribution to Overall Growth [1] [2]**			
	31 March 2020	*Net openings YTD 31 March 2020*	*31 March 2019*	*Net openings YTD 31 March 2019*	*Non–comparable Stores*	*Comparable Stores*	*Total Stores*	*Same Store Sales Growth %[2]*
Japan [3]	163	9	154	10	1.0	(3.7)	(2.7)	(4.5)
Hong Kong [4]	35	(1)	36	2	(3.6)	(4.0)	(7.6)	(32.3)
China [5]	203	13	190	(7)	0.4	(2.0)	(1.5)	(3.3)
Taiwan	55	2	53	1	0.6	0.3	0.9	2.9
France [6]	87	1	86	4	0.5	(0.6)	(0.1)	(2.1)
United Kingdom	72	(2)	74	–	8.6	(0.1)	8.6	(0.3)
United States	172	(12)	184	(12)	5.6	(3.2)	2.4	(5.7)
Brazil [7]	199	17	182	16	2.2	(0.7)	1.6	(3.2)
Russia [8]	112	5	107	4	0.6	0.3	0.8	1.5
Other geographic areas [9]	510	4	506	(1)	1.7	2.0	3.7	2.1
Total [10]	**1,608**	**36**	**1,572**	**17**	**17.7**	**(11.6)**	**6.1**	**(2.9)**

(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 36 and 35 Melvita stores as at 31 March 2019 and 31 March 2020 respectively.

(4) Includes 3 L'Occitane stores in Macau and 9 Melvita stores in Hong Kong as at 31 March 2019 and 3 L'Occitane stores in Macau and 10 Melvita stores in Hong Kong as at 31 March 2020.

(5) Includes 3 Melvita stores as at 31 March 2019.

(6) Includes 6 Melvita and 2 Erborian stores as at 31 March 2019 and 7 Melvita and 2 Erborian stores as at 31 March 2020.

(7) Includes 86 and 90 L'Occitane au Brésil stores as at 31 March 2019 and 31 March 2020 respectively.

(8) Includes 9 and 11 Erborian stores as at 31 March 2019 and 31 March 2020 respectively.

(9) Include 6 Melvita and 2 Erborian stores as at 31 March 2019 and 8 Melvita and 2 Erborian stores as at 31 March 2020.

(10) Include 60 Melvita, 86 L'Occitane au Brésil and 13 Erborian stores as at 31 March 2019 and 60 Melvita, 90 L'Occitane au Brésil and 15 Erborian stores as at 31 March 2020.

MANAGEMENT DISCUSSION & ANALYSIS

Japan

Japan's net sales for FY2020 were €231.9 million, an increase of 4.4% as compared to FY2019. In local currency, the growth was -1.7%. Retail sentiment was sluggish in particular after the sales tax hike in the third quarter of FY2020 and further deteriorated after the hit of COVID-19 on retail traffic and operations in FY2020 Q4. E-commerce, however, remained strong.

Hong Kong

Hong Kong's net sales for FY2020 were €124.8 million, a decrease of 8.9% as compared to FY2019. At constant exchange rates, the decline was 12.6%. The social unrest seriously affected retail traffic and consumption since the second quarter of FY2020. In FY2020 Q4, the restrictive measures that were implemented as a result of COVID-19 further hampered local and tourist purchases. Travel retail business was also deeply affected by travel halts and a drastic drop in air traffic.

China

China's net sales for FY2020 were €197.2 million, an increase of 10.7% as compared to FY2019. At constant exchange rates, the growth was 10.5%, contributing 10.2% to Overall Growth. Sales momentum in China was strong in the first three quarters of FY2020, thanks to the various campaigns with celebrities and a strong focus on web channels. Business with T-mall, JD.com and WeChat mini programmes was particularly dynamic. However, sales declined sharply following the outbreak of COVID-19 in January 2020. Retail sales only started to pick up in March 2020 as the lockdown measures in some provinces were uplifted gradually. Web-based channels, however, rebounded quickly. FY2020 Q4 ended with an overall decline of 18.1%; yet strong growth was recorded in web partners, own E-commerce and marketplace.

Taiwan

Taiwan's net sales for FY2020 were €41.1 million, an increase of 7.6% at reported rates or 3.6% at constant exchange rates as compared to FY2019. Same Store Sales Growth was 2.9%. Taiwan was one of the most resilient markets, with sales growth throughout the year, thanks to the effective marketing campaigns on face and hand care items.

France

France's net sales for FY2020 were €104.1 million, an increase of 1.2% as compared to FY2019. Sales momentum started well in the first half of FY2020. E-commerce and retail were particularly dynamic. Yet strikes, social unrest and the subsequent COVID-19 outbreak seriously affected retail sentiment in the second half of FY2020. The growth in France was mainly contributed by E-commerce as well as wholesale of Erborian and L'Occitane en Provence.

United Kingdom

United Kingdom's net sales for FY2020 were €160.8 million, an increase of 165.1% as compared to FY2019. At constant exchange rates, the growth was 163.0%, contributing 54.2% to Overall Growth. The fantastic growth was mainly attributed to ELEMIS. Excluding ELEMIS, sales growth was 1.5%, thanks to the strong first half of FY2020. For ELEMIS in the UK, sales growth was double-digit, thanks to its E-commerce, TV channels and spa wholesale channels that held up strongly throughout the year.

United States

United States' net sales for FY2020 were €295.8 million, an increase of 27.3% as compared to FY2019. At constant exchange rates, the growth was 22.3%. The growth was mainly contributed by ELEMIS. ELEMIS continued to grow rapidly, with main focus on E-commerce, TV channels and web partners. Development of new wholesale clients also drove the growth. However, the maritime business was affected by the de-stocking of a key client. Towards the end of the year, further adverse effects of the COVID-19 threat in the cruise business started to kick in. Excluding ELEMIS, sales in the US decreased by 5.5%, due mainly to trading with 12 stores fewer than in last year and the impact of COVID-19 on retail operations.

Brazil

Brazil's net sales for FY2020 were €57.6 million, flat as compared to FY2019. At constant exchange rates, the growth was 3.3%. The growth was mainly driven by the new stores opened in these two years. Both L'Occitane en Provence and L'Occitane au Brésil brands were impacted by the COVID-19 outbreak in FY2020 Q4.

Russia

Russia's net sales for FY2020 were €58.6 million, an increase of 14.4% as compared to FY2019. At constant exchange rates, the growth was 9.5%. Russia delivered healthy growth for the year, thanks to the dynamic growth of Erborian as well as L'Occitane en Provence. The growth in wholesale, distribution and web partners was particularly strong. Erborian continued its outstanding performance and ended the year with mid-double digit growth.

Other geographic areas

Other geographic areas' net sales for FY2020 were €372.2 million, an increase of 7.1% at constant exchange rates, contributing 13.5% to Overall Growth. All brands and channels posted healthy growth. L'Occitane en Provence contributed most to Overall Growth with encouraging results in South Korea, Australia, Malaysia and Germany.

PROFITABILITY ANALYSIS

Cost of sales and gross profit

Cost of sales increased by 26.2%, or €63.0 million, to €302.9 million in FY2020. The gross profit margin remained high at 81.6%, yet decreased by 1.6 points as compared to FY2019 due to the following factors:

- brand mix effect for 1.6 points, mainly from inclusion of ELEMIS, which runs a mostly wholesale business model, has a lower gross margin than the Group's;
- product mix for 0.2 points, as novelties and relaunches during the year have slightly lower gross margin;
- increase in production, freight and duties for 0.1 points; and
- obsolescence for 0.1 points.

The decrease in gross profit margin was partly offset by:

- favourable foreign exchange ("FX") impact for 0.3 points; and
- price increase for 0.1 points.

MANAGEMENT DISCUSSION & ANALYSIS

Distribution expenses

Distribution expenses increased by 9.3%, or €65.2 million, to €765.6 million in FY2020. As a percentage to net sales, distribution expenses decreased by 2.5 points to 46.6%. This improvement is attributable to a combination of:

- favourable brand mix, mainly from ELEMIS, for 2.7 points;
- favourable channel mix from existing brands, due to the strong performance of online channels, for 0.8 points; and
- favourable impact of IFRS 16 for 0.5 points.

This improvement was partly offset by:

- lower leverage in retail personnel costs and rents for 1.2 points;
- investment in warehousing and logistics network of LimeLife for 0.2 points; and
- rounding and others for 0.1 points.

Marketing expenses

Marketing expenses increased by 11.1%, or €20.6 million, to €206.6 million in FY2020. As a percentage of net sales, marketing expenses decreased by 0.4 points to 12.6%. This improvement was attributable to:

- reduction in advertising, billboards and PR events for 0.4 points, partly netted off by the increase in web-related advertising;
- reduction in promotional tools and sampling costs for 0.2 points; and
- rounding and others for 0.1 points.

This improvement was partly offset by:

- unfavourable channel mix for 0.2 points, mainly from accelerated growth of marketplace; and
- reclassification of customer care division from distribution expenses to marketing expenses, as well as further investment in LimeLife's marketing team for a total of 0.1 points.

Research & development expenses

Research and development ("R&D") expenses increased by 19.2%, or €3.4 million, to €21.3 million in FY2020, due mainly to inclusion of ELEMIS, and L'Occitane's investments in DuoLab, an innovation laboratory and a program for sustainability improvements. As a percentage of net sales, R&D expenses remained stable at 1.3%.

General and administrative expenses

General and administrative expenses increased by 20.7%, or €27.4 million, to €160.0 million in FY2020. As a percentage of net sales, general and administrative expenses increased by 0.4 points to 9.7%. The increase in percentage to sales was attributable to the following factors:

- investment in information technologies and human resources for a total of 0.5 points; and
- costs incurred from the acquisition of ELEMIS for 0.3 points.

The increase was partly offset by:

- favourable brand mix for 0.2 points;
- favourable foreign exchange impact for 0.1 points; and
- IFRS 16 impact for another 0.1 points.

Other gains and losses

Net other losses were €0.5 million in FY2020, being capital losses partly offset by tax credits on research expenditures. In FY2019, there were net other gains of €0.6 million.

Operating profit

Operating profit increased by 24.2%, or €36.5 million, to €187.3 million. The operating margin improved by 0.8 points of net sales to 11.4%. The improvement is explained by the factors below:

- brand mix, with contribution mainly from ELEMIS for 1.3 points;
- favourable channel mix for 0.7 points, as marketplace, web partner and own e-commerce channels, which have higher profitability, increased in sales mix;
- targeted marketing investments, including shifting investments from public relations, marketing events and advertising, to placing greater focus on online channels for 0.6 points;
- IFRS 16 for 0.5 points; and
- favourable FX for 0.4 points.

The improvement was partly offset by the following:

- lower leverage and efficiency on rental and retail personnel costs and others, partly from the impact of COVID-19 for 1.5 points;
- investments in LimeLife, R&D, human resources and information technology for 0.9 points; and
- one-off ELEMIS acquisition costs for 0.3 points.

Finance costs, net

Net finance costs were €22.2 million in FY2020, which consisted of interest incomes on cash and cash equivalents of €2.6 million and the following expense items:

- IFRS 16 lease liabilities related interest and finance expenses of €14.0 million;
- interest expenses related to bank borrowing, overdrafts and current account with non-controlling interests and related parties of €8.8 million;
- financial assets impairment of €1.9 million; and
- unwinding of discount on other financial assets of €0.1 million.

The increase in interest expenses was mainly explained by the interests and costs related to loans and credit facilities drawn for acquisition of ELEMIS.

For FY2019, the net finance costs were €3.6 million, consisted of €3.7 million interest expenses on borrowings, netting off €0.5 million interest income on bank balances, as well as €0.4 million non-cash accrual. Note that the Company adopted IFRS 16 Lease accounting from FY2020 onward without restating last year's figures, therefore there were no comparative figures in FY2019 in this regard.

Foreign currency gains/losses

Net foreign currency losses amounted to €4.6 million in FY2020 (FY2019: net gains of €1.1 million) and were comprised €1.0 million realised gains and €5.6 million unrealised losses.

The realised gains were the net result of some gains from intercompany financing at group level, netting off losses at the subsidiary level generated from the intercompany trade and current accounts settlements during the year, mainly denominated in United States dollar.

The unrealised losses were the net result of year-end conversion of outstanding foreign currency based amounts into euro, mostly from bank balances, loans and revolving facilities, intercompany trade and financing balances, as well as the IFRS 16 related right-of-use and lease liabilities balances. The unrealised losses were largely related to Brazilian real, US dollar, Swiss franc, Russian ruble and Australian dollar, being partly netted off by unrealised gains in Japanese yen.

Income tax expense

The effective tax rate increased from 20.7% in FY2019 to 28.2% in FY2020, an increase of 7.5 points, due primarily to one-time effects for a total of 4.0 points.

The one-time effects comprised of the following:

- approximately two-thirds, or 2.6 points, were due to a change in treatment of the amortisation of LimeLife's goodwill which has no cash effect (a deferred tax liability is recorded and offsets the tax depreciation of the goodwill in the US — see below); and
- approximately one-third, or 1.4 points, were explained by the net effect of a favourable impact from the recognition of deferred tax assets previously not recognised on the tax losses carried forward to FY2019 and some other unfavourable prior years adjustments.

Excluding the one-time effects, the effective tax rate in FY2020 would have been 24.2%.

Other effects of 3.5 points included:

- the consequences of an increase in tax rate, mainly in Switzerland, for 1.4 points;
- unfavourable exchange rate effects for 0.7 points; and
- sundries effects for 1.4 points.

Note that the goodwills and trademarks of LimeLife and ELEMIS in the United States are amortised in the accounting books of the local entities over a period of 15 years. As the amortisation is tax deductible, the local tax saving was valued at €6.7 million in FY2020, or 4.0% of the Group's pre-tax income. However, at the Group's consolidated account in IFRS, goodwills are not amortised. Such saving is thus reversed by a corresponding non-cash provision for deferred tax liability.

MANAGEMENT DISCUSSION & ANALYSIS

Profit for the year

For the aforementioned reasons, net profit for FY2020 was €115.2 million, decreased by 2.0% or €2.3 million as compared to FY2019. Basic and diluted earnings per share in FY2020 were €0.080 and €0.079 respectively (FY2019: basic €0.081 and diluted €0.081), and decreased by 1.2% and 2.5% respectively. The numbers of basic and diluted shares used in the calculations of earnings per share in FY2020 were 1,461,732,521 and 1,464,509,877 respectively (FY2019: basic 1,461,052,171 and diluted 1,465,920,934).

The Group adopted IFRS 16 retrospectively from 1 April 2019 but did not restate comparatives for the prior year's reporting period, as permitted under the specific transitional provisions in the standard. If the impacts of IFRS 16 were excluded, the net profit for FY2020 would increase by 2.8% or €3.3 million to €120.8 million as compared to FY2019. See details in the following table:

For the year ended 31 March	FY2019 reported *€ '000*	FY2020 reported *€ '000*	IFRS 16 impacts *€ '000*	FY2020 excluding IFRS 16 impacts *€ '000*	Growth % reported	Growth % excluding IFRS 16 impact
Net Sales	**1,426,874**	**1,644,083**		**1,644,083**	**15.2%**	**15.2%**
Cost of sales	(239,901)	(302,852)		(302,852)		
Gross profit	**1,186,973**	**1,341,231**		**1,341,231**	**13.0%**	**13.0%**
Distribution expenses	(700,374)	(765,569)	6,175	(771,744)		
Marketing expenses	(186,042)	(206,622)		(206,622)		
Research and development expenses	(17,879)	(21,306)		(21,306)		
General and administrative expenses	(132,542)	(159,968)	1,373	(161,341)		
Other gains, net	611	(503)	78	(581)		
Operating profit	**150,747**	**187,263**	**7,626**	**179,637**	**24.2%**	**19.2%**
Finance costs, net	(3,596)	(22,167)	(14,032)	(8,135)		
Foreign currency gains/(losses)	1,073	(4,556)	(1,408)	(3,148)		
Profit before income tax	**148,224**	**160,540**	**(7,814)**	**168,354**	**8.3%**	**13.6%**
Income tax expense	(30,655)	(45,300)	2,205	(47,505)*	47.8%	55.0%
Net profit	**117,569**	**115,241**	**(5,609)**	**120,850**	**–2.0%**	**2.8%**

* *Assuming the same effective tax rate as in the reported profit for FY2020.*

IMPACT OF COVID-19

The COVID-19 crisis and the corresponding restrictive measures, such as travel bans, lockdowns, and shop closures in some of our key markets significantly affected our business operation. In FY2020 Q4, the impact was mostly in Asia up until mid-March 2020, after which widespread store closures were seen across Japan, Europe and the Americas.

Based on the sales momentum and trends before the pandemic, internal forecasts, the number of closed stores, reduction in store opening hours, as well as the orders halted by Sell-in customers, the Company estimates that the total loss of sales attributed to COVID-19 was approximately €56 million, or approximately 18% of the total sales in FY2020 Q4 or 3.4% of the total sales in FY2020. The corresponding loss in operating profit would be approximately €34 million based on internal estimation, or around 18% of the reported operating profit for FY2020.

Given the unpredictability of the future development of COVID-19, the impact to the Group in FY2020 is not indicative of the impact for the financial year ending 31 March 2021 ("FY2021"). The Company will continue to closely monitor the situation. The estimated financial effects, if any, will be reflected in the Group's future financial statements.

BALANCE SHEET AND CASH-FLOW REVIEW

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2020, the Group had cash and cash equivalents of €166.3 million as compared to €144.4 million as at 31 March 2019. The increase was mainly explained by increase in net cash inflow from operating activities. As at 31 March 2020, total borrowings, including term loans, revolving facilities, bank borrowings, finance lease liabilities, and current accounts with minority shareholders and related parties, amounted to €475.0 million. As at 31 March 2020, the aggregate amount of undrawn borrowing facilities was €230.7 million.

SUMMARISED CASH-FLOW STATEMENT

For the year ended 31 March	**2020**	**Excluding IFRS 16 2020**	2019
	€ '000	***€ '000***	*€ '000*
Profit before tax, adjusted for non-cash items	385,810	255,170	219,786
Changes in working capital	18,013	14,154	(33,859)
Income tax paid	(34,347)	(34,347)	(17,240)
Net cash inflow from operating activities	369,476	234,977	168,687
Net cash outflow for capital expenditures	(66,783)	(66,783)	(86,302)
Free cash flow	**302,693**	**168,193**	82,385
Net cash (outflow) from investment in new ventures and financial assets	(4,803)	(4,803)	(814,216)
Net cash (outflow)/inflow from financing activities	(275,399)	(141,793)	501,451
Effect of exchange rate changes	(591)	303	(10,890)
Net increase/(decrease) in cash, cash equivalents and bank balances	**21,900**	**21,900**	(241,270)

Free cash flow generated for FY2020 was €302.7 million (€168.2 million excluding IFRS 16 impact), as compared to €82.4 million in FY2019. The sharp increase was partly due to lease amortisation of €130.2 million under IFRS 16 which was adopted by the Group from this year without restating FY2019. Improvement in working capital and lower capital expenditure also contributed to the higher free cash flow.

In FY2020, net cash outflow from financing activities amounted to €275.4 million, as compared to a net cash inflow of €501.5 million in FY2019. The net outflow this year was mainly affected by the principal components of lease payments of €133.6 million under IFRS 16 and a net repayment of borrowing for €96.2 million.

CAPITAL EXPENDITURES

Net cash used in capital expenditures was €66.8 million in FY2020, as compared to €86.3 million in FY2019, representing a decrease of €19.5 million. The capital expenditures for FY2020 are primarily related to:

- additions of leasehold improvements and other tangible assets, related to new stores and store renovation for €25.7 million;
- additions of land, building, machinery and equipment for the new factory in Brazil, enhancing production lines, R&D and fire safety standard of the factory and warehousing facilities in Manosque, and improvements in warehouses and offices at subsidiaries for a total of €23.2 million; and
- additions of hardware, software and development costs for €15.1 million, including various enhancement projects on e-commerce, CRM and omni-channel platforms as well as WeChat mini programme development.

INVESTMENT IN NEW VENTURES AND FINANCIAL ASSETS

Net cash outflow from investment in new ventures and financial assets was €4.8 million, as compared to €814.2 million in last year. The outflow in last year was mainly for the acquisition of ELEMIS.

FINANCING ACTIVITIES

Financing activities in FY2020 ended with a net cash outflow of €275.4 million (FY2019: inflow of €501.5 million). Net cash outflow during the year mainly reflected the following:

- principal components of lease payments of €135.1 million under IFRS 16;
- payment of dividend for €43.6 million;
- net payout transactions with non-controlling interests for €1.2 million; and
- net repayment of borrowing for €96.2 million.

This was partly offset by the inflow from transfer out of treasury shares to the employees under the share option plan for €0.7 million.

INVENTORIES

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

	FY2020	FY2019
Average inventory turnover days[(1)]	**245**	273

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

Inventory value increased by 0.6%, or €1.1 million, to €204.0 million as at 31 March 2020. Average inventory turnover decreased by 28 days due mainly to ELEMIS having much lower inventory turnover days than the Group's and reducing the average inventory turnover days by 39 days. The improvement was partly offset by the existing brands for an increase of 9 days as well as an unfavourable FX impact for 2 days.

TRADE RECEIVABLES

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

	FY2020	FY2019
Turnover days of trade receivables[(1)]	**31**	32

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

Turnover days of trade receivables decreased by 1 day to 31 days for FY2020 as compared to FY2019. The decrease was due mainly to lower average trade receivables of the existing brands, partly offset by higher average trade receivables of ELEMIS as well as FX impact.

TRADE PAYABLES

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

	FY2020	FY2019
Turnover days of trade payables [(1)]	**173**	203

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

The decrease in turnover days of trade payables of 30 days was due mainly to reduction in related purchases of the existing brands and the factories especially towards the end of the financial year for a total of 41 days. FX impact also reduced the turnover days by 5 days. ELEMIS on the other hand had accelerated its related purchases for the dynamic business activities and then increased the turnover days by 16 days.

BALANCE SHEET RATIOS

Return on capital employed in FY2020 was 6.9%, decreased by 4.7 points as compared to FY2019, as a result of an increase in net operating profit after tax by 8.9% accompanied by a sharp increase of 83.7% in capital employed. Note that the acquisition of ELEMIS was completed in March 2019, and its balance sheet items were consolidated in FY2019; however, its profit and loss items were only consolidated in FY2020 onwards. Hence the return on capital employed ratio in FY2019 excluded the goodwill on ELEMIS to avoid distortion. In addition, 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. If the impacts of IFRS 16 were excluded, the return on capital employed in FY2020 would be 8.5%.

The capital and reserves attributable to the equity owners increased by €68.7 million for FY2020, due mainly to the profits retained for the year and a put option relating to ELEMIS. Return on equity ratio in FY2020 was 10.6% (excluding IFRS 16 impact: 11.0%), compared to 11.5% in FY2019.

The Group's gearing ratio was also impacted by the newly adopted IFRS 16, increased from 28.8% in FY2019 to 37.2% in FY2020. If the impacts of IFRS 16 were excluded, gearing ratio in FY2020 would decrease to 23.8%.

	Reported FY2020	**Excluding IFRS 16 FY2020**	Restated[9] FY2019
Profitability			
EBITDA	383,517	252,877	217,480
Net operating profit after tax (NOPAT)[1]	131,153	126,689	120,421
Capital employed[2]	1,905,674	1,496,509	1,037,221
Return on capital employed (ROCE)[3]	6.9%	8.5%	11.6%
Return on equity (ROE)[4]	10.6%	11.0%	11.5%
Liquidity			
Current ratio (times)[5]	1.2	1.5	2.2
Quick ratio (times)[6]	0.7	0.9	1.4
Capital adequacy			
Gearing ratio[7]	37.2%	23.8%	28.8%
Debt to equity ratio[8]	62.1%	26.6%	39.5%

(1) *(Operating profit + foreign currency net gains or losses) x (1 — effective tax rate)*

(2) *Non-current assets* — (deferred tax liabilities + other non-current liabilities) + working capital***

* *excluded goodwill on ELEMIS in FY2019*

** *excluded current financial liabilities to show only working capital relating to operations*

(3) *NOPAT/capital employed*

(4) *Net profit attributable to equity owners of the Company/shareholders' equity at year end excluding minority interest*

(5) *Current assets/current liabilities*

(6) *(Current assets — inventories)/current liabilities*

(7) *Total debt/total assets*

(8) *Net debt/(total assets — total liabilities)*

(9) *After the fair valuation of the acquisition of ELEMIS had been finalised in FY2020, the ELEMIS goodwill, together with certain assets, reserves and liabilities of FY2019, was then restated.*

FOREIGN EXCHANGE RISK MANAGEMENT

The Company enters into forward exchange contracts and currency options to hedge anticipated transactions, as well as receivables and payables not denominated in its presentation currency, the Euro, for periods consistent with its identified exposures. As at 31 March 2020, the Company had foreign exchange derivatives net liabilities of €0.2 million in the form of forward exchange contracts (in accordance with fair market valuation requirements under IFRS). The notional principal amounts of outstanding forward exchange derivatives as at 31 March 2020 were primarily sale of Chinese yuan for an equivalent amount of €27.6 million, Japanese yen for €16.6 million, Hong Kong dollar for €4.6 million, Brazilian real for €3.2 million, Russian ruble for €2.4 million, Great British pound for €2.3 million, Thai baht for €2.3 million and Mexican peso for €2.0 million.

DIVIDENDS

At the Board meeting held on 17 June 2019, the Board recommended a gross dividend distribution of €0.0297 per share for a total amount of €43.4 million or 36.7% of the 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 17 June 2019 excluding 15,912,720 treasury shares. The shareholders of the Company (the "Shareholders") approved this dividend at a meeting held on 25 September 2019. The dividend was duly paid on 18 October 2019.

Despite the impact of COVID-19 on business operation, the Group remained solid in generating operating cashflow. In order to maintain a healthy cash position as well as to share the earnings with the Shareholders, the Board is pleased to recommend a final dividend of €0.02228 per share (the "Final Dividend"), approximately 75% of the dividend in FY2019. The total amount of the Final Dividend is €32.6 million.

The Final Dividend is based on 1,461,732,521 shares in issue as at 29 June 2020 excluding 15,232,370 treasury shares.

MANAGEMENT DISCUSSION & ANALYSIS

COVID-19 pandemic liquidity arrangements

As at 31 March 2020, and in addition to the €100 million cash and cash equivalents, the Group had an undrawn amount of €230 million under its revolving credit facility.

As a precaution, and to face COVID-19 crisis impact on its operations, the Group drew €100 million on its existing revolving credit facility (FY2015 Revolving Facility) in April 2020.

In addition, in May 2020, the Group has successfully secured €253 million new financing commitments to ensure liquidity during the current crisis and swiftly prepare operations restart: €203 million new revolving credit facility on L'Occitane International S.A. and €50 million new term loan on Laboratoires M&L, 90% guaranteed by the French State ("Prêt Garanti par l'Etat", PGE).

STRATEGIC REVIEW

In FY2020, the Group's 'Pulse' strategy to build trust, pursue sustainable growth and drive profitability continued to bear fruit. The Group registered three strong quarters, with the core brand, L'OCCITANE en Provence, logging mid-single-digit growth, and ELEMIS proving to be a strong growth and profitability driver.

EVENTS SUBSEQUENT TO THE END OF FINANCIAL YEAR

Creation of a joint-venture in the Middle East region

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 shareholder and distribution agreements were signed on 3 June 2020.

The joint venture agreement requires unanimous consent from all parties for the main relevant activities. The Group has therefore determined that it has a joint control over this entity, even though it holds 51% of the voting rights.

However, starting in the last quarter of FY2020, the world was hit with an unprecedented crisis. The COVID-19 pandemic resulted in drastic restrictive measures globally, such as travel bans, lockdowns and shop closures. The Group's sales performance in February and March 2020 was seriously interrupted, with the retail, travel retail and B2B channels being the most affected. On the other hand, e-commerce, marketplace, web partners and TV channels all posted significant growth and compensated for some of the declines in brick and mortar channels. Within FY2020, the disruption was mostly in China, Hong Kong and Japan.

Under this transformed landscape, the Group was quick to adapt to new consumer demands and how it stayed connected to its customers. The five pillars under its 'Pulse' strategy remained highly relevant: empowering teams; executing fundamentals especially in a retail context; adopting an omni-channel, mobile and digital approach; engaging customers; and strengthening brand commitments. Despite the setback in the last quarter of the year, the Group recorded net sales growth of 15.2% at reported rates, and improved its operating margin by 0.8 points to 11.4%.

Product strategy balances hero skincare and iconic body care

L'OCCITANE en Provence delivered decent growth of 3.9% at reported rates during FY2020, thanks in part to its attractive online and offline product offerings, particularly during the festive season. A major contributor was its hero product strategy that focused on skincare — the highly popular *Immortelle Reset* serum was reinvigorated with the release of a 50ml version that offered a strong value proposition for repeat customers. In FY2020, the Group met its target of selling over 1 million units of the *Immortelle Reset* serum. The success of this hero product range is expected to continue with the recent release of its *Immortelle Reset* eye serum.

Meanwhile, the COVID-19 pandemic has shed new light on the importance of hygiene and self-care. Given L'OCCITANE en Provence's iconic status in premium body and hand care, the Group saw an increase in sales mix in those segments. The Group also acted swiftly and took the opportunity to complement its existing product portfolio by launching a hand purifying gel in key markets.

The Group will continue to pursue a product strategy that balances its hero skincare to boost its face care image, its evergreen body and hand care to maintain loyalty, as well as attractive seasonal offerings to drive recruitment and excitement.

Focus on multi-brand strategy further diversifies sales

The Group's namesake brand, L'OCCITANE en Provence accounted for around 79% of the Group's sales in FY2020, down from around 87% in FY2019. This diversification is expected to continue as each brand continues to build on their unique identities.

ELEMIS was the biggest growth driver in FY2020, and is the Group's second-largest brand accounting for 10% of its overall sales. Despite COVID-19 severely impacting its maritime channel, the brand maintained positive sales growth even during the final quarter of FY2020, thanks to the strong performances on its e-commerce and TV channels. This robust performance demonstrated the effectiveness of the Group's skincare-focused investments, a segment of the beauty market that has proved relatively resilient throughout COVID-19 lockdowns.

In addition to its strong top-line performance, ELEMIS' lean and efficient structure helped secure its impressive profitability despite the impact of COVID-19 in March, reaching an operating margin of 17.5%. Excluding the acquisition costs and depreciation of goodwill elements, the operating margin would be 22.9%. ELEMIS is also materialising synergies with L'OCCITANE en Provence's existing distribution in a disciplined manner, notably in Asia and Russia as first steps. In line with its successful digital-first strategy, ELEMIS opened its online store on TMall Global in FY2020 (with plans to launch domestically in China later in 2020) and plans to launch in several other markets in Asia in the near future.

MANAGEMENT DISCUSSION & ANALYSIS

LimeLife's performance was impeded by the rebranding exercise last year, teething pains related to its growth and expansion into new markets, as well as by COVID-19 towards the end of FY2020. Despite the short-term challenges, the Group remains convinced of the potential of LimeLife's social media-based business model, which is perhaps more relevant than ever under the current circumstances. The influence of a powerful and relatable role model was demonstrated by the successful launch of "Fierce by Aly", a make-up collection launched in collaboration with Olympic gold medal-winning gymnast Aly Raisman during the festive season that broadened the Group's appeal to younger consumers.

Meanwhile, the Group's emerging brands, Melvita, L'OCCITANE au Brésil and Erborian collectively delivered positive sales growth during FY2020, yet showed diverging results and recorded a material operating loss of €13.9 million. Melvita's top-line performance was hampered by macroeconomic challenges in each of its key markets in FY2020. However, under the refined strategy of its new management, Melvita regained some traction in France and Japan, and will continue a disciplined expansion in Asia. Separately, L'OCCITANE au Brésil helped drive overall sales growth for the Group in Brazil, but its distribution, marketing and industrial investments meant that its operating loss widened in FY2020. Restructuring measures for L'OCCITANE au Brésil have already started in April 2020 to improve the efficiency of such investments, such as by closing unprofitable distribution points. On the other hand, Erborian benefited from its successful distribution strategy that had a strong country prioritisation — it built a solid wholesale business in Western Europe and retail footprint in Russia, achieving double-digit sales growth in FY2020 and maintaining its profitability.

Rethinking customer engagement and omni-channel experiences

One of the Group's missions is to provide a seamless omni-channel experience for customers to discover the Group's products and brands, making the path-to-purchase fun, memorable and convenient.

Prior to the outbreak of COVID-19, the Group had become selective with physical store openings while continuing to create exciting retail experiences in key global shopping locations, such as Tokyo's Omotesando, London's Regent Street and New York's Fifth Avenue. It complemented its wide brick-and-mortar distribution with its own e-commerce website, third-party marketplaces, as well as social media and messaging apps. Online channels have become increasingly important, growing along with the shift in consumer behaviour. In FY2020, Web Sell-out channels grew by 41.8% at constant rates, equivalent to 19.0% of the total Sell-out sales.

As COVID-19 became a global threat, as much as 75% of the Group's store footprint had closed. The Group had to rethink how to stay connected with customers while still maintaining a human approach to beauty. Although e-commerce showed impressive growth in the final quarter of FY2020, it was not sufficient to compensate for the loss of sales from store closures. Staying true to its entrepreneurial drive, the Group has encouraged a myriad of local initiatives to drive social or digital selling. These include empowering the stores' beauty associates to maintain customer relationships digitally via video consultations and livestreaming, offering concierge personal shopping service, and maximising our exposure on popular social apps with the use of celebrities and KOLs. While some markets have begun to reopen, digital selling will continue to be a mainstay.

At the same time, as the Group gradually reopens its physical stores, it is putting in place stringent safety measures, focusing on a 100% contactless customer journey to maintain the highest possible levels of safety for its staff and customers, while continuing to provide fresh and memorable shopping experiences.

Actively supporting the global fight against COVID-19

Faced with this global crisis, the Group was compelled to meaningfully support the work of healthcare authorities and healthcare workers in the global fight against COVID-19. It reassigned some of its manufacturing facilities in Manosque to produce hand sanitiser, donating 300,000 bottles to health authorities in several European countries and 700,000 hand hygiene products to authorities in China, Japan, Brazil, Russia and the United States.

The Group also supported the producers of the natural ingredients used in its products, continuing its long-term contracts and pre-financing of 50–80% of costs before harvest, which is more valuable to its producers than ever.

In Burkina Faso, where pandemic-related government restrictions disrupted the end of the shea harvest, the Group also postponed some delivery dates to ensure the safety of the communities of women producers while maintaining their cash flow. In Provence, the Group's staff volunteered to assist with the orange blossom harvest after producers struggled to recruit workers because of COVID-19.

The Group has always strived to lead with conscience and adhere to its commitments, not only during times of crises. As a group that draws on the inspiration and resources from nature, it was imperative for the Group to contribute in social responsibility and environmental sustainability. More information on the Group's efforts is covered in its annual 'Environmental, Social and Governance' report.

OUTLOOK

Given the uncertain economic environment, the Group will implement several initiatives to achieve cost savings and increase its financial flexibility. This includes reducing the base compensation of Directors and Senior management and lowering the dividend; and controlling costs by renegotiating commercial rents, reducing staff costs through temporary unpaid leave or furlough and short-term working schemes, optimising or postponing its marketing and promotions, and reducing capital expenditures such as store openings and renovations.

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. It is equally important to continue making targeted investments to support major campaigns, products and markets, in line with the Pulse strategy to pursue sustainable growth and profitability.

While consumer sentiment will be impacted by COVID-19 for some time, the Group is confident about its resilience backed by the inherent strength of its brands, products and effective web-based activities, as well as its careful management and passion. As it navigates through the crisis, the Group will continue to prioritise its multi-brand strategy and omni-channel approach to improve its medium-to-long-term fundamentals, safeguard its future profitability and deliver value to its shareholders.


APRES-SHAMPOOING
A L'HUILE D'AMANDE
WITH ALMOND OIL
CONDITIONER
DEMELANT ET ADOUCISSANT
DETANGLING AND SOFTENING
L'OCCITANE
240ML
AMANDE
HUILE DE DOUCHE
NETTOYANTE ET ADOUCISSANTE
CLEANSING AND SOFTENING
SHOWER OIL
WITH ALMOND OIL
L'OCCITANE

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

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

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

DEVIATIONS FROM THE CODE

The Company has complied with all of the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules throughout FY2020 save as disclosed below:

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by the Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct for dealing in the securities of the Company by the Directors. Having made specific enquiry of all Directors, they have confirmed that they have complied with the Model Code during the year ended 31 March 2020 (the "Review Period").

BOARD OF DIRECTORS

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

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

— the Audit Committee

— the Nomination Committee

— the Remuneration Committee

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

Corporate Governance Structure

Shareholders' Meeting
Annual General Meeting
Extraordinary General Meeting

Board of Directors
Directors elected by the Shareholders' Meeting

Audit Committee	**Nomination Committee**	**Remuneration Committee**

Chairman & CEO

Management

CORPORATE GOVERNANCE REPORT

Composition of the Board

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

Board Diversity Policy

1. *Objective*

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

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

2. *Vision and Policy Statement*

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

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

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

3. *Measurable Objectives*

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

4. *Review and Monitor of this Policy*

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

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

Directors' Attendance at Board, Board Committee and General Meetings

The following is the attendance record of Directors at the Board, Board committee and general meetings held during FY2020:

Name	Category	Board Meeting	Audit Committee Meeting	Attendance: Nomination Committee Meeting	Remuneration Committee Meeting	General Meeting
		Meeting Attended/ Eligible to Attend	Meeting Attended/ Eligible to Attend	Meeting Attended/ Eligible to Attend	Meeting Attended/ Eligible to Attend	Meeting Attended/ Eligible to Attend
Reinold Geiger	ED	8/10				1/1
André Hoffmann	ED	10/10		1/1		0/1
Silvain Desjonquères	ED	10/10			1/1	0/1
Thomas Levilion	ED	10/10				1/1
Karl Guénard	ED	10/10				1/1
Martial Lopez	NED	10/10	4/4			0/1
Valérie Bernis	INED	10/10		1/1		0/1
Mark Broadley	INED	8/10	2/4		1/1	1/1
Pierre Milet	INED	8/10			1/1	1/1
Jackson Ng	INED	10/10	4/4	1/1		1/1

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

Responsibilities of the Board

The Board is responsible for:

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

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

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

— Assuming responsibility for corporate governance; and

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

Responsibilities of the Senior Management

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

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

— Submitting annual budgets to the Board on regular basis;

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

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

CORPORATE GOVERNANCE REPORT

Company Secretary

Mr. Karl Guénard was appointed as company secretary on 1 September 2013. During FY2020, Mr. Karl Guénard has complied with the company secretary training requirements under Rule 3.29 of the Listing Rules.

NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

INDUCTION AND ONGOING DEVELOPMENT

Newly appointed Directors receive an induction course to ensure their understanding of the Company's business and their awareness of a Director's responsibilities and obligations. Each member of the Board attended training on corporate governance, regulatory developments and other relevant topics during FY2020 and is frequently updated on developments in the statutory and regulatory regime and the business environment to assist in the discharge of their responsibilities.

COMMITTEES

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

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

During FY2020, each committee met and carried out its duties in accordance with its terms of reference. The authorities, functions, composition and duties of each committee are set out below:

Audit Committee

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

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

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

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

The following is a summary of the work performed by the Audit Committee during FY2020:

i. Review of the report from the auditor on the audit of the final results of the Group for FY2019;

ii. Review of the draft financial statements of the Group for FY2019;

iii. Review of the draft results announcement and annual report of the Group for FY2019;

iv. Review of the audit fees payable to the external auditor for FY2019;

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

vi. Review of the draft results announcement and interim report of the Group for the period ended 30 September 2019;

vii. Review of the financial statements for the period ended 31 December 2019;

viii. Review of the internal control system including the internal audit results analysis and the internal audit plan for 2019–2020, and report to the Board;

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

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

Nomination Committee

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

Objective

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

Nomination Selection Criteria

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

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

— the skills required on the Board at that particular time;

— the relevant diversity considerations under its diversity policy ("Diversity Policy"), including but not limited to gender, age, cultural educational and professional background, skills, knowledge and experience;

— the candidate's personal and professional integrity, professional accomplishment, competencies, experience, skills and reputation in the industry, relevance for the Board;

— the nature of existing positions and relationships including Board positions that may impact the potential candidate's ability to exercise independent judgment or present any potential conflicts of interest;

— the number of existing directorships held by the potential candidate, and in particular on the boards of listed companies, as well as other commitments that may demand the potential candidate's attention;

— in case of independent non-executive director, compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules; and

— any other relevant factors as may be determined by the Committee or the Board from time to time.

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

Nomination Procedures

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

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

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

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

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

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

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

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

Review and Monitor of this Policy

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

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

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

Regarding the proposal of re-election of Mrs. Valérie Bernis and Mr. Pierre Milet as INEDs at the FY2019 AGM, one Nomination Committee meeting was held during FY2020.

Remuneration Committee

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

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

The following is a summary of the work performed by the Remuneration Committee during FY2020:

i. Review of the repartition and cost of the cash Long Term Incentive Plan 2019.

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

iii. Consideration of specific LTI plan for countries which have some difficulties to recruit.

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

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

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

ii. The remuneration the Directors have received (including fees, salaries, discretionary bonus, pension plan allowance, share based payments, housing and other allowances, service fees and other benefits in kind) for FY2020 was approximately €3,389,000. The aggregate amount of fees, salaries, discretionary bonus, pension plan allowance, share-based payments, housing and other allowances, and other benefits in kind paid to the five highest paid individuals of the Group, including certain Directors, for FY2020 was approximately €4,171,000.

We have not paid any remuneration to the Directors or the five highest paid individuals as inducement to join or upon joining us as a compensation for loss of office in respect of FY2020. Further, none of the Directors has waived any remuneration during the same period.

AUDITOR'S REMUNERATION

The fees in relation to the audit and related services for FY2020 provided by PricewaterhouseCoopers, the external auditor of the Company, amounted to approximately €1,380,000 and €332,000 respectively. There were no non-audit services provided by the auditor during the year.

	€'000
Annual audit and interim review services	1,380
Audit related services	332
TOTAL	1,712

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges that it holds responsibility for:

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

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

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

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

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

The statement of the auditor of the Company about its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 78 to 84 of this Annual Report.

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

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

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

The system of risk management and internal control is designed to provide reasonable assurance against human errors, material misstatements, losses, damages, or fraud, and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives. During FY2020, the internal control deviations were addressed effectively and action plans implemented to reduce the risks. The Audit Committee was satisfied that appropriate actions were undertaken and the overall risk management and internal control systems have functioned effectively as intended.

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

DIVIDEND POLICY

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

- Financial results;
- Cash flow situation;
- Business conditions and strategies;
- Future operations and earnings;
- Capital requirements and expenditure plan;
- Interests of shareholders;
- Any restrictions on payment of dividend; and
- Any other factors that the board may consider relevant;

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

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

INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS

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

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

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

SHAREHOLDERS' RIGHTS

Procedure for Shareholders to convene a General Meeting

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

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

Procedure for Shareholders to make enquiries to the Board

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

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

Procedure for Shareholders to put forward proposals at General Meetings

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

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

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

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

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

Procedure for election to the office of Director upon Shareholder proposal

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

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

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

Environmental, Social and Governance (ESG) Report

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

Registered Office

49, Boulevard Prince Henri
L-1724 Luxembourg

Principal Place of Business in Hong Kong

20/F, K11 ATELIER King's Road
728 King's Road
Quarry Bay
Hong Kong


L'OCCITANE

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

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

Name	***Age***	***Position***
Reinold Geiger	72	Executive Director, Chairman and Chief Executive Officer
André Hoffmann	64	Executive Director and Vice-Chairman
Silvain Desjonquères	53	Executive Director and Group Managing Director
Thomas Levilion	60	Executive Director and Group Deputy General Manager, Finance and Administration
Karl Guénard	53	Executive Director and Company Secretary
Martial Lopez	60	Non-Executive Director
Valérie Bernis	61	Independent Non-Executive Director
Charles Mark Broadley	56	Independent Non-Executive Director
Pierre Milet	77	Independent Non-Executive Director
Jackson Chik Sum Ng	59	Independent Non-Executive Director

Reinold Geiger
Executive Director,
Chairman and
Chief Executive Officer

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

DIRECTORS AND SENIOR MANAGEMENT

André Hoffmann
Executive Director and Vice-Chairman

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

Silvain Desjonquères
Executive Director and Group Managing Director

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

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

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

Karl Guénard
Executive Director and Company Secretary

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

DIRECTORS AND SENIOR MANAGEMENT

Martial Lopez
Non-Executive Director

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

Valérie Bernis
Independent Non-Executive Director

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

Charles Mark Broadley
Independent Non-Executive Director

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

Pierre Milet
Independent Non-Executive Director

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

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

Jackson Chik Sum Ng
Independent Non-Executive Director

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

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Alain Buzzacaro

Mr. Alain Buzzacaro, aged 50, is the Group Chief Technology Officer. Mr. Buzzacaro joined the Group in January 2019, overseeing the Group's information technology function, including sell-out & digital ecosystem, core IT systems, data capabilities, infrastructure and infosec. He has over 25 years of solid experience in software engineering and deployed successfully Agile methodologies. He previously held senior positions at OCTO Technologies, France Télévisions, LesFurets.com, and Bureau Veritas. Mr. Buzzacaro holds a bachelor degree of science in computer science from INSA Engineer school of Toulouse, France.

Michele Mallardi Gay

Mrs. Michele Mallardi Gay, aged 47, is the co-Founder, Chairman, and co-CEO of LimeLife by Alcone. In May 2017, the company Mrs. Gay founded with her niece became part of the Group. Prior to starting LimeLife by Alcone, Mrs. Gay was the President of her family's cosmetic business, Alcone, which was founded in 1952 and is specialized in professional makeup for film, television and theatrical productions. She has also served as a high school science teacher through an organization called Teach For America, and a website project manager. She graduated from Cornell University in 1994 as a Biological Science major.

Adrien Geiger

Mr. Adrien Geiger, aged 35, is the Group Sustainability Officer and the L'Occitane en Provence Global Brand Director. Mr. Geiger joined the Group in 2014 as Product Manager, and progressed to Digital Director shortly after. He was then Global Brand Director, in charge of marketing strategy, customer experience and revamping the e-commerce website of L'Occitane en Provence. Before joining the Group, Mr. Geiger worked for Électricité de France, a French energy group, for 3 years. Mr. Geiger graduated from the University of Oxford, UK with a degree in engineering and from the Wharton School in Pennsylvania, USA with an MBA in digital marketing. Adrien is the son of Mr. Reinold Geiger, Chairman of the Group, and brother of Mr. Nicolas Geiger, President of L'Occitane Japan.

Nicolas Geiger

Mr. Nicolas Geiger, aged 39, is the President of L'Occitane Japan. Mr. Geiger joined the Group in 2011 as Marketing and Retail Director in Brazil and was then promoted to Managing Director of Brazil in 2014. Nicolas continues to be in charge of the development of the L'Occitane au Brésil brand. Mr. Geiger holds a Master's degree in Engineering, Economics and Management from the University of Oxford, UK and an MBA from INSEAD. Nicolas is the son of Mr. Reinold Geiger, Chairman of the Group, and brother of Mr. Adrien Geiger, L'Occitane en Provence Global Brand Director.

Lorenzo Giacomoni

Mr. Lorenzo Giacomoni, aged 51, is the Group Operations Vice President. Mr. Giacomoni joined the Group in October 2012, overseeing the Group's supply chain, including demand planning, stock management, order to delivery, warehousing and distribution, indirect procurement as well as the Group's information technology function. He has over 20 years of solid experience in FMCG and beauty sectors, and previously held senior positions in supply chain at SC Johnson Wax, Beiersdorf, Reckitt & Colman and Coty. Mr. Giacomoni holds a master's degree in industrial technology engineering from the University of Milan, Italy.

Jean-François Gonidec

Mr. Jean-François Gonidec, aged 63, is the Group's Deputy General Manager principally in charge of supply chain management. From January 2014, he is a "General Manager" ("Directeur Général") of Laboratoires M&L. Mr. Gonidec joined the Group in March 2009 and has extensive experience in project management and in managing a production plant and its supply chain. In addition, he has also assumed responsibilities as financial controller in the course of his career. After having worked in different functions and for different legal entities of the Danone Group during a period of 18 years, he gained further experience at other organisations including the Group Madrange between March 2007 and February 2009 and at Pierre Fabre Dermo Cosmétique between March 2001 and February 2007. Mr. Gonidec graduated from INSA LYON with a degree in engineering in 1981.

Séan Harrington

Mr. Séan Harrington, aged 54, serves as the Chief Executive Officer of ELEMIS. He is one of the co-founders, a trio of whom are still leading the day-to-day operations of the 30-year-old company. Mr. Harrington began his career distributing European beauty brands. At 24, he partnered with the Co-Founders to launch ELEMIS. As the brand grew, Mr. Harrington has led all functions within the company to develop a deep understanding of the business. In 1996, he successfully steered the business to acquisition by Steiner Leisure Limited and subsequent IPO on Nasdaq, and then in 2015 transitioned ELEMIS to private equity ownership. In March 2019, ELEMIS was acquired by the Group, a partner to support the expansion of ELEMIS' global footprint to be the leading global skincare brand. Mr. Harrington is known for his entrepreneurial leadership style, encouraging ELEMIS employees at every level to embrace disruptive strategies to engage and excite consumers. Under his leadership, the brand has evolved from a homegrown business into a global brand.

Marcin Jerzy Jasiak

Mr. Marcin Jerzy Jasiak, aged 53, holds both Polish and Swiss nationality. He is the President of Greater Europe Area, including Western, Central and Eastern Europe and Russia. Mr. Jasiak manages also the Group's B-to-B and export divisions. Mr. Jasiak joined the Group in March 2003 as a director for export in Geneva and subsequently became the managing director of STREAM region, and President of Greater Europe Business Unit in 2019. Prior to joining the Group, Mr. Jasiak was a consultant at KPMG specializing in due diligence and audit. He joined Procter & Gamble, Inc. in 1993 where he worked at different marketing positions in Poland, Germany and Switzerland. Mr. Jasiak graduated from the University of Warsaw, Poland with two master's degrees, in English Philology and management and marketing, and from the University of Illinois at Urbana-Champaign, USA with a master's degree in business administration. Mr. Jasiak is based in Geneva, Switzerland.

Lina Ly-Dutron

Ms. Lina Ly-Dutron, aged 48, is the Group's Managing Director for Asia Pacific. Ms. Ly-Dutron joined the Group in January 2018. She has about 20 years of experience in Asia, starting her career as Brand Manager for Sanofi China, followed by 2 years as Chief Representative of Bluebell to set up their office in China. In 2002, she started her career in luxury beauty as General Manager for Chanel's Cosmetic Division in China. From 2008 to 2017, Ms. Ly-Dutron held various management positions at L'Oréal Group; first as Division Manager for Lancôme in Travel Retail Asia Pacific, then General Manager of L'Oreal Luxe Division Hong Kong and lastly as General Manager of Decleor & Carita in the USA. Ms. Ly-Dutron holds a Masters Degree from the Lincoln International Business School and a D.E.S.S. from the Sorbonne, as well as a Bachelor Degree in Chinese language and civilization from the Institut National Des Langues et Civilisations Orientales in Paris.

DIRECTORS AND SENIOR MANAGEMENT

Armelle Saint-Raymond

Mrs. Armelle Saint-Raymond, aged 53, is the Group Human Resources Vice President. Mrs. Saint-Raymond joined the Group in January 2018. She has over 25 years of experience in the human resources field, having held senior Human Resources positions in different divisions of French cosmetics group, Groupe Rocher, and at US industrial group, 3M. Mrs. Saint-Raymond graduated from École supérieure de commerce de Lille with Human Resources specialization, and from CELSA Sorbonne University with a Master's degree in Human Resources Management. She also obtained qualifications in Coaching by Transformance and in Neuro-Linguistic Programming.

Yann Tanini

Mr. Yann Tanini, aged 42, is the Group's Managing Director for North America. Mr. Tanini joined the Group in June 2019 and has over 15 years of experience in retail and e-commerce. He held various senior positions at Fullbeauty brands where he grew their e-commerce department and was most recently the President of Bluefly, a luxury e-commerce marketplace. Mr. Tanini graduated from Ecole Spéciale de Mécanique et d'Electricité with a master's degree in engineering in 2001 and EM Lyon with a master's degree in technology and innovation management in 2003.

Aline Valatin

Mrs. Aline Valantin, aged 41, is the Group Managing Director for Travel Retail, Export, B to B & Spa worldwide. Mrs. Aline Valantin joined the Group in August 2019. She has about 20 years of solid experience in Travel Retail and Export management thanks to key experiences in Marketing, Sales and Management positions at Estée Lauder, Bacardi Martini, Benetton, Guerlain and LVMH Group in Asia Pacific and Europe. Mrs. Valantin holds a master degree of International Trade from ESSCA Business School and is currently undertaking an executive education at HEC Paris on Marketing and Digital.

DIRECTORS' REPORT

"THE DIRECTORS SUBMIT THEIR REPORT TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2020."

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The Company is an international group that manufactures and retails beauty and well-being products that are rich in natural and organic ingredients. As a global leader in the premium beauty market, the Company has more than 3,000 retail outlets, including over 1,600 owned stores, and is present in 90 countries. Through its six brands — L'OCCITANE en Provence, Melvita, Erborian, L'OCCITANE au Brésil, LimeLife by Alcone and ELEMIS — the Company offers new and extraordinary beauty experiences, using high quality products that respect nature, the environment and the people who surround it.

An analysis of the Group's performance for FY2020 by operating segments is set out in note 5 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the Management Discussion & Analysis on pages 10 to 33 of this Annual Report. Description of possible risks and uncertainties that the Group may be facing can be found in the Chairman's Statement on pages 6 to 7 of this Annual Report. Also, the financial risk management objectives and policies of the Group can be found in Note 2.14 to the consolidated financial statements. Particulars of important events if any affecting the Group that have occurred since the end of the financial year ended 31 March 2020 are provided in Note 34 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Balance Sheet and cash-flow review on pages 25 to 27 of this Annual Report. In addition, discussions on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Chairman's Statement on page 6 and Corporate Governance Report on page 35 and in this Directors' Report on page 63 and in the ESG report available on the Group's corporate website in due course.

RESULTS AND DIVIDENDS

The results of the Group for FY2020 are set out in the Consolidated Statements of Income on page 85 of this Annual Report.

The Board recommends a final dividend of €0.02228 per Share. The payment shall be made in Euros, except that payment to Shareholders whose names appear on the register of members in Hong Kong shall be paid in Hong Kong dollars. The relevant exchange rate will be the opening buying telegraphic transfer rate of Hong Kong dollars to Euros as announced by the Hong Kong Association of Banks (www.hkab.org.hk) on the day of the approval of the dividend.

The final dividend will be subject to approval by the Shareholders at the forthcoming AGM to be held on 30 September 2020. The record date to determine which Shareholders will be eligible to attend and vote at the forthcoming AGM will be on 30 September 2020. The register of members of the Company will be closed from Friday, 25 September 2020 to Wednesday, 30 September 2020, both days inclusive, during which period no share transfers can be registered. All transfers accompanied by the relevant share certificate(s) must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited ("Computershare"), at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 24 September 2020.

Subject to the Shareholders approving the recommended final dividend at the forthcoming AGM, such dividend will be payable on Friday, 23 October 2020 to Shareholders whose names appear on the register of members on Tuesday, 13 October 2020. To determine eligibility for the final dividend, the register of members will be closed from Thursday, 8 October 2020 to Tuesday, 13 October 2020, both days inclusive, during which period no share transfers can be registered. In order to be entitled to receive the final dividend, all transfers accompanied by the relevant share certificate(s) must be lodged with Computershare, not later than 4:30 p.m. on Wednesday, 7 October 2020.

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

FIVE YEARS FINANCIAL SUMMARY

The five years financial summary of the Group is set out on page 192 of this Annual Report.

DISTRIBUTABLE RESERVES

As at 31 March 2020, the Company's reserves available for distribution to Shareholders in accordance with the Articles of Association as adopted on 15 April 2010 and last amended on 30 September 2014 amounted to approximately €704,501,388.

DONATIONS

Charitable and other donations made by the Group during FY2020 amounted to around €1,700,000, including the product costs of the hand sanitizers and hygiene products donated to health workers, organizations and hospitals during the COVID-19 pandemic.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During FY2020, the Company transferred out of treasury a total of 680,350 Shares held in treasury pursuant to the employees' free share plan of the Company. The Company held 15,232,370 shares in treasury on 31 March 2020. Save as disclosed above, neither the Company nor its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during FY2020.

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

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

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

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 March 2020 are set out in note 35 to the consolidated financial statements.

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company during FY2020 and up to the date of this Annual Report were:

Executive Directors

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

Non-Executive Director

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

Independent Non-executive Directors

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

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

BIOGRAPHICAL INFORMATION OF DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

As at 31 March 2020, the following Directors or chief executive of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) (i) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provision of the SFO), (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or (iii) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code:

(a) Interests in the shares of the Company

Name of Director	Capacity and Nature of Interest	Number of Shares/ Underlying Shares Held or Controlled	Approximate % of Shareholding (Note 2)
Reinold Geiger (Note 1)	Interest in controlled corporation, beneficial interest and deemed interest	1,095,207,972 (long position)	74.15%
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%
Pierre Milet	Beneficial interest	150,000 (long position)	0.01%
Martial Lopez	Beneficial interest	60,000 (long position)	0.00%
Jackson Chik Sum Ng	Beneficial interest	30,000 (long position)	0.00%

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 77.13% of the entire issued share capital of LOG (being beneficial owner of 10,824,484 shares, having deemed interest in 1,007,895 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 15,232,370 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 15,232,370 shares that are held in treasury and do not have voting rights whilst they are held in treasury.*

DIRECTORS' REPORT

(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	11,832,632 (Note 1)	77.13%
André Hoffmann	Beneficial interest and deemed interest	2,868,676	18.70%
Silvain Desjonquères	Beneficial interest	27,700	0.18%
Thomas Levilion	Beneficial interest	22,931	0.15%
Martial Lopez	Beneficial interest	12,800	0.08%
Karl Guénard	Beneficial interest	6,800	0.04%

Notes:

(1) *Comprised of 253 shares held by Mr. Reinold Geiger, 10,824,484 shares held by CIME and 1,007,895 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 1,007,895 treasury shares held by LOG.*

Save as disclosed herein, as at 31 March 2020, none of the Directors and chief executive of the Company, or any of their spouses, or children under 18 years of age, had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations recorded in the register required to be kept by the Company under section 352 of the SFO or required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

INTERESTS IN THE SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS

As at 31 March 2020, 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	1,093,782,011 (long position) (Note 1)	74.06%
Cime S.C.A.	Interest in controlled corporation and deemed interest	1,093,782,011 (long position) (Note 1)	74.06%
Société d'Investissements CIME S.A.	Interest in controlled corporation and deemed interest	1,093,782,011 (long position) (Note 1)	74.06%
LOG	Interest in controlled corporation and deemed interest	1,093,782,011 (long position) (Note 1)	74.06%
ACATIS Investment Kapitalverwaltungsgesellschaft mbH	Executor or administrator	104,000,000 (long position) (Note 2)	7.04%

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 77.12% of the total issued share capital of LOG (being beneficial owner of 10,824,484 shares and having deemed interest in 1,007,895 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 15,232,370 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 15,232,370 shares that are held in treasury and do not have voting rights whilst they are held in treasury.

Save as disclosed herein, as at 31 March 2020, 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.

DIRECTORS' REPORT

ISSUED SHARES IN THE YEAR

Details of the Shares issued for the year ended 31 March 2020 are set out in note 18 to the consolidated financial statements.

SHARE OPTION PLANS

On 30 September 2010, a meeting of the Shareholders authorized 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 optimize their performance, effectiveness and efficiency for the benefit of the Group and attract and retain or otherwise maintain ongoing business relationships with those Eligible Persons whose contributions are or will be beneficial to the long-term growth of the Group. The maximum number of Shares in respect of which Options may be granted under the Share Option Plan 2016 shall not exceed 29,291,184 shares, being 2% of the Company's issued share capital (excluding shares held in treasury) as at 30 September 2016.

As at 31 March 2020, the total number of shares granted under the Share Option Plan 2016 was 18,000,100, leaving a balance of 11,291,084 Options representing 0.76% of the issued Shares as at date of this Annual Report. No share options were granted under the Share Option Plan 2016 during this year and the Share Option Plan 2016 expired on 27 September 2019.

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

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

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

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

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

Particulars and movements of share options granted under the Share Option Plans 2010, 2013 and 2016 (the "2010, 2013 and 2016 Options") during the year ended 31 March 2020 were as follows. No share options were granted under the Share Option Plan 2016 during this period.

Name/Category of Participant	As of 01/04/2019	Number of share options Granted during the period	Cancelled or forfeited during the period	Exercised during the period	As of 31/03/2020	Date of grant	Exercise period (Note 1)	Exercise price per share (HK$)	Price immediately preceding the date of grant (Note 2) (HK$)
Directors									
Reinold Geiger	105,000	–	(105,000)	–	–	4-Apr-11	04/04/2015-03/04/2019	19.84	19.84
	277,211	–	–	–	277,211	28-Nov-12	28/11/2016-28/11/2020	24.47	24.35
André Hoffmann	105,000	–	(105,000)	–	–	4-Apr-11	04/04/2015-03/04/2019	19.84	19.84
	277,211	–	–	–	277,211	28-Nov-12	28/11/2016-28/11/2020	24.47	24.35
Thomas Levilion	105,000	–	(105,000)	–	–	4-Apr-11	04/04/2015-03/04/2019	19.84	19.84
	118,000	–	–	–	118,000	28-Nov-12	28/11/2016-28/11/2020	24.47	24.35
	311,500	–	–	–	311,500	4-Dec-13	04/12/2017-03/12/2021	17.62	17.62
	91,000	–	–	–	91,000	24-Feb-15	24/02/2019-23/02/2023	19.22	19.22
	488,200	–	–	–	488,200	23-Mar-16	23/03/2020-22/03/2024	14.36	14.00
	418,600	–	–	–	418,600	10-Feb-17	10/02/2021-10/02/2025	15.16	15.03
	413,000	–	–	–	413,000	29-Mar-18	29/03/2022-29/03/2026	14.50	14.50
Karl Guénard	90,500	–	–	–	90,500	4-Dec-13	04/12/2017-03/12/2021	17.62	17.62
	97,600	–	–	–	97,600	23-Mar-16	23/03/2020-22/03/2024	14.36	14.00
	83,700	–	–	–	83,700	10-Feb-17	10/02/2021-10/02/2025	15.16	15.03
	82,600	–	–	–	82,600	29-Mar-18	29/03/2022-29/03/2026	14.50	14.50
Jackson Chik Sum Ng	50,000	–	(50,000)	–	–	4-Apr-11	04/04/2015-03/04/2019	19.84	19.84
Sub-total (Note 3)	3,114,122	–	(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	–	(140,500)	–	831,000	26-Oct-12	26/10/2016-26/10/2020	23.60	23.60
	3,416,000	–	(426,000)	(370,250)	2,619,750	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	–	(564,500)	–	3,220,500	23-Mar-16	23/03/2020-22/03/2024	14.36	14.00
	6,516,400	–	(1,130,300)	–	5,386,100	10-Feb-17	10/02/2021-10/02/2025	15.16	15.03
	5,592,400	–	(1,010,200)	–	4,582,200	29-Mar-18	29/03/2022-29/03/2026	14.50	14.50
Sub-total (Note 3)	21,582,625	–	(4,425,825)	(370,250)	16,786,550				
Total	24,696,747	–	(4,790,825)	(370,250)	19,535,672				

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.*

DIRECTORS' REPORT

(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 €4,701,000 was included in the consolidated statements of comprehensive income for the year ended 31 March 2020 (year ended 31 March 2019: €5,855,000). These expenses included the amortization 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 authorized 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 optimize 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 were vested on 24 March 2020.

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

None of the Free Shares had been granted under the Free Share Plan 2018 as at 31 March 2020.

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 year ended 31 March 2020, the Company was in compliance with the conditions of the Waiver.

The Company holds as at 31 March 2020, 15,232,370 ordinary shares as treasury shares, and the total number of ordinary shares in issue (excluding shares held as treasury shares) is 1,461,732,521.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

At the end of the year or at any time during FY2020, there was no transaction, arrangement or contract of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party, and in which a Director had, whether directly or indirectly, a material interest.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 March 2020 and up to the date of this Annual Report.

PERMITTED INDEMNITY PROVISION

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

EQUITY-LINKED AGREEMENTS

Save as disclosed in the Directors' Report regarding the grant of Share Options and Free Shares during the year ended 31 March 2020, the Company has not entered into any other equity-linked agreement.

CONNECTED TRANSACTIONS

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

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

DIRECTORS' REPORT

(1) Sublease agreement

On 26 July 2017, the Group (as sub-lessor) entered into a sub-lease agreement with P2S2 for an initial period of 3 years from 1 August 2017 to 20 July 2020. Rentals for the property subleasing were determined after arm's length negotiations between the parties with reference to the prevailing market rent for comparable premises. The Group recharged rentals of €1,673,000 for the year ended 31 March 2020.

(2) Paris supply and distribution agreement

On 8 December 2017, the Group (as purchaser) entered into a supply and distribution agreement with P2S2 for the Champs-Elysées shop in Paris, France for an initial period from 7 December 2017 to 20 July 2020. P2S2 shall supply Pierre Hermé products to the Champs-Elysées shop of the Group. The parties also agreed to reimburse each other for certain expenses relating to the operation of the shop. For the year ended 31 March 2020, P2S2 invoiced the Group €1,954,000 for supply of Pierre Hermé products, €1,599,000 for services related to sales of products. The Group also invoiced P2S2 €522,000 for reimbursement of fees and charges.

(3) London supply and distribution agreement

On 8 December 2017, the Group (as purchaser) entered into a supply and distribution agreement with P2S2 for the Regent Street shop in London, UK for an initial period from 15 December 2017 to 14 December 2020. For the year ended 31 March 2020, P2S2 issued credit note of €8,000 to the Group for the net return of Pierre Hermé products. The agreement was terminated during FY2020.

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

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

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

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

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

Pursuant to rule 14A.56 of the Listing Rules, the Board of Directors engaged the Company's auditor to perform certain procedures in respect of the continuing connected transactions set out above in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has, based on the procedures performed, issued an unqualified letter containing his findings and conclusions in respect of the continuing connected transactions to the Board of Directors. Save as disclosed above, none of the transactions disclosed as related party transactions in Note 32 to the consolidated financial statements is a connected transaction or a continuing connected transaction which is subject to the reporting and disclosure requirements under the Listing Rules. The Company has complied with the disclosure requirements governing connected transactions under the Listing Rules.

BANK LOANS AND OTHER BORROWINGS

Details of the Group's bank loans and other borrowings as at 31 March 2020 are set out in note 19 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

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

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes of the Group are set out in note 20 to the consolidated financial statements.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

CORPORATE GOVERNANCE REPORT

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

CONTINGENT LIABILITIES

Details of contingent liabilities are set out in notes 30.2 to the consolidated financial statements.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 34 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

HUMAN RESOURCES

As at 31 March 2020, the Group had 9,347 employees (31 March 2019: 8,601 employees).

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

By order of the Board

Reinold Geiger
Chairman
29 June 2020


Verveine
Agrumes
EAU DE TOILETTE
à l'extrait de Verveine Bio
de Provence
L'OCCITANE
EN PROVENCE
3.3 FL.OZ

CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of L'Occitane International S.A. (the "Company") and its subsidiaries (the "Group") as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board and as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 March 2020;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in shareholders' equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

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

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

Key audit matters

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

Key audit matter

Revenue recognition

For the year ended 31 March 2020, the Group has revenue of €1,644 million.

As described in the note 2.22, sales of goods to the customers are recognised when control of the product has transferred.

The revenue is recognized as follows:

(a) Sales of goods — retail (Sell-out channel): comprises the sales of the products directly to the final customers mainly through a worldwide network of stores and Group's website. Sell-out accounted for approximately 69.2% of the total revenue. The revenue is recognized when the Group sells a product to the customer at the store.

We focused on this area due to the risks arising from the large volume of transactions generated from the sale of different products to a significant number of customers that take place in many different locations. This area required significant audit attention to test the occurrence and accuracy of this kind of transactions.

(b) Sales of goods — wholesalers and distributors (Sell-in channel): comprises the sales of the products to an intermediate (mainly distributors, wholesalers, TV show channels and travel retailers). This channel also comprises sales of products to corporate customers and the sales of the Group's products to an intermediate who will provide them as free amenities to its final customers. The revenue is recognized when control of the products is transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products.

We focused on this area due to the risk of revenue being recognised inappropriately close to the year-end.

How our audit addressed the Key audit matter

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

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

We tested the different revenue streams as follows:

For retail sales, our procedures included:

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

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

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

For wholesalers and distributors sales, our procedures included:

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

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

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

(d) Reviewing management's estimate related to the loyalty program's redemption rate.

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

Key audit matters *(continued)*

Key audit matter	How our audit addressed the Key audit matter
Revenue recognition (continued) Customer loyalty programs are used by the Group to provide customers with incentives to buy their products. Each time a customer buys goods, or performs another qualifying act, the Group grants the customer award credits. The Group accounts for award credits as a separately identifiable component of the sales transactions, as deferred revenue. The Group then recognizes revenue in respect of the award credits in the periods which awards credits are redeemed. We focused on this area due to the risk arising from the volume of award credits generated in different locations and from the management estimates about the total number of award credits expected to be redeemed.	
Assessment of impairment on non-current assets and goodwill As at 31 March 2020, the Group had goodwill of €761.9 million, intangible assets of €341.6 million (including trademarks for €275.6 million), right-of-use assets of €429.5 million and leasehold improvements for €54.7 million in property, plant and equipment as at 31 March 2020. As mentioned in the note 2.8.a) and note 2.4., due to the recent business combinations with Elemis and LimeLife, the Group has modified its internal reporting in order to assess performance and allocate resources from a brand perspective. As a consequence, management decided to allocate goodwill and trademarks to cash generating units (CGU) corresponding to operating segments, except for the historical goodwill arising from the acquisition of L'Occitane distributors in certain countries. Management performed an annual review of the CGU to which goodwill and other non-current assets are allocated to assess that their carrying value does not exceed its recoverable amount. The recoverable amount is determined based on expected future cash flow projections.	(a) We assessed the accuracy of the allocation of goodwill and trademarks to their respective CGU; (b) We assessed the compliance of the impairment testing methodology adopted by the Group with prevailing accounting standards; (c) We assessed the Group's process and controls by which the projections were drawn up and compared the underlying inputs to the latest plan approved by Management; (d) We tested the accuracy of assets included in the carrying amount of the CGU to which the goodwill and trademarks have been allocated; (e) We reviewed the consistency of cash flow projections with management's assumptions and the economics environment in which the Group operates. We have notably evaluated the impact of COVID-19 considered by the management in the assumptions for the next fiscal year and the reasonableness of the estimate;

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

Key audit matters *(continued)*

Key audit matter

Assessment of impairment on non-current assets and goodwill (continued)

We considered the valuation of those specific assets to be a key audit matter as they required significant audit attention due to the their size but also because the Group's assessment of the recoverable amounts is usually based on the future performance of the business (e.g. forecasted sales based on stores' location, COVID-19 impact on future cash-flows, expectations of market developments) and the discount rates applied to the future cash flow forecast which involves significant management assumptions, judgments and estimates as detailed in the note 4 to the consolidated financial statements.

How our audit addressed the Key audit matter

(f) We assessed the reasonability of the growth rates used for projected cash flows with available external analyses and/or the historical growth rates in net sales;

(g) We assessed, with the assistance of our valuation experts:

- the consistency of the long-term growth rates and;
- the reasonableness of post-tax discount rates applied to projected cash flows.

(h) We compared the projected cash flows of previous business plans with the actual results to assess the reasonableness of the assumptions;

(i) We assessed management's sensitivity analysis with respect to variations of key assumptions adopted, to evaluate the extent to which reasonably possible changes, both individually and in aggregate, would impact outcomes of the impairment assessment;

(j) We assessed the appropriateness of information disclosed in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

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

Key audit matters *(continued)*

Key audit matter

Initial application of IFRS 16 Leases

As described in note 2.1. to the consolidated financial statements, 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 at 1 April 2019, the initial application of this standard led to the recognition of:

- Right-of- use assets with a carrying amount of €485.1 million within "Other non-current assets";
- Lease liabilities totalling €466.5 million, including €106.8 million in current lease liabilities.

As at 31 March 2020, as described in the note 8 to the consolidated financial statements, the right-of-use assets mainly relate to stores leases.

We consider the initial application of IFRS 16 Leases as a key audit matter, given the significant importance of the amounts involved, the volume of existing contracts and the degree to which their value is determined based on management's judgment and estimates, in particular concerning the assumptions used for lease terms and discount rates.

How our audit addressed the Key audit matter

With the support of our local audit teams and our specialists:

(a) We assessed the appropriateness of the methods used by the Group to identify and record contracts containing a lease and to determine the main assumptions, in particular those related to the lease terms and discount rates applicable to lease liabilities;

(b) We tested the effectiveness of the key controls that we considered most relevant regarding the information systems and processes put in place by the Group;

(c) We assessed the accuracy and completeness of the lease data included in the calculation by comparing the scope of the leases with the operating leases identified under the old standard, by assessing the residual lease expenses and by agreeing a sample of leases to the underlying contracts;

(d) We assessed the appropriateness/compliance of the approach to transition with specific focus on the practical expedients chosen;

(e) We assessed the appropriateness of the assumptions used by Management to determine the residual lease duration;

(f) We assessed the appropriateness and completeness of the disclosure required by IFRS 16 as included in the notes to the consolidated financial statements, including information on the initial application.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

Other information

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

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

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

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

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

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

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

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

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

INDEPENDENT AUDITOR'S REPORT

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

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

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

PricewaterhouseCoopers, Société coopérative — Luxembourg, 3 July 2020

Represented by

Magalie Cormier

CONSOLIDATED STATEMENTS OF INCOME

Year ended 31 March *In thousands of Euros, except per share data*	*Notes*	***2020***	***2019***
Net sales	(5.2)	**1,644,083**	**1,426,874**
Cost of sales		(302,852)	(239,901)
Gross profit		**1,341,231**	**1,186,973**
% of net sales		*81.6%*	*83.2%*
Distribution expenses	(23)	(765,569)	(700,374)
Marketing expenses	(23)	(206,622)	(186,042)
Research and development expenses	(23)	(21,306)	(17,879)
General and administrative expenses	(23)	(159,968)	(132,542)
Other (losses)/gains, net	(24)	(503)	611
Operating profit		**187,263**	**150,747**
Finance income	(25)	2,614	479
Finance costs	(25)	(24,781)	(4,075)
Foreign currency (losses)/gains	(26)	(4,556)	1,073
Profit before income tax		**160,540**	**148,224**
Income tax expense	(27)	(45,300)	(30,655)
Profit for the year		**115,240**	**117,569**
Attributable to:			
Equity owners of the Company		116,288	118,186
Non-controlling interests	(11)	(1,048)	(617)
Total		**115,240**	**117,569**
Earnings per share for profit attributable to the equity owners of the Company during the year *(expressed in euros per share)*			
Basic	(28)	0.080	0.081
Diluted	(28)	0.079	0.081
Number of shares used in earnings per share calculation			
Basic	(28)	1,461,732,521	1,461,052,171
Diluted	(28)	1,464,509,877	1,465,920,934

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Year ended 31 March *In thousands of Euros, except per share data*	*Notes*	***2020***	***2019***
Profit for the year		**115,240**	**117,569**
Items that will not be reclassified to profit or loss			
Changes in the fair value of equity investments at fair value through other comprehensive income	(3.3)	(448)	(576)
Actuarial gains/(losses) on defined benefit obligation	(27.5)	445	(21)
		(3)	**(597)**
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges fair value losses		(452)	(77)
Currency translation differences[(2)]	(27.5)	5,319	24,071
		4,867	**23,994**
Other comprehensive income for the year, net of tax [(1)]		**4,864**	**23,397**
Total comprehensive income for the year		**120,104**	**140,966**
Attributable to:			
Equity owners of the Company		119,267	139,747
Non-controlling interests	(11)	837	1,219
Total comprehensive income for the year		**120,104**	**140,966**

(1) Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 27.5.

(2) Over the year ended 31 March 2019, currency translation differences included €895,000 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. This amount is nil as of 31 March 2020.

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

CONSOLIDATED BALANCE SHEETS

ASSETS *In thousands of euros*	*Notes*	***31 March 2020***	***31 March 2019*** [(a)]
Property, plant and equipment	(7)	180,505	198,662
Right-of-use assets	(8)	429,451	–
Goodwill [(a)]	(9)	761,926	750,671
Intangible assets [(a)]	(10)	341,577	366,535
Deferred income tax assets [(a)]	(27.2)	76,521	74,620
Other non-current assets	(12)	65,331	57,581
Non-current assets		**1,855,311**	**1,448,069**
Inventories	(13)	203,966	202,827
Trade receivables	(14)	131,571	143,392
Other current assets	(15)	50,565	66,307
Derivative financial instruments	(16)	604	50
Cash and cash equivalents [(a)]	(17)	166,342	144,442
Current assets		**553,048**	**557,018**
TOTAL ASSETS		**2,408,359**	**2,005,087**

EQUITY AND LIABILITIES *In thousands of euros*	*Notes*	***31 March 2020***	***31 March 2019***
Share capital	(18)	44,309	44,309
Additional paid-in capital	(18)	342,851	342,851
Other reserves [(a)]		(86,918)	(81,530)
Retained earnings		798,238	724,132
Capital and reserves attributable to the equity owners		**1,098,480**	**1,029,762**
Non-controlling interests [(a)]	(11)	76,855	67,461
Total equity		**1,175,335**	**1,097,223**
Borrowings	(19)	361,493	569,378
Lease liabilities	(8)	322,426	–
Other financial liabilities	(8.3)	17,978	14,011
Other non-current liabilities	(20)	22,929	34,448
Deferred income tax liabilities [(a)]	(27.2)	42,021	32,135
Non-current liabilities		**766,847**	**649,972**
Trade payables	(21)	145,994	141,247
Social and tax liabilities		72,809	70,078
Current income tax liabilities	(27)	12,270	10,731
Borrowings	(19)	113,556	8,562
Lease liabilities	(8)	99,206	–
Derivative financial instruments	(16)	208	849
Provisions	(22)	1,525	7,124
Other current liabilities	(20)	20,609	19,301
Current liabilities		**466,177**	**257,892**
TOTAL EQUITY AND LIABILITIES		**2,408,359**	**2,005,087**

(a) Including retrospective adjustment on ELEMIS goodwill due to the final fair value of the acquisition (note 6.1).

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of Euros (except "Number of Shares")	*Notes*	Number of shares	Share capital	Additional paid-in capital	Attributable to equity owners of the Company – Other reserves: Share based payments	Treasury shares	Cumul. Currency Transl. Diff.	Excess of consideration in transaction with non-controlling interests	Actuarial gains/ (losses)	Other reserves	Profit for the year	Non-controlling interests	TOTAL EQUITY
Balance at 31 March 2018		**1,476,964,891**	**44,309**	**342,851**	**19,781**	**(26,074)**	**(42,838)**	**(55,976)**	**(378)**	**109**	**649,189**	**7,828**	**938,801**
Comprehensive income													
Profit for the year		–	–	–	–	–	–	–	–	–	118,186	(617)	117,569
Other comprehensive income													
Currency translation differences		–	–	–	–	–	22,235	–	–	–	–	1,836	24,071
Actuarial gain/(loss) on defined benefit obligation	(27.5)	–	–	–	–	–	–	–	(21)	–	–	–	(21)
Changes in the fair value of equity investments at fair value through other comprehensive income	(3.3)	–	–	–	–	–	–	–	–	(576)	–	–	(576)
Cash flow hedge fair value gain/(loss), net of tax		–	–	–	–	–	–	–	–	(77)	–	–	(77)
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	***22,235***	**-**	***(21)***	***(653)***	***118,186***	***1,219***	***140,966***
Transactions with owners													
Allocation of prior year earnings		–	–	–	–	–	–	–	–	–	–	–	–
Dividends declared		–	–	–	–	–	–	–	–	–	(43,400)	(34)	(43,434)
Distribution of 369,700 free shares		–	–	–	(598)	598	–	–	–	–	–	–	–
Share-based payment: value of employee benefit	(18.3)	–	–	–	4,777	–	–	–	–	–	–	1,078	5,855
Transactions with non-controlling interests		–	–	–	–	–	–	–	–	117	–	(400)	(283)
Total contributions by and distributions to owners of the Company		**-**	**-**	**-**	***4,179***	***598***	**-**	**-**	**-**	***117***	***(43,400)***	***644***	***(37,862)***
Non-controlling interests recorded as a liabilities		–	–	–	–	–	–	(5,804)	–	–	157	(157)	(5,804)
Transaction with non-controlling interests in Elemis		–	–	–	–	–	–	3,195	–	–	–	57,927	61,122
Total transactions with owners		**-**	**-**	**-**	**-**	**-**	**-**	***(2,609)***	**-**	**-**	***157***	***57,770***	***55,318***
Balance at 31 March 2019		**1,476,964,891**	**44,309**	**342,851**	**23,960**	**(25,476)**	**(20,603)**	**(58,585)**	**(399)**	**(427)**	**724,132**	**67,461**	**1,097,223**

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

In thousands of Euros (except "Number of Shares")	*Notes*	Number of shares	Share capital	Additional paid-in capital	Share based payments	Treasury shares	Cumul. Currency Transl. Diff.	Excess of consideration in transaction with non-controlling interests	Actuarial gains/ (losses)	Other reserves	Profit for the year	Non-controlling interests	TOTAL EQUITY
		Attributable to equity owners of the Company											
					Other reserves								
Balance at 31 March 2019		**1,476,964,891**	**44,309**	**342,851**	**23,960**	**(25,476)**	**(20,603)**	**(58,585)**	**(399)**	**(427)**	**724,132**	**67,461**	**1,097,223**
Comprehensive income													
Profit for the year		–	–	–	–	–	–	–	–	–	116,288	(1,048)	115,240
Other comprehensive income													
Currency translation differences		–	–	–	–	–	3,434	–	–	–	–	1,885	5,319
Actuarial gain/(loss) on defined benefit obligation	(27.5)	–	–	–	–	–	–	–	445	–	–	–	445
Changes in the fair value of equity investments at fair value through other comprehensive income	(3.3)	–	–	–	–	–	–	–	–	(448)	–	–	(448)
Cash flow hedge fair value gain/(loss), net of tax		–	–	–	–	–	–	–	–	(452)	–	–	(452)
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	***3,434***	**-**	***445***	***(900)***	***116,288***	***837***	***120,104***
Transactions with owners													
Allocation of prior year earnings		–	–	–	–	–	–	–	–	–	–	–	–
Dividends declared		–	–	–	–	–	–	–	–	–	(43,309)	(2,317)	(45,626)
Distribution of 311,500 free shares and 370,250 stock options		–	–	–	(1,100)	1,100	–	–	–	–	–	–	–
Share-based payment: value of employee benefit	(18.3)	–	–	–	3,719	–	–	–	–	–	–	1,017	4,736
Contribution from the parent		–	–	–	1,720	–	–	–	–	–	–	–	1,720
Transactions with non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–
Total contributions by and distributions to owners of the Company		**-**	**-**	**-**	***4,339***	***1,100***	**-**	**-**	**-**	**-**	***(43,309)***	***(1,300)***	***(39,170)***
Non-controlling interests recorded as a liabilities		–	–	–	–	–	–	–	–	–	235	(235)	–
Transaction with non-controlling interests in Limelife		–	–	–	–	–	–	–	–	–	(97)	97	–
Transaction with non-controlling interests in Elemis		–	–	–	–	–	–	(13,520)	–	–	–	10,984	(2,536)
Transaction with non-controlling interests in Erborian		–	–	–	–	–	–	(286)	–	989	–	(989)	(286)
Total transactions with owners		**-**	**-**	**-**	**-**	**-**	**-**	***(13,806)***	**-**	***989***	***138***	***9,857***	***(2,822)***
Balance at 31 March 2020		**1,476,964,891**	**44,309**	**342,851**	**28,299**	**(24,376)**	**(17,169)**	**(72,391)**	**46**	**(338)**	**797,249**	**76,855**	**1,175,335**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended 31 March *In thousands of Euros*	*Notes*	***2020***	***2019***
Cash flows from operating activities			
Profit for the year from continuing operations		115,240	117,569
Adjustments to reconcile profit for the year to net cash from operating activities			
Depreciation, amortization and impairment	(23.3)	200,810	65,660
Tax expenses	(27.1)	45,300	30,655
Share-based payment	(18.3)	6,456	5,854
Unwinding of discount on lease liabilities	(8.2)	14,032	–
Interests income	(25)	6,280	3,596
Change in the fair value of derivatives	(16), (26)	(1,647)	384
Other losses on sale of assets, net	(29.1)	1,755	781
Net movements in provisions	(29.2)	3,744	(446)
Other adjustment	(9)	–	(1,020)
Interest paid	(25)	(6,160)	(3,247)
Income tax paid	(27.1)	(34,347)	(17,240)
Changes in working capital			
Inventories		(5,688)	(28,189)
Trade receivables		3,639	(9,332)
Trade payables		8,736	(6,526)
Salaries, wages, related payroll items and other tax liabilities		4,897	(681)
Other assets and liabilities, net		6,429	10,869
Net cash inflow/(outflow) from operating activities		**369,476**	**168,687**
Cash flows from investing activities			
Acquisition of subsidiaries and businesses, net of cash acquired	(6.1), (6.2)	1,549	(800,476)
Acquisition of property, plant and equipment	(7)	(55,757)	(67,696)
Acquisition of intangible assets	(10)	(14,148)	(16,370)
Acquisition of financial assets		(6,352)	(13,740)
Proceeds from sale of intangible assets and property, plant and equipment	(29.1)	2,822	1,712
Change in deposits and key money paid to lessors		(372)	(2,445)
Change in non-current receivables and liabilities		672	(1,503)
Net cash inflow/(outflow) from investing activities		**(71,586)**	**(900,518)**

Year ended 31 March *In thousands of Euros*	*Notes*	***2020***	***2019***
Cash flows from financing activities			
Transactions with non-controlling interests	(6.2), (6.3)	(10,239)	55,822
Proceeds from non-controlling interests		9,025	(283)
Dividends paid to equity owners of the Company	(18.5)	(43,309)	(43,400)
Dividends paid to non-controlling interests		(340)	(34)
Proceeds from distribution of free shares and stock options	(18.2)	746	–
Principal components of lease payments		(135,113)	–
Proceeds from borrowings	(19), (29.5)	106,439	492,874
Repayments of borrowings	(19), (29.5)	(202,608)	(3,528)
Net cash inflow/(outflow) from financing activities		**(275,399)**	**501,451**
Exchange gains/(losses) on cash, cash equivalents and bank overdrafts	(29.4)	(591)	(10,890)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**21,900**	**(241,270)**
Cash, cash equivalents and bank overdrafts at beginning of the year		**144,442**	**385,712**
Cash and cash equivalents		*144,442*	*385,712*
Cash, cash equivalents and bank overdrafts at end of the year		**166,342**	**144,442**
Cash and cash equivalents		*166,342*	*144,442*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 en Provence" 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.

These consolidated financial statements were approved by the Board of Directors for issue on 29 June 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of preparation and changes in accounting principles

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

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

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates. The areas involving a higher degree of judgment or complexity are disclosed in note 4 of the consolidated financial statements.

(a) New and amended standards

The Group has applied the following new and amended standards that are effective for the first time for the Group for the financial period beginning 1 April 2019:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

(a) *New and amended standards (continued)*

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 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

(a) 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 consolidated balance sheet as at 1 April 2019:

ASSETS *In thousands of euros*	**31 March 2019 (*)**	**Adjustment for IFRS 16**	**1 April 2019**
Non-current assets			
Property, plant and equipment[(a)]	198,662	(9,585)	189,077
Intangible assets[(b)]	366,535	(30,782)	335,753
Right-of-use assets[(c)]	–	485,125	485,125
Other non-current assets[(d)]	57,581	(1,906)	55,675
Current assets			
Other current assets[(d)]	64,758	(5,483)	59,275
TOTAL IMPACT ON ASSETS	**687,536**	**437,369**	**1,124,905**

LIABILITIES *In thousands of euros*	**31 March 2019**	**Adjustment for IFRS 16**	**1 April 2019**
Non-current liabilities			
Borrowings[(g)]	569,378	(4,669)	564,709
Lease liabilities[(c)]	–	359,654	359,654
Other non-current liabilities[(e)]	34,448	(15,772)	18,676
Current liabilities			
Borrowings[(g)]	8,562	(2,277)	6,285
Lease liabilities[(c)]	–	106,765	106,765
Provisions[(f)]	7,124	(4,489)	2,635
Other current liabilities[(e)]	19,301	(1,843)	17,458
TOTAL IMPACT ON LIABILITIES	**638,813**	**437,369**	**1,076,182**

(*) *Including retrospective adjustment on ELEMIS goodwill due to the final fair value of the acquisition (note 6.1).*

(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 recognised for an amount of €485,125,000, and lease liabilities (current and non-current) have been recognised for an amount of €466,419,000.*

(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 12 and 15).*

(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 20).*

(f) *Reclassification of the provision for onerous lease contracts as a reduction in right-of-use assets (Note 22).*

(g) *Reclassification of current and non-current finance lease liabilities as an increase to lease liabilities (Note 19).*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

(a) 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 consolidated statement of income:

In thousands of Euros	**March 2020 12 months (IAS 17)**	**IFRS 16**	**March 2020 12 months (IFRS 16)**
Net sales	**1,644,083**	**–**	**1,644,083**
Cost of sales	(302,852)	–	(302,852)
Gross profit	**1,341,231**	**–**	**1,341,231**
% of net sales	*81.6%*	*0.0%*	*81.6%*
Distribution expenses	(771,744)	6,175	(765,569)
Marketing expenses	(206,622)	–	(206,622)
Research and development expenses	(21,306)	–	(21,306)
General and administrative expenses	(161,341)	1,373	(159,968)
Other (losses)/gains, net	(581)	78	(503)
Operating profit	**179,637**	**7,626**	**187,263**
Finance income	2,614	–	2,614
Finance costs	(10,749)	(14,032)	(24,781)
Foreign currency gains/(losses)	(3,148)	(1,408)	(4,556)
Profit before income tax	**168,354**	**(7,814)**	**160,540**
Income tax expense	(47,504)	2,205	(45,300)
Profit for the year from continuing operations	**120,850**	**(5,609)**	**115,240**
Attributable to:			
Owners of the Company	121,882	(5,594)	116,288
Non-controlling interests	(1,033)	(15)	(1,048)
Total	**120,849**	**(5,609)**	**115,240**

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

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

(a) 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	(18,496)
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	(5,741)
Lease liabilities recognised at 1 April 2019	**466,419**
of which:	
— Current lease liabilities	106,765
— Non-current lease liabilities	359,654

The Group leases various retail stores, offices, equipment and vehicles. Leases are typically made for terms of 2 to 15 years (except for the flagship on the Champs-Elysées with a term of 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

(a) *New and amended standards (continued)*

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

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.

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

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

(a) New and amended standards (continued)

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

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-Elysées, 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 for the same reasons;
- 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-Elysées, 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.

On 16 December 2019, the IFRIS IC published its final decision regarding the duration of lease contracts and its interaction with the amortisation period of the leasehold improvements inseparable from the lease contract. Main leasehold improvements related to the stores can be reallocated from one store to another. As a consequence, the Group assessed that no leasehold improvement are inseparable from the lease contract. Therefore, this decision has no impact on the measurement of the Group's lease liabilities and right-of-use assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

(a) *New and amended standards (continued)*

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

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 consolidated balance sheet.

(b) *Impact of standards issued but not yet applied by the Group*

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.

2.2. Principles of consolidation

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

(a) *Subsidiaries*

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

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

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

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

2.2. Principles of consolidation *(continued)*

(a) Subsidiaries (continued)

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

(b) Separate financial statement

For the Company alone balance sheet as presented in note 33.1, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

(c) Transactions with non-controlling interests

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

Put options arrangements

Puts on non-controlling interests are accounted for as follows:

- The present value of the cash payments related to the potential exercise of put options issued by the Group over non-controlling interests are accounted for as "other financial liabilities";
- The initial amount is recognised at present value of the redemption amount within "other financial liabilities" with a corresponding debit directly to "Equity — Excess of consideration in transactions with non-controlling interests". The change in estimates in the estimated value of the financial liability is also recorded with a corresponding adjustment to "Equity — Excess of consideration in transactions with non-controlling interests";
- In the event that the option expires unexercised, the liability is derecognised with a corresponding credit to "Equity — Excess of consideration in transactions with non-controlling interests".

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

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

(d) Disposal of subsidiaries

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

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

2.3. Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in euros.

(b) Transactions and balances

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

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

(c) Group companies

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

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

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

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

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

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

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

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

2.4. Segment reporting

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

In previous financial years, the Chairman & CEO and the Managing Director considered the business from both a distribution channel and a geographic perspective by country. Financial information was available for both, but the distribution channels were the operating segments reported in the consolidated financial statements:

- the Sell-out segment consists in the sale of products directly to end customers. These sales mainly take place in the Group's stores and/or through its website;
- the Sell-in segment consists in the sale of products to an intermediary, mainly distributors, wholesalers, television channels and travel retailers. It also includes sales of products to corporate customers, to be given as presents to their customers or employees, for example.

Due to the recent business combinations with ELEMIS and LimeLife (see Note 6), the Group has modified the structure of its internal organisation. The Chairman & CEO and the Managing Director now primarily review the Group's internal reporting in order to assess performance and allocate resources from a brand perspective. Consequently, segment reporting information for the previous financial year was restated to appropriately reflect this change in the segment reporting information (see Note 5). Four operating segments have been identified:

- **L'Occitane en Provence** —the sale of fragrances, skincare, haircare and body and bath ranges from the L'Occitane en Provence brand.
- **ELEMIS** — the sale of skincare products by ELEMIS, a brand for distribution and innovation in the beauty and skincare sectors. Sales are mainly driven by the Sell-in channel through wholesale, e-commerce, department stores, QVC, professional spas and maritime sales.
- **LimeLife** — the sale of makeup products by LimeLife, a US-based natural skincare and personalised make-up brand. Sales are driven by the Sell-out channel through beauty guides and online presence.
- **Other brands** —the sale of Erborian, L'Occitane au Brésil and Melvita skincare, makeup, floral water, beauty oils and other products. These brands mostly have the same economic characteristics, primarily in terms of type of product, of customer, distribution channel (Sell-in and Sell-out), and financial performance, and they do not individually and cumulatively exceed the quantitative criteria defined in IFRS 8.

Management uses a measure of revenue and operating profit/(loss) to assess the performance of the operating segments. Information about segment revenue and operating profit/(loss) is disclosed in Note 5. Other information, including assets and liabilities per segment, are not regularly provided to the chief operating decision-maker.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.5. Intangible assets

(a) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs) or groups of CGUs, that are expected to benefit from the synergies of the combination. Each CGU or group of CGUs to which goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes. Goodwill is monitored at the brands level.

For L'Occitane en Provence trademark, the goodwills are related to the past acquisitions of exclusive distributors and are monitored by country.

(b) Contractual customer relationships and backlog

These assets were acquired as part of business combinations. They are recognised at fair value at the date of the acquisition. The fair value at the acquisition date is determined through the excess profit method (the value of the customer relationship or backlog is calculated based on the present value of cash flows derived from the asset after deduction of the portions of the cash flows that can be attributed to supporting and contributory assets such as trademark and net working capital). Contractual customer relationships and backlog are amortised on a straight-line basis over the average period of the expected relationship with the customer which usually ranges between 3 years and 10 years (backlog from ELEMIS).

(c) Trademarks

Separately acquired trademarks are accounted for at historical cost. Trademarks acquired in business combinations are recognised at fair value at the acquisition date. The fair value at the acquisition date is determined through the royalty method (the value of the trademark is calculated based on the present value of the royalty stream that the business is saving by owing this asset). The acquired trademarks recognised as intangible assets relate to Melvita, Erborian and ELEMIS. At the acquisition date of LimeLife, the estimated fair value of the acquired trademark was not significant and therefore was not recognized separately from the goodwill. The valuation of these assets takes into account various factors, including brand awareness and royalty rate. The Group intends to continuously renew trademarks and sell products under the acquired trademarks. There is no foreseeable limit to the period over which the trademarks are expected to generate net cash inflows for the Group. Therefore, trademarks are considered to have an indefinite useful life and are not amortised but are tested annually for impairment. An annual review is performed to determine whether events and circumstances continue to support their useful life assessment. There is no change in the commercial and marketing strategy that modify the indefinite useful commercial life.

Trademarks are allocated to CGUs for the purpose of impairment testing, corresponding to brands (see Note 2.4). The allocation is made to those CGUs or group of CGUs that are expected to benefit from the trademark.

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

2.5. Intangible assets *(continued)*

(d) Computer software

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

Costs directly associated with the production and testing of identifiable and unique software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Directly attributable costs include employee costs for software development and an appropriate portion of relevant overheads. These costs are amortised on a straight-line basis over their estimated useful lives. The Group's main enterprise resource planning (ERP) tool, SAP, is amortised over 10 years.

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

(e) Commercial websites

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

(f) Research and development costs

Research costs are expensed when incurred.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.6. Property, plant and equipment

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

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

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

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

PP&E	**Estimated useful lives**
Buildings	20 years
Equipment and machinery	Between 5 and 10 years
Information system equipment and cash registers	3 years
Leasehold improvements	Between 5 and 10 years
Leasehold improvements related to stores	5 years
Furniture and office equipment	5 years

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

2.7. Leases

As explained in Note 2.1.a) above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy and the impact of the first-time application is described in Note 2.1.a).

Until 31 March 2019, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as 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 period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 2.1) as a deduction of distribution expenses. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the consolidated balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

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

2.8. Impairment of non-financial assets

(a) *Goodwill and trademarks*

Goodwill and trademarks are allocated to group of CGUs by operating segment. Due to recent business combinations with ELEMIS and LimeLife (note 6), the Group has modified the structure of its internal organisation and reporting in a manner that causes the composition of its reportable segments to change. In previous financial years, goodwill and trademarks were allocated to distribution channels (Sell-in and Sell-out) and geographical areas. During the year ended 31 March 2020, management decided to reallocate goodwill and trademarks to operating segments, except for the historical goodwill arising from the acquisition of L'Occitane distributors in certain countries. This reallocation did not have an impact on previous impairment testing.

CGUs to which goodwill and trademarks have been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

(b) *Other intangible assets (other than goodwill and trademarks), property, plant and equipment and right-of-use assets*

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

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

- For testing the carrying amount of the stores (mainly: right-of-use assets, architect/decorator costs, leasehold improvements, furniture), the cash-generating unit is the store;
- For corporate assets (assets other than those related to the stores and the flagship store on the Champs Elysées) where a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to an individual CGU, or otherwise to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified (country or global brand in the case of the headquarter and the flagship store on the Champs Elysées).

Intangible assets (other than goodwill and trademarks), property, plant and equipment and right-of-use assets that have been subject to impairment in the previous year are reviewed for a possible reversal of the impairment at each reporting date (Notes 7, 8 and 10). Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.9. Deposits

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

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

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

2.11. Inventories

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

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

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

2.12. Trade receivables

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

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

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

2.13.Financial assets

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.13.Financial assets *(continued)*

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

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

2.13.Financial assets *(continued)*

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

Impairment of financial assets

Trade receivables

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

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

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 March 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Except for the COVID-19 pandemic (as disclosed in note 4.6), the Group has not identified any specific relevant factors to adjust the historical loss rates.

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

Debt investments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.14. Derivative financial instruments and hedging activities

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

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

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

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

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

(a) Fair value hedge

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

(b) Cash flow hedge

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

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

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

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

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

(b) Cash flow hedge (continued)

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

(c) Net investment hedge

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

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

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

The Group does not use net investment hedges.

(d) Derivatives at fair value through profit and loss

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

2.15.Cash and cash equivalents

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

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

2.16.Share capital

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

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

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

2.17.Dividend distribution

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

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

2.18. Trade payables

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

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

2.19. Provisions

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

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

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

— And the amount has been reliably estimated.

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

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

Provision for costs of dismantling and restoring

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

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

2.20. Employee benefits

(a) Pension obligations

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

- A defined-benefit plan is a pension plan that defines an amount of pension benefits that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation;

- A defined-contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. In a defined-contribution plan, the Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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

2.20. Employee benefits *(continued)*

(a) Pension obligations (continued)

Defined-benefit plans

The only significant regime with defined benefits concerns the retirement indemnities in France. The employees receive a lump sum varying according to their seniority and other components of the collective agreement governing their employment.

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

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

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

Defined-contribution plans

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

(b) Other post-employment obligations

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

(c) Share-based payment

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

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

Equity settled share-based payment

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.20. Employee benefits *(continued)*

(c) *Share-based payment (continued)*

Equity settled share-based payment *(continued)*

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

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

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

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

(d) *Termination benefits*

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

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

(e) *Profit-sharing and bonus plans*

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

(f) *Employee leave entitlements*

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

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

2.21.Borrowings

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

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

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

2.22.Revenue recognition

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

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

Revenue is recognised as follows:

(a) Sales of goods — retail (Sell-out channel)

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

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

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

(b) Sales of goods — wholesale and distributors (Sell-in channel)

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.22. Revenue recognition *(continued)*

(b) *Sales of goods — wholesale and distributors (Sell-in channel) (continued)*

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

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

(c) *Sale of gift-cards*

In some regions, in the ordinary course of the Group's business, the Group sells gift cards. The revenue is recognised when the customer redeems the gift cards for buying goods (the product is delivered to the customer).

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

Gift cards exceeding the validity period are recognised in the statement of income.

(d) *Loyalty programme*

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

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

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

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

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

(e) *Consideration paid to distributors*

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

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

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

2.23. Distribution expenses

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

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

Distribution expenses also include the amortisation of the ELEMIS backlog over 10 years.

2.24. Marketing expenses

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

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

2.25. Research and development costs

The line "Research and development costs" in the statement of income mainly corresponds to employee benefits and professional fees.

2.26. Accounting of rent expenses

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

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

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

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

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

2.28. Government grants

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

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

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

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

2.29.Foreign currency gains/(losses)

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

- Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the year-end translation of the exchange rates of monetary assets and liabilities denominated in foreign currencies (Note 2.3 (b)). These foreign currency gains and losses are mainly related to the financing of the subsidiaries;
- Gains or losses arising from changes in the fair value of the foreign exchange derivatives at fair value through profit and loss (Note 2.14 and Note 16);
- Gains or losses arising from the ineffective portion of changes in the fair value of foreign exchange derivatives that are designated as hedging instruments (Note 2.14 and Note 16).

2.30.Income taxes

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

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

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

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

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

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

2.31.Earnings per share

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

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

3. FINANCIAL RISK MANAGEMENT

3.1. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management 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.

(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 proportion 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.

As at 31 March 2020, the exposure to foreign exchange risk on the consolidated balance sheet is as follows:

In thousands of euros	EUR	JPY	HKD	USD	GBP	CNY	BRL	TWD	CHF	CAD	Other	Total
Trade receivables	26,311	18,434	5,865	18,181	16,803	21,349	8,133	3,583	241	919	11,752	131,571
Other current receivables	27,613	349	1,564	3,267	1,874	2,168	8,172	466	14	251	4,827	50,565
Cash and cash equivalents	74,307	19,940	6,014	21,054	10,419	6,670	1,433	997	1,393	1,408	22,707	166,342
Monetary assets	**128,231**	**38,723**	**13,443**	**42,502**	**29,096**	**30,187**	**17,738**	**5,046**	**1,648**	**2,578**	**39,286**	**348,478**
Borrowings	405,308	–	–	48,193	1,918	–	–	5,129	5,479	4,802	4,220	475,049
Trade payables	68,648	8,502	8,222	10,847	23,738	9,850	7,108	1,210	400	669	6,800	145,994
Social and tax liabilities	35,819	6,764	3,615	7,229	1,740	2,585	4,106	946	176	146	9,685	72,811
Monetary liabilities	**509,775**	**15,266**	**11,837**	**66,269**	**27,396**	**12,435**	**11,214**	**7,285**	**6,055**	**5,617**	**20,705**	**693,854**
Gross exposure in the statement of financial position before hedging	**(381,544)**	**23,457**	**1,606**	**(23,767)**	**1,700**	**17,752**	**6,524**	**(2,239)**	**(4,407)**	**(3,039)**	**18,581**	**(345,376)**

As at 31 March 2019, the exposure to foreign exchange risk on the consolidated balance sheet was as follows:

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

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1. Financial risk factors *(continued)*

(a) Market risk (continued)

Foreign exchange risk *(continued)*

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, HKD and RUB). All decisions to use foreign exchange derivatives based products are formally approved by the Group CFO.

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

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

There were no such instruments at the year end.

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%.

During the financial years ended 31 March 2020 and 2019, if the euro had weakened/strengthened by 10% in comparison to the currencies listed below with all other variables held constant, equity, net sales and post-tax profit for the year would have been higher/lower as illustrated below:

In thousands of euros	**Currency translation differences (other comprehensive income)**		**Net sales**		**Profit of the year**	
31 March	***2020***	***2019***	***2020***	***2019***	***2020***	***2019***
USD	49,208	3,210	30,525	24,280	(82)	1,580
JPY	11,186	11,968	23,187	22,212	5,808	6,460
HKD	15,122	17,068	11,515	12,510	12,964	14,945
CNY	16,180	12,265	19,673	17,807	12,068	8,800
GBP	33,283	2,402	19,008	6,246	1,739	1,880

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1. Financial risk factors *(continued)*

(a) Market risk (continued)

Foreign exchange risk *(continued)*

Financing operations (continued)

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

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. An analysis of the borrowings by category of rate is provided in Note 19.5.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. This has 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 the financial covenants described in Note 19.2, the margin of certain bank borrowings is liable to change.

Based on the simulations performed, on 31 March 2020 and 2019, if interest rates had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings (Note 25).

In thousands of euros	***2020***	***2019***
Sensitivity of finance costs	2,770	679
Sensitivity of finance income	272	1,243
Sensitivity of the post-tax profit	413	439

The impact of sensitivity of the equity would be the same as the impact on the post-tax profit, except for the effects mentioned below for derivatives.

The above sensitivity takes into consideration the impact of the interest rate derivatives existing at 31 March 2020 and 2019 on the interest expense but does not take into consideration the effect of a higher/lower interest rate on the fair market value of the derivatives designed to manage the cash flow interest risk floating-to-fixed interest rate swaps. The fair value of these derivatives at period end is not material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1. Financial risk factors *(continued)*

(a) Market risk (continued)

Price risk

The Group is not significantly exposed to commodity price risk.

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

On 31 March 2020, the Group owned 31.1% of MyGlamm, a non-listed company, which operates in the distribution of cosmetic products mainly in India. This investment is classified in the consolidated balance sheet at fair value through other comprehensive income (Note 3.3). An increase or decrease of 5% of the share price will have an estimated impact of €700,000 in the consolidated statement of comprehensive income.

The amounts recognised in the consolidated statement of comprehensive income in relation to the investments held by the group are disclosed in Note 3.3.

(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 amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL), derivative financial instruments and deposits with bank and financial institutions, as well as credit exposures to wholesale and retail customers.

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

- For customers in the Sell-in and B-to-B segments, sales are made with credit terms generally between 60 and 90 days. The Group maintains adequate allowances for potential credit losses and monitors the solvency of its counterparts. As at 31 March 2020 and 2019, 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 31 March 2020 are as follows:

31 March *In thousands of euros*	***2020***	***2019***
Cash and cash equivalents and bank overdrafts	166,342	144,442
Undrawn borrowing facilities (Note 19.4)	230,689	161,917
Liquidity reserves	**397,031**	**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 19.2).

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

In thousands of euros	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Borrowings (Note 19)	113,556	342,322	8,247	10,924	475,049
Trade payables (Note 21)	145,994	–	–	–	145,994
Lease liabilities (Note 8.2)	99,206	79,152	132,577	110,697	421,632
Interests payments on borrowings	4,083	3,891	2,425	186	10,585
Total on 31 March 2020	**362,839**	**425,365**	**143,249**	**121,807**	**1,053,260**
Borrowings (Note 19)	8,562	4,118	549,949	15,311	577,940
Trade payables (Note 19)	141,247	–	–	–	141,247
Lease liabilities (Note 8.2)	–	–	–	–	–
Interests payments on borrowings	5,777	5,606	7,262	240	18,885
Total on 31 March 2019	**155,586**	**9,724**	**557,211**	**15,551**	**738,072**

The interests payments on borrowings are based on the existing interest rates as at 31 March 2020. The net book value is close to the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

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.

3.3. Fair value estimate

Fair value of financial instruments

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

	31 March 2020		*31 March 2019*	
In thousands of euros	**Net book value**	**Fair value**	**Net book value**	**Fair value**
Assets				
Financial assets at fair value through other comprehensive income (FVOCI)[(a)]	28,151	28,151	24,754	24,754
Other non-current receivables	37,180	37,180	32,827	32,827
Derivative financial instruments[(a)]	604	604	50	50
Total assets	**65,935**	**65,935**	**57,631**	**57,631**
Liabilities				
Floating rate	475,049	475,049	577,940	577,940
Total borrowings	**475,049**	**475,049**	**577,940**	**577,940**
Derivative financial instruments[(a)]	208	208	849	849
Other financial liabilities	17,978	17,978	14,011	14,011
Total liabilities	**18,186**	**18,186**	**14,860**	**14,860**

(a) The fair value of financial instruments was determined as indicated below

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3. Fair value estimate *(continued)*

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:

	31 March 2020			*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 16)	–	604	–	–	50	–
Financial assets at fair value through other comprehensive income (FVOCI) (Note 12)	–	13,671	14,480	–	11,861	12,893
Total assets	**–**	**14,275**	**14,480**	**–**	**11,911**	**12,893**
Liabilities						
Derivatives at fair value (Note 16)	–	(208)	–	–	(849)	–
Total liabilities	**–**	**(208)**	**–**	**–**	**(849)**	**–**

(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.*

(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 year ended 31 March 2020. No changes were made to any of the valuation techniques applied as at 31 March 2019.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3. Fair value estimate *(continued)*

Fair value measurements using significant unobservable inputs (level 3)

The following table presents the change in level 3 instruments for the years ended 31 March 2020 and 31 March 2019:

In thousands of euros	Balance as at 31 March 2018	Disposals	Acquisitions	Unwinding of discount	Gain/(loss) recognized in other comprehensive income	Balance as at 31 March 2019
Assets						
Financial assets at fair value through other comprehensive income (FVOCI) (Note 12)	10,625	–	2,268	–	–	12,893
Total assets (level 3)	**10,625**	**–**	**2,268**	**–**	**–**	**12,893**

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 31 March 2020
Assets						
Financial assets at fair value through other comprehensive income (FVOCI) (Note 12)	12,893	–	1,587	–	–	14,480
Total assets (level 3)	**12,893**	**–**	**1,587**	**–**	**–**	**14,480**

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

In thousands of euros	Fair value at *31 March 2019*	Fair value at *31 March 2020*	Unobservable inputs	Range of inputs *31 March 2019*	Range of inputs *31 March 2020*	Relationship of unobservable inputs to fair value
Financial assets at FVOCI	12,893	14,480	Recent price value of shares used for increase in capital subscribed by 3 investors and translated with the exchange rate as at 31 March 2020			Increasing or decreasing the price value of shares by 500 basis points would increase or decrease the fair value by €700,000.

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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Estimates are used for, but not limited to, depreciation, amortisation and impairment of non-current assets (Notes 2.5, 2.6 and 2.7), allocation of the excess of the cost of an acquisition over the carrying value of the net assets acquired to contractual customer relationship and backlog (Note 2.5), indefinite life of trademarks (Note 2.5), measurement of lease liabilities (Note 2.7), valuation of inventories (Note 2.11), allowance of inventories (Note 2.11), measurement of provisions (Note 2.19), allowance of trade receivables (Note 2.12), revenue recognition (Note 2.22), current and deferred income taxes (Note 2.30), fair value of the derivative instruments (Note 2.14), valuation of share-based payments (Note 18.3), valuation of put options (Note 6.3) and contingencies (Note 30).

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

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

4.1. Impairment test of non-current assets

Impairment test for intangible assets (including goodwill and trademarks), property, plant and equipment and right-of-use assets are performed in accordance with the accounting policy presented in Note 2.8.

Goodwill and trademarks are allocated to operating segments defined as one or several brands under the responsibility of a dedicated management team.

The recoverable amounts of the group of cash-generating units (CGUs) monitored at brand level have been determined on the basis of value-in-use calculations.

The value in use is determined with respect to future cash flows projections, taking into account the time value of money and the specific risks attributable to the CGUs. Future cash flow projections are based on medium-term budgets and plans. These plans are drawn up for a period of 4 to 5 years. Cash flows beyond the five-year period are extrapolated using the estimated long term growth rates stated below. These long term growth rates are determined consistently with the strategy to operate the trademark and with the analysis of the forecasts included in industry reports specific to the industry in which each CGU operates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4.1. Impairment test of non-current assets *(continued)*

Main key assumptions used for value-in-use calculations of the recoverable values of the main goodwill and trademarks are as follows:

in millions of Euros		Elemis	LimeLife	Melvita
Business plan time frame		5 years	4 years	5 years
Net sales annual growth rate over the plan		15.1%	26.9%	13.2%
Budgeted EBITDA over the plan		30.0%	11.0%	4.3%
Long term growth rate		2.1%	1.9%	1.3%
Post-tax discount rate		7.8%	7.8%	7.5%
Carrying amounts	*Goodwill*	515	121	36
	Trademark	260	–	14
Recoverable value		1,026	392	82
Headroom available		197	256	16

Assumptions	Approach used to determining values
Net sales annual growth rate ("CAGR")	Average annual growth rate over the plan based on past performance, management's expectations of market development, undergoing strategic positioning, current industry trends and including long-term inflation forecasts for each region. The projected annual growth rate can be higher than the historical performance and current average industry trends due to the expected effects of strategic positioning measures implemented and the international development of brands.
Budgeted EBITDA	This financial indicator corresponds to operating profit plus net charges to depreciation and amortisation. Due to the IFRS 16 impacts, budgeted EBITDA does not include the lease expenses. Weighted EBITDA is expressed as a percentage of net sales over the forecast period. Budgeted EBITDA is based on past performance and management's expectations for the future, taking into account business development strategies for each country and distribution channel/sub-channel (Sell-out: retail, online sales; Sell-in: distributors, travel retail, market places). The budgeted EBITDA for FY21 was revised to include the expected effect of the COVID-19 pandemic.
Long term growth rate	Weighted average growth rate used to extrapolate cash flows beyond the budget period. The growth rates are consistent with forecasts in view of the country mix, the rise in the cost of raw materials and inflation.
Post-tax discount rate	WACC per country in which the trademark is exploited. This reflects the specific risks relating to the relevant segments and the countries in which the Group operates.
Terminal value	The sustainable long-term cash flow was assumed to be the extrapolation of the estimated cash flow of the: • FY24 and FY25 plans for respectively LimeLife and ELEMIS; • FY26 plan for Melvita to take into account the current strategic repositioning of this trademark.

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

4.1. Impairment test of non-current assets *(continued)*

Assumptions	Approach used to determining values
Other assumptions	Management has determined other assumptions such as working capital requirements (inventory turnover ratio, DSO and DPO) and annual capital expenditure based on the historical experience of Management and the planned strategy.
Headroom	The headroom is calculated as the difference between the recoverable value and all the assets used by the Group to operate the trademark: goodwill, trademark net of the corresponding deferred tax liability, right-of use assets, PP&E and working capital.

Sensitivity analysis

The recoverable amount of the Melvita and Elemis (CGU) would equal its carrying amount if the key assumptions were to change individually as follows:

	ELEMIS	Melvita
CAGR	10.4%	8.2%
% of EBITDA for each year of the business plan decreased by	3.8 points	1.07 points
WACC	9.22%	8.63%
Long-term growth rate	0.21%	-0.27%

For LimeLife and L'Occitane en Provence, the estimated value in use significantly exceeds the carrying amount of goodwill by such a magnitude that no reasonably possible change in any of the key assumptions would eliminate the headroom.

4.2. Depreciation and amortisation periods

The Group's main intangible assets and property, plant and equipment with a definite useful life relate to the stores. Right-of-use assets are amortised on a straight-line basis in accordance with the accounting policy presented in Note 2.7. These assets are tested for impairment in accordance with the accounting policy presented in Note 2.8.

4.3. Allowance on inventories

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

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

4.4. Legal claims

The estimates for provisions for litigation are based upon available information and advice of legal specialists and are regularly reviewed on this basis by management (see Notes 22 and 30).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4.5. Income taxes

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

4.6. Impact of COVID-19 pandemic

Since January 2020, the spread of the COVID-19 has affected business and economic activities in most regions including mainland China, Japan, Hong Kong and France. As a result of the Group's strong presence in some of the affected areas, the COVID-19 outbreak has had an impact on the Group's consolidated financial statements for the year ended 31 March 2020.

Based on the sales momentum and trends before the pandemic, internal forecasts, number of closed stores, reduction in store opening hours as well as the orders halted by Sell-in customers, the Group estimates that the total loss of sales attributed to COVID-19 was approximately €56 million, or approximately 18% of the total sales in FY2020 Q4.

As at 31 March 2020, the Group has central cash and cash equivalents of roughly €100m and an undrawn amount of €230 m under its revolving credit facility. As a precaution, the Group also finalized additional liquidity lines for an amount of €253 m (note 34) without financial covenants.

Significant judgments and estimates made by the Group in the context of the COVID-19 pandemic outbreak are explained below.

Fair value and/or recoverable amount of assets as at 31 March 2020

The Group has identified the COVID-19 outbreak as a trigger event for the impairment of assets located in significantly impacted areas. Impacted assets concern right-of-use assets, leasehold improvements and other property, plant and equipment related to stores. Assumptions used for impairment testing and cash flows forecasts reflect the potential impact of COVID-19 outbreak for FY21 based on the reasonable and supportable assumptions with reference to the conditions existing as at 31 March 2020. The impact has been taken into account in the future cash-flows. The total impact of the impairment of assets recorded in the consolidated statement of financial income amounts to € 5,238,000 (notes 7.4, 8.1, and 10.4).

Net realisable value of inventories as at 31 March 2020

The Group had adjusted the net realisable value of inventories located in impacted areas as at 31 March 2020. The impact of this allowance on inventories recorded in the consolidated statement of financial income amounts to €11,700,000 (Note 13).

Forward-looking factors considered in the measurement of expected credit losses (ECL)

The Group had assessed that the credit risk increased for counterparts located in impacted areas as at 31 March 2020. The expected credit loss measurement was therefore adjusted to align with the future economic conditions forecasted by the Group. The impact recorded in the consolidated statement of financial income amounts to €2,700,000 as at 31 March 2020 (Note 14).

5. SEGMENT INFORMATION

For accounting policies related to segment information, see Note 2.4.

5.1. Operating segments

Management measures profit or loss for each operating segment according to its operating profit/(loss). Operating segment information is as follows:

31 March 2020 *In thousands of euros*	**L'Occitane en Provence**	**ELEMIS**	**LimeLife**	**Other brands**	**Total**
Net sales	**1,295,199**	**165,809**	**84,790**	**98,285**	**1,644,083**
In % of total	*78.8%*	*10.1%*	*5.2%*	*6.0%*	*100%*
Gross profit	**1,092,026**	**110,945**	**65,494**	**72,766**	**1,341,231**
% of net sales	*84.3%*	*66.9%*	*77.2%*	*74.0%*	*81.6%*
Distribution expenses	(616,647)	(41,090)	(57,331)	(50,501)	(765,569)
Marketing expenses	(156,636)	(20,083)	(5,393)	(24,510)	(206,622)
Research & development expenses	(15,660)	(2,451)	–	(3,195)	(21,306)
General and administrative expenses	(121,886)	(18,240)	(11,516)	(8,326)	(159,968)
Other gains/(losses), net	(355)	–	–	(148)	(503)
Operating profit/(loss)	**180,842**	**29,081**	**(8,746)**	**(13,914)**	**187,263**
% of net sales	*14.0%*	*17.5%*	*(10.3%)*	*(14.2%)*	*11.4%*

31 March 2019 (*) *In thousands of euros*	**L'Occitane en Provence**	**ELEMIS**	**LimeLife**	**Other brands**	**Total**
Net sales	**1,247,153**	**–**	**83,780**	**95,941**	**1,426,874**
In % of total	*87.4%*	–	*5.9%*	*6.7%*	*100%*
Gross profit	**1,052,051**	**–**	**65,065**	**69,857**	**1,186,973**
% of net sales	*84.4%*	–	*77.7%*	*72.8%*	*83.2%*
Distribution expenses	(602,251)	–	(53,673)	(44,450)	(700,374)
Marketing expenses	(159,344)	–	(2,735)	(23,963)	(186,042)
Research & development expenses	(14,892)	–	(35)	(2,952)	(17,879)
General and administrative expenses	(111,478)	–	(13,566)	(7,498)	(132,542)
Other gains/(losses), net	576	–	–	35	611
Operating profit/(loss)	**164,662**	**–**	**(4,944)**	**(8,971)**	**150,747**
% of net sales	*13.2%*	*0.0%*	*(5.9%)*	*(9.4%)*	*10.6%*

(*) restated for comparison purposes (Note 2.4).

There are no significant inter-segment transfers or transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION *(CONTINUED)*

5.2. Geographic areas

(a) *Net sales by country*

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

31 March	***2020***		***2019***	
In thousands of euros	**Total**	**In % of total**	**Total**	**In % of total**
United States	295,786	*18.0%*	232,404	*16.3%*
Japan	231,870	*14.1%*	222,119	*15.6%*
China	197,159	*12.0%*	178,072	*12.5%*
United Kingdom	160,835	*9.8%*	60,659	*4.3%*
Hong Kong	124,822	*7.6%*	136,973	*9.6%*
France	104,148	*6.3%*	102,952	*7.2%*
Luxembourg	70,702	*4.3%*	65,495	*4.6%*
Russia	58,642	*3.6%*	51,247	*3.6%*
Brazil	57,591	*3.5%*	57,589	*4.0%*
Taiwan	41,074	*2.5%*	38,186	*2.7%*
Other geographic areas	301,454	*18.3%*	281,178	*19.7%*
Net sales	**1,644,083**	***100%***	**1,426,874**	***100%***

(b) *Non-current assets by country*

The following table shows the breakdown of non-current assets by country, allocated based on the country of the subsidiary owning the asset.

	Year ended 31 March					
	2020			***2019***		
In thousands of euros	**Property, Plant and Equipment**	**Right-of-use assets**	**Intangible assets (*)**	**Property, Plant and Equipment**	**Right-of-use assets**	**Intangible assets (*)**
United States	24,809	104,735	292,326	23,150	–	286,405
Japan	11,040	27,097	278	12,432	–	126
China	3,443	2,679	479	2,288	–	118
United Kingdom	9,222	24,449	1,242	11,292	–	1,534
Hong Kong	6,712	22,763	–	4,428	–	–
France	83,339	118,269	18,646	95,589	–	45,626
Luxembourg	1,545	12,668	27,322	1,764	–	26,360
Russia	2,442	15,536	129	3,233	–	130
Brazil	12,393	13,103	543	15,613	–	4,319
Taiwan	1,678	3,309	31	1,496	–	53
Other geographic areas	23,882	84,843	581	27,377	–	1,864
Total	**180,505**	**429,451**	**341,577**	**198,662**	**–**	**366,535**

(*) *Information related to goodwill, trademarks and customer relationship are not available by country because the Management does not follow those assets by trademark.*

6. INFORMATION RELATING TO GROUP STRUCTURE

6.1. For the year ended 31 March 2020

6.1.1. Final allocation of the ELEMIS goodwill recognised during the year ended 31 March 2019

During the year ended 31 March 2019, the Group acquired 100% of ELEMIS USA, ELEMIS Limited and Cosmetics Ltd ("ELEMIS") for consideration of €753.6 million (US$861 million) to expand the business in key geographical areas and penetrate a new distribution channel.

The provisionally determined fair value of the company's net identifiable assets at the acquisition date was €8.7 million and the purchased goodwill amounted to €762.3 million (see Note 6.2.1). During the year ended 31 March 2020, the allocation of the goodwill had been finalised and the goodwill was adjusted by €268.8 million. The fair value adjustment is disclosed below.

In millions of euros	**Provisional value as at 1 March 2019**	**Fair value adjustment**	**Adjustment of the acquisition price**	**Final fair value**
PP&E	7.7	–	–	7.7
Intangible assets	0.5	32.2	–	32.7
Trademark	–	249.4	–	249.4
Inventories	15	–	–	15
Trade receivables	21.6	–	–	21.6
Prepaid expenses	1.4	–	–	1.4
Other non-current assets	0.2	–	–	0.2
Other current assets	0.5	–	–	0.5
Cash and cash equivalents	11.9	–	–	11.9
Trade payables	(16)	–	–	(16.1)
Deferred tax liabilities	–	(14.2)	–	(14.2)
Payroll and tax liabilities	(51.4)	–	–	(51.4)
Other current liabilities	(0.1)	–	–	(0.1)
Net identifiable assets acquired	(8.8)	267.4	–	258.6
Deduct: non-controlling interests	–	–	–	–
Add: goodwill	762.3	(267.4)	(1.5)	493.4
Net asset acquired	**753.5**	**–**	**(1.5)**	**752.0**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. INFORMATION RELATING TO GROUP STRUCTURE (CONTINUED)

6.1. For the year ended 31 March 2020 *(continued)*

6.1.1.Final allocation of the ELEMIS goodwill recognised during the year ended 31 March 2019 (continued)

The fair value adjustment on intangible assets relate to:

- The ELEMIS trademark: the fair value was estimated based on the royalty method with a net royalty rate of 7.5% and a post-tax discount rate of 9.2%, including a tax amortization benefit effect;
- The backlog arising from the ELEMIS' distribution agreement with a worldwide provider of spa services on cruise ships and at luxury resorts: the fair value was estimated based on the excess profit method with budgeted guaranteed net sales over 10 years and a post-tax discount rate of 5%, including a tax amortisation benefit. The backlog is amortized over a 10 years period.

The tax value of the goodwill, trademark and backlog which are deductible over 15 years amount to €341 million. No deferred tax is recognised on the goodwill at the date of the acquisition and then 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 of the tax amortisation of the tax value of the goodwill on the current income tax expense will be compensated by the recognition of deferred income tax expense and liabilities.

Goodwill is attributable to the profitability of the acquired business. This acquisition allows the Group to strengthen its strong position in the skincare market worldwide, enter new markets and broaden cross selling opportunities.

The final goodwill as of 31 March 2020 amounts to €514 million (Note 9).

6.2. For the year ended 31 March 2019

6.2.1.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 was 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**

6. INFORMATION RELATING TO GROUP STRUCTURE (CONTINUED)

6.2. For the year ended 31 March 2019 *(continued)*

6.2.1. Acquisition of ELEMIS (continued)

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**

As of 31 March 2019, the above fair values had been determined on a provisional basis. In particular, the fair value of the acquired trademark and customer relationships and the measurement of the assumed tax risks were still under assessment by the Group, and 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 considered that the trade receivables acquired would be recovered.

The tax value of the goodwill which is deductible over 15 years amounts to €96,000,000. No deferred tax is recognised on the goodwill at the date of the acquisition and a deferred tax liability is recognised for any differences between the tax value and the carrying amount of the goodwill. This means that the positive effect of the tax amortisation of the tax value of the goodwill on the current income tax expense is compensated by the recognition of deferred income tax expense and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. INFORMATION RELATING TO GROUP STRUCTURE (CONTINUED)

6.2. For the year ended 31 March 2019 *(continued)*

6.2.1. Acquisition of ELEMIS (continued)

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 year ended 31 March 2020.

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 as administrative expenses.

6.2.2. 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. Therefore, the call does not constitute a derivative, but an equity instrument, and has not been recorded in the consolidated financial statements.

6. INFORMATION RELATING TO GROUP STRUCTURE (CONTINUED)

6.2. For the year ended 31 March 2019 *(continued)*

6.2.3. 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 US, 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**

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, due 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. INFORMATION RELATING TO GROUP STRUCTURE (CONTINUED)

6.2. For the year ended 31 March 2019 *(continued)*

6.2.4. Adjustment on 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 US.

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 amortised for tax purposes 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.

6.2.5. Changes in ownership interests of LimeLife

The minority shareholders of LimeLife receive share-based payments (Note 18.3). 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.

6.3. Other financial liabilities

The following put options have been granted by the Group to the non-controlling interests:

In thousands of euros	**31 March 2019**	**Increase**	**Payments relating to the excess exercise of the put options**	**Unwinding of discount (note 23)**	***31 March 2020***
Put on Erborian non-controlling interests	9,953	–	(9,953)	–	–
Put on L'Occitane GmbH non-controlling interests	4,058	–	–	120	4,178
Put on Elemis non-controlling interests	–	13,800	–	–	13,800
Total other financial liabilities	**14,011**	**13,800**	**(9,953)**	**120**	**17,978**

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.

The minority interest of the Austrian subsidiary owns 30% of the subsidiary.

Non-controlling interests of ELEMIS (four individuals) acquired 1.38% of ELEMIS shares on 20 March 2020. The value of the related put option is €13,800,000.

6. INFORMATION RELATING TO GROUP STRUCTURE (CONTINUED)

6.3. Other financial liabilities *(continued)*

The following table summarises the quantitative information about the significant unobservable inputs used in the measurement of the present value of the redemption amount:

in thousands of euros	**Present value of the redemption amount** *31 March 2019*	*31 March 2020*	**Unobservable inputs**	**Range of inputs** *31 March 2019*	*31 March 2020*	**Relationship of unobservable inputs to value**
Other financial liabilities — Put on L'Occitane GmbH non-controlling interests	4,058	4,178	Discount rate	8%	8%	Increasing the discount rate by 100 basis points and decreasing the annual EBITDA growth rate by 100 basis points would increase the fair value by €185,000.
			Annual EBITDA growth rate	2%–4%	2%–4%	Decreasing the discount rate by 100 basis points and increasing the annual EBITDA growth rate by 100 basis points would decrease the fair value by €196,000.
Other financial liabilities — Put on Elemis non-controlling interests	–	13,800	Discount rate	11.5%	–	Increasing the post-tax discount rate by 100 basis points and decreasing the EBITDA by 100 basis points would decrease the fair value by €436,000.
			Annual EBITDA growth rate	Same unobservable inputs as the ones used in the Elemis business plan and disclosed in note 4.1.		Decreasing the post-tax discount rate by 100 basis points and increasing the EBITDA by 100 basis points would increase the fair value by €525,000.

Assumptions	**Approach used to determine values**
Discount rate	Reflect current market assessments of the time value and the risk specific to the liabilities.
Time periods	Management assumed exercise of the put option as from the beginning of the exercisable period.
Annual EBITDA growth factor	Estimated based on plan for the company without the effects of IFRS 16

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. PROPERTY, PLANT AND EQUIPMENT

7.1. Year ended 31 March 2020

As of 31 March 2020, property, plant and equipment can be analysed as follows:

In thousands of euros	Land	Buildings	Machinery and equipment	Other PP&E	Leasehold improvements related to the stores	Other PP&E related to stores	PP&E in progress	Total
Cost as of 31 March 2019	**3,385**	**76,151**	**60,718**	**114,511**	**172,069**	**51,512**	**28,843**	**507,189**
First-time application of IFRS 16 (note 2.1)	(898)	(20,871)	(4,780)	(1,129)	(5,322)	–	–	(33,000)
Additions	50	–	10,027	15,803	19,257	5,514	4,129	54,780
Disposals	–	(87)	(7,370)	(11,743)	(22,391)	(6,808)	(1,208)	(49,607)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–
Other movements	1,060	5,779	7,375	2,960	4,151	1,476	(23,428)	(627)
Exchange differences	(226)	(1,068)	(493)	(1,668)	(3,727)	(1,554)	(309)	(9,045)
Cost as of 31 March 2020	**3,371**	**59,904**	**65,477**	**118,734**	**164,037**	**50,140**	**8,027**	**469,690**
Accum. depreciation as of 31 March 2019	**–**	**(35,625)**	**(44,350)**	**(81,041)**	**(113,283)**	**(34,228)**	**–**	**(308,527)**
First-time application of IFRS 16 (note 2.1)	–	14,882	4,263	225	4,045	–	–	23,415
Depreciation	–	(3,738)	(6,132)	(15,338)	(23,743)	(7,555)	–	(56,506)
Impairment loss	–	–	–	–	(491)	–	–	(491)
Reversal of impairment loss	–	–	700	–	1,154	–	–	1,854
Disposals	–	83	6,901	11,454	21,247	6,910	–	46,595
Acquisition of subsidiaries	–	–	–	–	–	–	–	–
Other movements	–	–	–	711	(1,051)	–	–	(340)
Exchange differences	–	32	144	799	2,799	1,041	–	4,815
Accum. depreciat. as of 31 March 2020	**–**	**(24,366)**	**(38,474)**	**(83,190)**	**(109,323)**	**(33,832)**	**–**	**(289,185)**
Net book value as of 31 March 2020	**3,371**	**35,538**	**27,003**	**35,544**	**54,714**	**16,308**	**8,027**	**180,505**

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 €26,948,000.

Excluding non-cash items, total cash additions amount to €54,780,000.

7. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

7.2. Year ended 31 March 2019

As of 31 March 2019, property, plant and equipment can be analysed as follows:

In thousands of euros	Land	Buildings	Machinery and equipment	Other PP&E	Leasehold improvements related to the stores	Other PP&E related to stores	PP&E in progress	Total
Cost as of 1 April 2018	**3,384**	**76,049**	**54,283**	**87,249**	**160,353**	**48,703**	**15,071**	**445,092**
Additions	1	154	5,407	10,238	24,351	7,443	20,102	67,696
Disposals	–	(52)	(488)	(2,531)	(21,488)	(6,936)	(521)	(32,016)
Acquisition of subsidiaries	–	–	78	16,088	–	–	–	16,166
Other movements	–	–	1,391	1,256	2,418	691	(5,756)	–
Exchange differences	–	–	47	2,211	6,435	1,611	(53)	10,251
Cost as of 31 March 2019	**3,385**	**76,151**	**60,718**	**114,511**	**172,069**	**51,512**	**28,843**	**507,189**
Accum. depreciation as of 1 April 2018	**–**	**(30,854)**	**(38,989)**	**(59,215)**	**(107,503)**	**(33,151)**	**–**	**(269,712)**
Depreciation	(3)	(4,827)	(5,618)	(11,289)	(23,039)	(7,333)	–	(52,109)
Impairment loss	–	–	–	(2,850)	–	–	–	(2,850)
Reversal of impairment loss	–	–	–	1,104	–	–	–	1,104
Disposals	–	56	368	2,384	21,294	6,750	–	30,852
Acquisition of subsidiaries	–	–	(73)	(8,429)	–	–	–	(8,502)
Other movements	3	–	–	(402)	(60)	57	–	(402)
Exchange differences	–	–	(38)	(2,344)	(3,975)	(551)	–	(6,908)
Accum. depreciat. as of 31 March 2019	**–**	**(35,625)**	**(44,350)**	**(81,041)**	**(113,283)**	**(34,228)**	**–**	**(308,527)**
Net book value as of 31 March 2019	**3,385**	**40,526**	**16,368**	**33,470**	**58,786**	**17,284**	**28,843**	**198,662**
Including assets under finance leases:								
Property, plant & equipment, gross	898	20,871	4,789	350	–	–	–	26,908
Accumulated depreciation	–	(14,882)	(4,269)	(225)	–	–	–	(19,376)
Net book value assets under finance leases as of 31 March 2019	**898**	**5,989**	**520**	**125**	**–**	**–**	**–**	**7,532**

Main additions during the year were related to leasehold improvements for the opening of 136 stores.

Excluding dismantling and restoring costs and acquisitions under finance lease that are non-cash items, total cash additions amounted to €67,696,000.

7. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

7.3. Classification of the depreciation of the PP&E in the statement of income

Depreciation of the Group's property, plant and equipment has been charged to statement of income as follows:

31 March *In thousands of euros*	***2020***	***2019***
Cost of goods sold	10,633	10,463
Distribution expenses	39,157	35,888
Marketing expenses	119	78
Research and development expenses	941	987
General and administrative expenses	5,656	4,693
Depreciation expenses	**56,506**	**52,109**

7.4. Impairment tests of property, plant and equipment

31 March *In thousands of euros*	***2020***	***2019***
Accumulated impairment provision as of the beginning of the year	**(9,626)**	**(7,276)**
Impairment provision	(491)	(2,850)
Reversal of impairment provision (used)	1,854	1,104
Exchange differences	28	(604)
Accumulated impairment provision as of 31 March	**(8,235)**	**(9,626)**

Property, plant and equipment are allocated to the Group's cash-generating units (CGUs) and are tested for impairment as described in Note 2.8.

An impairment loss amounting to €491,000 as at 31 March 2020 and €2,850,000 as at 31 March 2019 has been recorded within "distribution expenses" to adjust the carrying amount of certain fixed assets related to the stores.

The reversal of used impairment loss corresponds to stores that are closed.

8. LEASES

This note provides information for leases where the Group is a lessee.

8.1. Right-of-use assets

Amounts recognised in the consolidated balance sheet

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 2.1)	425,236	40,640	19,249	485,125
Additions	86,407	30,442	2,883	119,732
Disposals	(36,650)	136	(341)	(36,855)
Depreciation (Note 23)	(109,948)	(14,358)	(5,850)	(130,156)
Impairment loss	(1,317)	–	–	(1,317)
Exchange differences	(6,524)	(291)	(263)	(7,078)
Net book value as at 31 March 2020	**357,204**	**56,569**	**15,678**	**429,451**

There was no change in the net deferred tax recorded on right-of-use assets at the transition date (Note 27.2).

During the year ended 31 March 2020, the additions mainly relate to the new stores (€26.3 million) and other effects such as extension or renewal of contracts or new offices (€60.1 million).

The key money for the flagship store on the Champs-Elysées is pledged for an amount of € 20,114,000 as security for the FY2019 Long-Term Loan.

Amounts recognized in the consolidated statement of income

The consolidated statement of income shows the following amounts relating to leases:

31 March 2020

In thousands of euros	**Stores**	**Offices**	**Other**	**Total**
Distribution expenses	(111,265)	–	–	(111,265)
General and administrative expenses	–	(14,358)	(5,850)	(20,208)
Depreciation expenses	**(111,265)**	**(14,358)**	**(5,850)**	**(131,473)**

8. LEASES (CONTINUED)

8.1. Right-of-use assets *(continued)*

Impairment tests for right-of-use assets

31 March *In thousands of euros*	*2020*	*2019*
Accumulated impairment provision as of the beginning of the year	**–**	**–**
First-time application of IFRS 16 (Note 2.1)	(4,489)	–
Impairment provision	(4,747)	–
Reversal of impairment provision (used)	3,430	–
Exchange differences	52	–
Accumulated impairment provision as of 31 March	**(5,754)**	**–**

Right-of-use assets are allocated to the Group's cash-generating units (CGUs) and are tested for impairment as described in Note 2.7. The Note 4.1 describes the key assumptions used for the value-in-use calculations.

An impairment loss amounting to €4,747,000 as at 31 March 2020 has been recorded within "Distribution expenses" to adjust the carrying amount of certain right-of-use assets related to stores.

The reversal of used impairment loss corresponds to stores that are closed.

8.2. Lease liabilities

Amounts recognised in the consolidated balance sheet

Maturities of lease liabilities can be analysed as follows:

In thousands of euros	**Lease liabilities**
Within 1 year	99,206
Between 1 and 2 years	79,152
Between 2 and 5 years	132,577
Over 5 years	110,697
Total as at 31 March 2020	**421,632**

There was no change in the net deferred tax recorded on right-of-use assets and lease liabilities at the transition date (Note 27.2).

The total cash outflow for leases for the year ended 31 March 2020 was €135,113,000.

Amounts recognised in the consolidated statement of income

The consolidated statement of income shows the following amounts relating to leases:

In thousands of euros	***31 March 2020***
Interest expense (included in finance cost)	14,032
Expense related to short-term leases (included in distribution expenses)	3,949
Expense related to leases of low-value assets that are not shown above as short-term leases (included in cost of goods sold and administrative expenses)	6,798
Expense related to variable lease payments not included in lease liabilities (included in distribution expenses)	68,112

9. GOODWILL

Goodwill is monitored by management at the level of the trademarks (Note 2.8).

9.1. Change in goodwill and breakdown

Change in goodwill can be analysed as follows:

In thousands of euros	31 March 2018	Additions	Exchange differences	31 March 2019	Additions	Exchange differences	31 March 2020
L'Occitane en Provence[a]							
of which: Russia	30,207	–	(743)	29,464	–	(4,079)	25,385
Japan	19,790	–	1,068	20,858	–	975	21,833
Malaysia	9,464	–	300	9,764	–	(310)	9,454
Norway	5,181	–	10	5,191	–	(835)	4,356
United States	5,492	–	529	6,021	–	153	6,174
Other countries	21,315	–	584	21,899	–	(736)	21,163
Elemis[b]	–	493,434	8,397	501,831	–	13,079	514,910
LimeLife	97,882	10,096	10,350	118,328	–	3,008	121,336
Melvita	35,931	–	–	35,931	–	–	35,931
Erborian	2,384	–	–	2,384	–	–	2,384
Total cost	**227,646**	**503,530**	**20,495**	**751,671**	**-**	**11,255**	**762,926**
Accumulated impairment loss	(1,000)	–	–	(1,000)	–	–	(1,000)
Total cost	**226,646**	**503,530**	**20,495**	**750,671**	**-**	**11,255**	**761,926**

(a) Goodwills related to L'Occitane en Provence are related to the past acquisitions of exclusive distributors in the above-mentioned countries.

(b) Including retrospective adjustment on ELEMIS goodwill due to the final fair value of the acquisition (Note 6.1).

9.2. Goodwill impairment testing

The key assumptions and sensibility analysis are disclosed in Note 4.1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. INTANGIBLE ASSETS

10.1. Year ended 31 March 2020

Intangible assets include:

- Acquired trademarks 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	Websites	Trademarks	Key money	Software	Contractual customer relationships	Intangible assets in progress	Other intangible assets	Total
Cost as of 31 March 2019[(a)]	**-**	**269,757**	**68,749**	**60,397**	**34,516**	**14,482**	**8,183**	**456,083**
First-time application of IFRS 16 (note 2.1.)	–	–	(68,560)	–	–	–	–	(68,560)
Additions	11	–	–	5,446	–	5,201	3,490	14,148
Disposals	–	–	–	(900)	–	(215)	(514)	(1,629)
Other movements	–	–	–	4,128	–	(13,511)	9,399	16
Exchange differences	(2)	6,459	(189)	(325)	756	(21)	(35)	6,643
Cost as of 31 March 2020	**9**	**276,216**	**-**	**68,746**	**35,272**	**5,936**	**20,523**	**406,701**
Accumulated amortisation and impairment as of 31 March 2019	**-**	**(611)**	**(37,828)**	**(42,981)**	**(1,761)**	**-**	**(6,368)**	**(89,549)**
First-time application of IFRS 16 (note 2.1.)	–	–	37,778	–	–	–	–	37,778
Amortisation	–	–	–	(8,875)	(3,568)	–	(1,751)	(14,194)
Disposals	–	–	–	526	–	–	50	576
Exchange differences	–	–	50	201	(42)	–	56	265
Accumulated amortisation and impairment as of 31 March 2020	**-**	**(611)**	**-**	**(51,129)**	**(5,371)**	**-**	**(8,013)**	**(65,124)**
Net book value as of 31 March 2020	**9**	**275,605**	**-**	**17,617**	**29,901**	**5,936**	**12,511**	**341,577**

(a) Including retrospective adjustment on ELEMIS goodwill due to the final fair value of the acquisition (Note 6.1).

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 concerned:

- Assets in progress for €5,201,000 are related mainly to software.
- Software for an amount of €5,446,000.

10. INTANGIBLE ASSETS *(CONTINUED)*

10.2. Year ended 31 March 2019

As of 31 March 2019, intangible assets can be analysed as follows:

In thousands of euros	Websites	Trademarks	Key money	Software	Contractual customer relationships	Intangible assets in progress	Other intangible assets	Total
Cost as of 1 April 2018	**82**	**16,087**	**68,657**	**55,216**	**1,761**	**7,429**	**7,585**	**156,816**
Additions	–	–	1,396	3,462	–	11,480	32	16,370
Disposals	(82)	–	(1,957)	(2,438)	–	(1,200)	–	(5,677)
Acquisition of subsidiaries[(a)]	–	249,427	–	2,313	32,207	–	–	283,947
Other movements	–	–	1,044	1,701	–	(3,225)	559	79
Exchange differences	–	4,243	(391)	143	548	(2)	7	4,548
Cost as of 31 March 2019[(a)]	**–**	**269,757**	**68,749**	**60,397**	**34,516**	**14,482**	**8,183**	**456,083**
Accumulated amortisation and impairment as of 1 April 2018	**(82)**	**(611)**	**(36,353)**	**(36,107)**	**(1,761)**	**–**	**(5,346)**	**(80,260)**
Amortisation	–	–	(3,447)	(7,342)	–	–	(1,016)	(11,805)
Disposals	82	–	1,828	2,438	–	–	–	4,348
Acquisition of subsidiaries	–	–	–	(1,829)	–	–	–	(1,829)
Other movements	–	–	–	(32)	–	–	–	(32)
Exchange differences	–	–	144	(109)	–	–	(6)	29
Accumulated amortisation and impairment as of 31 March 2019[(a)]	**–**	**(611)**	**(37,828)**	**(42,981)**	**(1,761)**	**–**	**(6,368)**	**(89,549)**
Net book value as of 31 March 2019[(a)]	**–**	**269,146**	**30,921**	**17,416**	**32,755**	**14,482**	**1,816**	**366,534**

(a) *Including retrospective adjustment on ELEMIS goodwill due to the final fair value of the acquisition (Note 6.1).*

Intangible assets in progress relate to purchased software programs to be used internally and are under development.

Additions mainly concerned:

- Assets in progress for €11,480,000 related mainly to software;
- Key money for an amount of €1,396,000;
- Software for an amount of €3,462,000;
- ELEMIS trademark and backlog for an amount of €281,634,000.

The amount of intangible assets whose title is restricted or that are pledged as collateral for liabilities was nil as at 31 March 2019.

10. INTANGIBLE ASSETS *(CONTINUED)*

10.3. Classification of the amortisation of intangible assets in the statement of income

Amortisation of intangible assets has been charged to the statement of income as follows:

31 March *In thousands of euros*	***2020***	***2019***
Cost of goods sold	1,003	1,002
Distribution expenses	3,898	3,449
Marketing expenses	576	666
Research and development costs	3	8
General and administrative expenses	8,714	6,680
Amortisation expenses	**14,194**	**11,805**

10.4. Impairment tests of intangible assets

Intangible assets are allocated to the Group's cash-generating units (CGUs) as described in Note 2.7 and tested for impairment. Note 4.1 describes the key assumptions used for the value in use calculation.

31 March *In thousands of euros*	***2020***	***2019***
Accumulated impairment provision as of the beginning of the year	**(27)**	**(27)**
First-time application of IFRS 16 (Note 2.1.)	–	
Impairment provision	–	–
Reversal of impairment provision	–	–
Exchange differences	–	–
Accumulated impairment provision as of 31 March	**(27)**	**(27)**

11. INTERESTS IN OTHER ENTITIES

The summary financial information for each subsidiary that has non-controlling interests material to the Group is set out below. The materiality of non-controlling interests was determined based on a mix of quantitative and qualitative factors, notably the percentage of the subsidiary's contribution in the Group's consolidated financial statements, the amount of the non-controlling interests at year-end, and the importance of the subsidiary on the Group's strategy.

The amounts disclosed for each subsidiary are before inter-company eliminations.

Summary balance sheet

	31 March 2020	
In thousands of euros	**LimeLife**	**ELEMIS**
Current assets	28,896	81,656
Current liabilities	33,451	26,385
Net current assets	**(4,555)**	**55,271**
Non-current assets	128,958	831,459
Non-current liabilities	3,993	39,514
Net non-current assets	**124,965**	**791,945**
Net assets	**120,410**	**847,216**
% of interests owned by the Group	59.2%	90.9%
Accumulated non-controlling interests	5,798	73,332

Summary statement of comprehensive income

	31 March 2020	
In thousands of euros	**LimeLife**	**ELEMIS**
Revenue	84,790	165,809
(Losses)/Profit for the year	**(13,643)**	**31,523**
Other comprehensive income	3,259	28,784
Total comprehensive (expense)/income	**(10,384)**	**60,307**

Other comprehensive income for ELEMIS mainly relate to currency translation adjustments on goodwill, trademarks and intangible assets.

Summary statement of cash flows

	31 March 2020	
In thousands of euros	**LimeLife**	**ELEMIS**
Cash flows from operating activities	(4,360)	33,338
Cash flows from investing activities	(715)	(36,007)
Cash flows from financing activities	917	(517)
Net increase/(decrease) in cash and cash equivalents	**(4,157)**	**(3,185)**

The cash flows from investing activities for ELEMIS relate to cash transferred to L'Occitane International S.A.

12. OTHER NON-CURRENT ASSETS

Other non-current assets can be analysed as follows:

31 March *In thousands of euros*	***2020***	***2019***
Deposits	29,491	28,491
Equity investments at fair value through other comprehensive income (FVOCI)	28,151	24,754
Key money paid to the lessor	–	1,770
Tax receivables	4,466	–
Financial assets	846	301
Other	2,377	2,265
Other non-current assets	**65,331**	**57,581**

As a result of the first-time application of IFRS16, 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 investments in:

- MyGlamm for an amount of €14,480,000. The Group owns 31.1% of MyGlamm which operates in the distribution of cosmetic products mainly in India.
- Funds for an amount of €13,671,000.

The fair value adjustment as at 31 March 2020 amounting to €(448,000) was recorded in the consolidated statement of comprehensive income.

13. INVENTORIES

Inventories can be analysed as follows:

31 March *In thousands of euros*	***2020***	***2019***
Raw materials and supplies	28,692	28,390
Finished goods and work in progress	186,936	184,059
Inventories, gross	**215,628**	**212,449**
Less, allowance	(11,662)	(9,622)
Inventories	**203,966**	**202,827**

14. TRADE RECEIVABLES

Trade receivables can be analysed as follows:

31 March *In thousands of euros*	***2020***	***2019***
Trade receivables, gross	134,245	144,845
Less, allowance for doubtful accounts	(2,674)	(1,453)
Trade receivables	**131,571**	**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, located 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.

The trade receivables ageing analysis report is as follows:

31 March *In thousands of euros*	***2020***	***2019***
Current and past due within 3 months	130,996	143,086
3 to 6 months	2,327	1,335
6 to 12 months	537	114
Over 12 months	385	310
Trade receivables, gross	**134,245**	**144,845**

Movements in the Group's provision for impairment on trade receivables are as follows:

31 March *In thousands of euros*	***2020***	***2019***
At beginning of the year	(1,453)	(1,107)
Provision for impairment	(1,429)	(692)
Reversal of impairment	173	381
Reclassification	35	0
Exchange differences	–	(35)
At end of the year	**(2,674)**	**(1,453)**

The creation and release of provision for impaired receivables have been included in distribution expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. TRADE RECEIVABLES *(CONTINUED)*

The ageing of the provision for the impaired receivables by due date is as follows:

31 March *In thousands of euros*	***2020***	***2019***
Within 3 months	1,739	837
3 to 6 months	307	237
6 to 12 months	255	78
Over 12 months	373	301
Impaired receivables	**2,674**	**1,453**

The individually impaired receivables relate to wholesalers in unexpectedly difficult economic situations.

The ageing analysis of trade receivables by due date that were past due but not impaired as at 31 March 2020 and 2019 is as follows:

31 March *In thousands of euros*	***2020***	***2019***
Within 3 months	10,765	7,519
3 to 6 months	2,020	1,098
6 to 12 months	282	36
Over 12 months	12	9
Trade receivables past due but not impaired	**13,079**	**8,662**

These trade receivables relate to a number of customers for whom there is no significant financial difficulty based on past experience. The overdue amounts can be recovered.

The Group considers that there is no recoverability risk on these past due receivables.

15. OTHER CURRENT ASSETS

The following table presents details of other current assets:

31 March *In thousands of euros*	***2020***	***2019 (*)***
Value added tax receivable and other taxes and payroll items receivable	16,285	21,228
Prepaid expenses[(a)]	16,496	27,073
Income tax receivable[(b)]	4,482	6,583
Advance payments to suppliers	7,611	5,789
ELEMIS non-controlling interests receivables on shares purchased	2,239	–
Other current assets	3,452	5,634
Total other current assets	**50,565**	**66,307**

(*) Including retrospective adjustment on ELEMIS goodwill due to the final fair value of the acquisition (Note 6.1)

(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 2.1.).

(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 year.

16. DERIVATIVE FINANCIAL INSTRUMENTS

16.1. Analysis of derivative financial instruments

Derivative financial instruments can be analysed as follows:

In thousands of euros	***31 March 2020***		***31 March 2019***	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Foreign exchange derivatives at fair value through profit and loss	1,024	208	18	849
Sub-total derivative financial instruments at fair value through profit and loss	**1,024**	**208**	**18**	**849**
Interest rate derivatives at fair value through other comprehensive income	(420)	–	32	–
Sub-total derivative financial instruments designated as hedging instruments	**(420)**	**–**	**32**	**–**
Current portion of derivative financial instruments	**604**	**208**	**50**	**849**

Derivatives for trading derivatives are classified as a current asset or liability. The fair value of a derivative designated as hedging instrument is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

The hedged highly probable forecast transactions denominated in foreign currencies are expected to occur at various dates over the next 12 months. Gains and losses recognised in the hedging reserve in other comprehensive income on forward foreign exchange contracts designated as hedging instruments as of the end of the period will be recognised in the statement of income in the period or periods during which the hedged forecast transaction will affect the statement of income. This is generally within the 12 months from the balance sheet date.

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.

16.2. Derivatives at fair value through profit and loss

The change in fair value related to derivatives at fair value through profit and loss is as follows:

31 March *In thousands of euros*	***2020***	***2019***
— within ‘foreign currency gains/(losses)’ for currency derivatives (Note 26)	1,647	(384)
Total change in the fair value of derivatives at fair value through profit and loss: gains/(losses)	**1,647**	**(384)**

16. DERIVATIVE FINANCIAL INSTRUMENTS *(CONTINUED)*

16.3. Derivatives designated as hedging instruments

The derivatives designated at fair value through other comprehensive income is disclosed in Note 16.1.

16.4. Notional amounts of derivatives

The notional principal amounts of the outstanding forward foreign exchange derivatives are as follows:

31 March *In thousands of euros*	***2020***	***2019***
Sale of currencies		
CNY	27,614	15,120
JPY	16,557	17,204
HKD	4,555	22,564
BRL	3,244	2,280
RUB	2,359	2,471
GBP	2,296	3,262
THB	2,273	2,639
MXN	2,041	1,500
AUD	1,305	2,023
USD	1,195	890
CZK	309	401
PLN	221	314
NOK	218	285
HUF	175	177
ZAR	122	121
SEK	111	120

17. CASH AND CASH EQUIVALENTS

The following table presents details of cash and cash equivalents:

31 March *In thousands of euros*	***2020***	***2019***
Cash at bank and on hand	164,955	139,730
Cash equivalents	1,387	4,712
Cash and cash equivalents	**166,342**	**144,442**

Cash equivalents include highly liquid investments in short-term bank deposits.

The effective interest rates on cash at bank and in hand are as follows:

	2020	***2019***
Cash in euros	Eonia or Euribor + margin	Eonia or Euribor + margin
Cash in foreign currencies	Libor/Local market rate + margin	Libor/Local market rate + margin

The effective interest rates on cash equivalents are as follows:

	2020	***2019***
Cash equivalents in euros (short-term bank deposits)	Euribor/Local market rate	Euribor/Local market rate

18. 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 31 March 2020. 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.

18.1. 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 March 2020	**1,476,964,891**	**44,309**	**342,851**

18.2. Treasury shares

As at 31 March 2019, the Company held 15,912,720 shares in treasury and the aggregate price of the purchased shares was deducted from equity as "Treasury shares reserve" for an amount of €25,476,000.

As at 31 March 2020, the Company holds 15,232,370 shares in treasury and the aggregate price of the purchased shares is deducted from equity as "Treasury shares reserve" for an amount of €24,376,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. CAPITAL AND RESERVES *(CONTINUED)*

18.3. Share-based payment

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

(i) Main characteristics and detail of the plans with LOI instruments

During the financial year ended on 31 March 2020, no stock options or free shares plans were granted.

Stock options

The stock option plans can be summarised as follows:

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

Stock options outstanding at the end of the year have the following expiry dates and exercise prices:

	31 March 2020		*31 March 2019*	
	Average exercise price in HKD per share option	**Number of options**	**Average exercise price in HKD per share option**	**Number of options**
At 1 April	16.15	24,696,747	16.29	34,652,347
Exercised during the year	17.62	(370,250)	–	–
Cancelled/lapsed during the year	16.93	(4,790,825)	16.62	(9,955,600)
At the end of the year	**15.94**	**19,535,672**	**16.15**	**24,696,747**

			Number of share options	
Grant date	**Vesting date**	**Exercise price**	***31 March 2020***	***31 March 2019***
4 April 2011	4 April 2015	19,84 HKD	–	1,387,825
4 April 2011	4 April 2015	19.84 HKD	–	117,000
4 April 2011	4 April 2015	19.84 HKD	–	14,500
26 October 2012	26 October 2016	23,60 HKD	831,000	971,500
28 November 2012	29 November 2016	24,47 HKD	672,422	672,422
4 December 2013	4 December 2017	17.62 HKD	3,021,750	3,818,000
23 February 2015	23 February 2019	19.22 HKD	238,000	238,000
21 March 2016	21 March 2020	14.36 HKD	3,806,300	4,370,800
02 February 2017	02 February 2021	15.16 HKD	5,888,400	7,018,700
29 March 2018	29 March 2022	14.50 HKD	5,077,800	6,088,000
Total			**19,535,672**	**24,696,747**

18. CAPITAL AND RESERVES *(CONTINUED)*

18.3. Share-based payment *(continued)*

(i) Main characteristics and detail of the plans with LOI instruments (continued)

Free shares

The free share plans can be summarised as follows:

	31 March 2020		*31 March 2019*	
	Average fair value in HKD per free shares	**Number of options**	**Average fair value in HKD per free shares**	**Number of options**
As at 1 April	14.49	5,941,900	14.81	6,692,000
Vested during the year	14.36	(311,500)	14.32	(369,700)
Forfeited during the year	14.50	(2,259,000)	15.50	(380,400)
As at 31 March	**14.50**	**3,371,400**	**14.49**	**5,941,900**

Free shares outstanding at the end of the years have the following expiry dates and exercise prices:

			Number of free shares	
Grant date	**Vesting date**	**Exercise price**	***31 March 2020***	***31 March 2019***
23 March 2016	23 March 2020	–	–	316,800
23 March 2016	23 March 2020	–	–	156,300
29 March 2018	29 March 2022	–	3,371,400	5,468,800
Total			**3,371,400**	**5,941,900**

(ii) Main characteristics and detail of the plans with LimeLife equity instruments

L'Occitane International S.A. granted rights to LimeLife equity instruments to LimeLife's minority shareholders. This free shares plan is based on a presence condition for a four-year period, starting from 12 December 2017. There are no performance criteria.

This plan can be summarised as follows:

	31 March 2020		*31 March 2019*	
	Average fair value in EUR per free shares	**Number of free shares**	**Average fair value in EUR per free shares**	**Number of free shares**
As at 1 April	6.4	422,297	6.4	–
Vested during the year	6.4	422,297	6.4	422,297
Forfeited during the year	–	–	–	–
As at 31 March	**6.4**	**844,594**	**6.4**	**422,297**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. CAPITAL AND RESERVES *(CONTINUED)*

18.3. Share-based payment *(continued)*

(ii) Main characteristics and detail of the plans with LimeLife equity instruments (continued)

		Number of free shares	
Grant date	**Vesting date**	**31 March 2020**	**31 March 2019**
12 December 2017	12 December 2018	422,297	422,297
12 December 2017	12 December 2019	422,297	422,297
12 December 2017	12 December 2020	422,297	422,297
12 December 2017	12 December 2021	422,297	422,297
Total		**1,689,188**	**1,689,188**

The shares will vest gradually in four instalments of 25% over a four-year period.

The assessed fair value at the grant date of the shares was determined based on the enterprise value of LimeLife (through discounted future cash-flows) as at 12 December 2017.

(iii) Main characteristics and detail of the plans with LOG equity instruments

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

(iv) Total share-based payment expense

During the years ended 31 March 2019 and 31 March 2020, the share-based payment expense recognised within employee benefits was as follows:

In thousands of euros	***2020***	***2019***
LOI equity instruments	2,243	1,522
LOG equity instruments	1,720	1,647
LimeLife instruments	2,493	2,686
Social charges	512	392
Total (note 23)	**6,968**	**6,247**

As at 31 March 2020, an amount of €2,493,000 had been recorded as share-based payments for the minority shareholders of LimeLife.

The total remaining share-based payment expense to be recognised within the future employee benefits is the following:

In thousands of euros	***2020***	***2019***
LOI equity instruments	2,458	4,332
LOG equity instruments	1,188	1,563
LimeLife instruments	1,675	1,878
Total	**5,321**	**7,773**

18. CAPITAL AND RESERVES *(CONTINUED)*

18.4. Distributable reserves

On 31 March 2020, the distributable reserves of L'Occitane International S.A. amounted to €704,501,388 (€642,114,240 as at 31 March 2019).

18.5. 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.

18.6. Additional paid in capital

Additional paid in capital includes:

- The additional paid in capital recognised in the statutory financial statements;
- The effect of valuing, at market value, the shares issued in exchange of acquisitions;
- The difference between the carrying amount net of tax and the nominal amount of the compound financial instruments converted to equity on 26 February 2007.

19. BORROWINGS

Borrowings can be analysed as follows:

In thousands of euros	***31 March 2020***	***31 March 2019***
FY2020 NEU CP facility	105,000	–
FY2019 Term loan	275,008	300,211
FY2019 Long-term loan	20,114	21,532
FY2015 Revolving facility	64,797	238,246
FY2012 bank borrowing	5,000	5,715
Other bank borrowings	5,130	5,191
Finance lease liabilities	–	6,955
Current accounts with minority shareholders and related parties	–	90
Total	**475,049**	**577,940**
(Deduct) current portion:		
— FY2020 NEU CP facility	(105,000)	–
— FY2019 Term loan	(8)	(211)
— FY2019 Long-term loan	(2,519)	(1,077)
— FY2015 Revolving facility	(185)	(163)
— FY2012 bank borrowing	(714)	(715)
— Other bank borrowings	(5,130)	(5,191)
— Finance lease liabilities	–	(1,205)
Total current portion	**(113,556)**	**(8,562)**
Total non-current portion	**361,493**	**569,378**

As a result of the first-time application of IFRS16, finance lease liabilities were reclassified within lease liabilities (Note 2.1.).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. BORROWINGS *(CONTINUED)*

19.1. Maturity of non-current borrowings

For the years ended 31 March 2020 and 2019, the 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	275,000	–	–	275,000
FY2019 Long-term loan	1,996	6,104	9,495	17,595
FY2015 Revolving facility	64,612	–	–	64,612
FY2012 bank borrowing	714	2,143	1,429	4,286
Current account with non-controlling interests	–	–	–	–
Maturity at 31 March 2020	**342,322**	**8,247**	**10,924**	**361,493**
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**

19.2. Credit facilities agreements

FY2020 NEU CP facility

On 17 October 2019, the Group signed a programme to issue of short-term marketable debt instrument ("NEU CP") on a commercial paper market in the eurozone governed by the Banque de France. The total amount available is equal to €300,000,000.

Multiple short-term marketable debt instruments were issued during the year ended 31 March 2020 for a total amount of €462,000,000, over which €357,000,000 were reimbursed during the year.

As at 31 March 2020, the balance amounts to €105,000,000 for a weighted average rate of -0,0035% for initial maturities comprising between 32 days and 366 days.

19. BORROWINGS *(CONTINUED)*

19.2. Credit facilities agreements *(continued)*

FY2019 Term Loan

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

An amount of €25,000,000 was reimbursed in 2020. The outstanding amount as at 31 March 2020 is therefore €275,000,000.

The FY2019 Term Loan Agreement is subject to a financial covenant: if the Company fails to maintain its leverage ratio below a given level, this will trigger a default event and the early repayment of the loan. The leverage ratio, which is based on the Group's annual consolidated financial statements, is calculated by dividing consolidated net debt by EBITDA. For the measurement of this ratio, the following definitions are used:

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 31 March 2020.

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 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 + 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 year ended 31 Mach 2020, 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 amortised over the term of the loan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. BORROWINGS *(CONTINUED)*

19.2. Credit facilities 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 fully drawn. This loan is amortised quarterly and three repayments were made in June 2019, in September 2019, and in December 2019 for amounts of €487,543, €488,725 and €489,910. Due to the COVID-2019 crisis, banks have authorized the payment of the €491,098 due in March 2020 to be postponed until September 2020. The balance of the FY2019 Long-Term Loan as at 31 March 2020 is €20,062,272.

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

The FY2019 Long-Term Loan is secured by a pledge over business assets related to the 86 Champs-Elysées flagship store in Paris (Note 8).

FY2015 Revolving Facility

On 18 July 2014, the Group 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 years, which was exercised on 24 June 2016. An amount of €64,612,547 had been drawn as at 31 March 2020.

The FY2015 Revolving Facility Agreement is subject to a financial covenant: if the Company fails to maintain its leverage ratio below a given level, this will trigger a default event and the early repayment of the loan. The leverage ratio, which is based on the Group's annual consolidated financial statements, is calculated by dividing consolidated net debt by EBITDA. For the measurement of this ratio, the following definitions are used:

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 31 March 2020.

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 year ended 31 March 2020, 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.

19. BORROWINGS *(CONTINUED)*

19.2. Credit facilities 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 over the land and building acquired by Laboratoires M&L to build the new logistics platform in Manosque, France (Note 30.3).

19.3. Effective interest rates

The effective interest rates at the balance sheet date were as follows:

	2020	***2019***
FY2020 NEU CP facility	Euribor + Negotiated Spread	–
FY2019 Term Loan	Euribor + Margin	Euribor + Margin
FY2019 Long Term Loan	Fixed Rate	Fixed Rate
FY2015 bank borrowing	Euribor/Libor + Margin	Euribor/Libor + Margin
FY2012 bank borrowing	Euribor 3M + Margin	Euribor 3M + Margin
Other borrowings	Mainly Euribor 3M + Margin	Mainly Euribor 3M + Margin
Bank overdrafts	Mainly Euribor 3M + Margin	Mainly Euribor 3M + Margin
Finance lease liabilities	–	Mainly Euribor 3M + Margin

19.4. Borrowing facilities

The Group has the following undrawn borrowing facilities:

31 March *In thousands of euros*	***2020***	***2019***
Floating rate:		
— Expiring within one year	302	–
— Expiring beyond one year	230,387	161,917
Fixed rate:		
— Expiring within one year	–	–
— Expiring beyond one year	–	–
Total	**230,689**	**161,917**

19. BORROWINGS *(CONTINUED)*

19.5. Borrowing cash flow variations

The Group recognised the changes arising from cash flows and non-cash changes:

In thousands of euros	*31 March 2019*	Cash flows Proceeds	Repayments	Reclassifications	Exchange differences	*31 March 2020*
FY2020 NEU CP Facility	–	105,000	–	–	–	105,000
FY2019 Term loan	300,000	–	(25,000)	–	–	275,000
FY2019 Long term loan	20,455	–	(1,418)	–	–	19,037
FY2015 Revolving facility	238,083	–	(173,653)	–	–	64,430
FY2012 bank borrowing	5,000	–	(714)	–	–	4,286
Other bank borrowings	5,423	–	(294)	–	–	5,129
Finance lease liabilities	5,750	–	–	(5,750)	–	–
Current accounts with minority shareholders and related parties	90	–	(90)	–	–	–
Total	**574,801**	**105,000**	**(201,169)**	**(5,750)**	**-**	**472,882**

20. OTHER CURRENT AND NON-CURRENT LIABILITIES

Other current and non-current liabilities include the following:

31 March *In thousands of euros*	***2020***	***2019***
Retirement indemnities	12,168	11,528
Long term employment benefits	891	785
Liabilities linked to operating leases[(a)]	–	14,907
Provisions for dismantling and restoring	8,863	7,178
Grants to a foundation	–	50
Other	1,007	–
Total non current liabilities	**22,929**	**34,448**
Grants to a foundation	66	142
Deferred revenue[(b)]	18,509	18,196
Right to return goods	2,034	963
Total current liabilities	**20,609**	**19,301**

(a) As a result of the first-time application of IFRS 16, liabilities linked to operating leases were reclassified as a decrease to right-of-use assets (Note 2.1.).

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

20. OTHER CURRENT AND NON-CURRENT LIABILITIES *(CONTINUED)*

20.1. Provision for retirement benefits

Subsidiaries of the Group generally contribute to the national pension system, which is a defined-contribution obligation. The expense recognised in connection with those defined-contribution plans is classified in "social security" within the "employee benefits" (Note 23).

In addition to these defined-contribution plans, a defined-benefit plan exists in France. A lump-sum payment is made on the date the employee reaches retirement age, such award being determined for each individual based upon factors such as years of service and projected final salary. There are no plan assets.

Amounts recognised in the balance sheet and in the statement of income

The amounts recognised in the balance sheet are determined as follows:

31 March *In thousands of euros*	***2020***	***2019***
Present value of unfunded obligations	12,168	11,528
Liability in the balance sheet	**12,168**	**11,528**

Movements in the defined benefit obligation over the year are as follows:

31 March *In thousands of euros*	***2020***	***2019***
Beginning of the year	11,528	10,208
Current service cost	1,679	1,135
Past service cost	(412)	–
Interest cost	135	135
Actuarial (gains)/losses (Note 27.5)	(600)	28
Exchange differences	(107)	59
Benefits paid	(55)	(37)
End of year	**12,168**	**11,528**

The amounts recognised in the income statement are as follows:

31 March *In thousands of euros*	***2020***	***2019***
Current service cost	1,679	1,135
Past service cost	(412)	–
Interest cost	135	135
Total included in employee benefit expenses (note 23)	**1,402**	**1,270**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. OTHER CURRENT AND NON-CURRENT LIABILITIES *(CONTINUED)*

20.1. Provision for retirement benefits *(continued)*

Main assumptions

The principal actuarial assumptions used were as follows:

31 March *In %*	***2020***	***2019***
Discount rate	1.40	1.55
Inflation rate	1.70	2.00
Future salary increases	2.50	3.00
Retirement age (in number of years)	62-65	62-65

The discount rate is set with reference to corporate bond yield: iBoxx Euro zone AA rated corporate bonds + 10 years.

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory. Mortality assumptions for France (the most important country in terms of employee headcount) are based on the following table: Insee TD/TV 2009-11.

Assumptions regarding employee turnover are based on historical statistics recorded by the French subsidiaries in the previous years.

The sensitivity of the overall pension liability to changes in the principal assumptions is not material: an increase/decrease by 0.25% in the discount rate would result in an increase/decrease by €373,000 in the defined benefit obligation.

20.2. Provision for dismantling and restoring costs

As at 31 March 2020, provisions for dismantling and restoring costs are as follows:

		Charged/(credited) to the statement of income (Note 29.4)						
In thousands of euros	***31 March 2019***	**Provisions recorded in the statement of income**	**Unused amounts reversed**	**Used during the year**	**Provisions recorded as a component of PP&E**	**Reclassification**	**Exchange differences**	***31 March 2020***
Provisions recorded over the lease term	2,424	1,178	–	(622)	–	–	71	3,051
Provisions recorded at the inception	4,754	1,037	–	(19)	–	–	40	5,812
Total	**7,178**	**2,215**	**-**	**(641)**	**-**	**-**	**111**	**8,863**

21. TRADE PAYABLES

The credit terms granted by suppliers to the production and 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 dates is as follows:

31 March *In thousands of euros*	***2020***	***2019***
Current and past due within 3 months	144,761	140,323
Past due from 3 to 6 months	733	388
Past due from 6 to 12 months	497	462
Past due over 12 months	3	74
Trade payables	**145,994**	**141,247**

22. PROVISIONS

As at 31 March 2020 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 during the year**	**Reclassification**	**Exchange differences**	***31 March 2020***
Social litigations[a]	1,087	512	(368)	(109)	–	(139)	983
Commercial claims[b]	51	440	(163)	(65)	(149)	74	188
Onerous contracts[c]	4,456	–	–	–	(4,489)	33	–
Tax risks	1,530	16	(838)	(250)	–	(104)	354
Total	**7,124**	**968**	**(1,369)**	**(424)**	**(4,638)**	**(136)**	**1,525**

(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 leases was reclassified as a decrease to right-of-use assets (Note 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.

23. EXPENSES BY NATURE

23.1. Breakdown of expenses by nature

Expenses by nature include the following amounts:

31 March *In thousands of euros*	***2020***	***2019***
Employee benefit expenses[(a)]	445,466	402,464
Rent and occupancy[(b)]	116,119	242,359
Raw materials and consumables used	194,219	145,414
Change in inventories of finished goods and work in progress	10,987	(28,762)
Advertising costs[(c)]	167,399	148,390
Auditor's remuneration[(d)]	1,712	1,695
Professional fees[(e)]	155,811	131,295
Depreciation, amortisation and impairment (note 23.3)[(b)]	200,810	65,660
Transportation expenses	68,232	61,686
Other expenses	95,563	106,537
Total cost of sales, distribution expenses, marketing expenses, research and development expenses and general and administrative expenses	**1,456,318**	**1,276,738**

(a) Employee benefits include wages, salaries, bonuses, share-based payments, 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 2.1.). The depreciation of right-of-use assets is now recognised within "Depreciation, amortisation and impairment". The rent and occupancy amount as at 31 March 2020 mainly includes variable lease payments based on sales for €68,112,000, rent and occupancy costs relating to short-term leases for €3,949,000 and low-value leases for €6,798,000.

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

(d) Auditor's remuneration relates to audit services for €1,380,000 (€1,290,000 for the financial year ended 31 March 2019) and audit related services for €332,000 (€405,000 for the financial year ended 31 March 2019).

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

23. EXPENSES BY NATURE *(CONTINUED)*

23.2. Workforce and employee benefits

Employee benefits include the following amounts:

31 March *In thousands of euros*	***2020***	***2019***
Wages, salaries and bonus	360,384	318,761
Share-based payment (Note 18.3)	6,968	5,855
Social security	75,600	75,446
Post employment benefits (Note 20.1)	1,402	1,270
Other	1,112	1,132
Total employee benefits	**445,466**	**402,464**
Workforce (full time equivalent)	**9,347**	**9,284**

Wages, salaries and bonus includes the cost of temporary staff.

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

23.3. Breakdown of depreciation, amortisation and impairment

Depreciation, amortization and impairment include the following:

In thousands of euros	***31 March 2020***	***31 March 2019***
Depreciation of property, plant and equipment (Note 7)	56,506	52,109
Impairment on property, plant and equipment (Note 7)	491	1,746
Impairment reversal on property, plant and equipment (Note 7)	(1,854)	–
Depreciation of right-of-use assets (Note 8)	130,156	–
Impairment on right-of-use assets (Note 7)	1,317	–
Amortisation of intangible assets (Note 10)	14,194	11,805
Depreciation, amortisation and impairment	**200,810**	**65,660**

24. OTHER GAINS/(LOSSES), NET

Other gains/(losses), net are detailed as follows:

31 March *In thousands of euros*	***2020***	***2019***
Profit/(loss) on sale of assets (Note 29.1)	(1,464)	(781)
Government grants	1,252	1,392
Other items	(291)	–
Other gains/(losses), net	**(503)**	**611**

Government grants corresponds to grants on research and development costs and on employee profit-sharing schemes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. FINANCE INCOME AND FINANCE COSTS

Finance income and finance costs break down as follows:

31 March *In thousands of euros*	***2020***	***2019***
Interest on cash and cash equivalents	2,614	479
Finance income	**2,614**	**479**
Interest expense	(8,774)	(3,726)
Interest and finance expenses paid/payable for lease liabilities (Note 7)	(14,032)	–
Unwinding of discount on other financial assets (Note 6)	(120)	(349)
Impairment of financial assets	(1,855)	–
Finance costs	**(24,781)**	**(4,075)**
Finance costs, net	**(22,167)**	**(3,596)**

Interest expense relate to bank borrowings, current accounts with non-controlling interests and related parties (excluding financing from parent) and bank overdrafts.

26. FOREIGN CURRENCY GAINS/(LOSSES)

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

31 March *In thousands of euros*	***2020***	***2019***
Foreign exchange differences	(6,203)	1,457
Fair value gains/(losses) on derivatives (Note 16)	1,647	(384)
Foreign currency gains/(losses)	**(4,556)**	**1,073**

Foreign exchange differences mainly correspond to:

- Unrealised net foreign exchange loss: €5,517,000 (net gains amounting to €695,000 for the year ended 31 March 2019);
- Realised net foreign exchange gains: €961,000 (net gains amounting to €378,000 for the year ended 31 March 2019).

27. INCOME TAX EXPENSE

27.1. Income tax expense

Income tax expense breaks down as follows:

31 March *In thousands of euros*	***2020***	***2019***
Current income tax	(37,943)	(26,722)
Deferred income tax	(7,357)	(3,933)
Total tax income expense	**(45,300)**	**(30,655)**

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

31 March *In thousands of euros*	***2020***	***2019***
Profit before tax and share of profit/(loss) from joint ventures accounted for using the equity method	160,540	148,224
Income tax calculated at corporate tax rate *(Luxembourg tax rate of 24.94% as at 31 March 2020 and 26.01% as at 31 March 2019)*	(40,039)	(38,553)
Effect of different tax rates in foreign countries	9,965	14,156
Changes in tax rates	(518)	569
Effect of unrecognized tax assets	(6,428)	(7,200)
Expenses not deductible for taxation purposes	(6,389)	649
Provision for tax risks	(274)	(250)
Effect of unremitted tax earnings	(1,520)	(842)
Recognition of previously unrecognised tax assets	–	1,049
Minimum tax payments	(97)	(233)
Income tax expense	**(45,300)**	**(30,655)**

In March 2020, the net effect of changes in tax rate mainly concerned Switzerland where the enacted rate decreased from 23.72% to 13.82%.

The first-time application of IFRS 16 (Note 2.1.) has no impact on deferred income tax assets and liabilities at the transition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. INCOME TAX EXPENSE *(CONTINUED)*

27.2. Components of deferred income tax assets and liabilities

Nature of deferred income tax assets and liabilities

Net deferred income tax assets recorded at 31 March 2020 and 2019 break down as follows:

In thousands of euros	***2020***	***2019 (*)***
ASSETS		
Intercompany margin in inventory	23,883	20,904
Excess tax basis over carrying amount of PP&E	13,913	16,263
Tax losses carried forward	18,377	19,411
Lease liabilities	7,840	–
Employee benefits	4,323	4,529
Promotional goods expensed	3,337	4,140
Inventory valuation	2,554	1,986
Rent on operating leases recognized on a straight-line basis	–	2,707
Loyalty programmes	2,219	1,965
Provision for charges and other liabilities (onerous contracts, disputes)	–	1,147
New tax regulation	562	577
Other temporary differences	5,093	6,959
Total assets	**82,101**	**80,588**
To be recovered after more than 12 months	*43,004*	*28,903*
To be recovered within 12 months	*39,097*	*51,685*
LIABILITIES		
Identified trademarks in business combinations	(31,699)	(31,442)
Goodwill tax amortization	(8,736)	–
Income tax on unremitted earnings (Note 25.4)	(6,678)	(6,235)
Derivative financial instruments	(358)	(361)
Other temporary differences	(130)	(65)
Total liabilities	**(47,601)**	**(38,103)**
To be recovered after more than 12 months	*(40,565)*	*(3,422)*
To be recovered within 12 months	*(7,036)*	*(34,681)*
Deferred income tax, net	**34,500**	**42,485**
Deferred income tax assets	*76,521*	*74,620*
Deferred income tax liabilities	*(42,021)*	*(32,135)*

(*) Including retrospective adjustment on ELEMIS goodwill due to the final fair value of the acquisition (Note 6.1).

27. INCOME TAX EXPENSE *(CONTINUED)*

27.2. Components of deferred income tax assets and liabilities *(continued)*

Recognition of deferred income tax assets

Deferred income tax assets are recognised to the extent that the realisation of the related benefit through the future taxable profits is probable.

On 31 March 2020, the Group had tax losses of €129,623,000 to be carried over, generating a potential deferred income tax asset of €33,009,000. On 31 March 2019, these figures were €76,196,000 and €20,587,000 respectively.

The deferred income tax assets that were not recognised on 31 March 2020, amount to €14,632,000 (€14,745,000 on 31 March 2019). During the financial year ended 31 March 2019, in accordance with IAS 12 and based on the losses generated in the previous years, the deferred tax assets in Brazil were derecognised for an amount of €7,156,000. This does not prejudge future expected performance.

27.3. Movements in deferred tax assets and liabilities, net

Movements in deferred tax assets and liabilities, net during the year were as follows:

31 March *In thousands of euros*	***2020***	***2019***
At the beginning of the year	**42,485**	**59,641**
(Charged)/credited to income (Note 27.1)	(7,357)	(3,933)
(Charged)/credited to equity (Note 27.5)	(155)	29
Acquisition of Elemis	–	(14,272)
Exchange differences	(473)	1,020
At the end of the year	**34,500**	**42,485**

27.4. Income tax on unremitted earnings

Deferred income taxes on the unremitted earnings of the Group‘s foreign subsidiaries and associates are provided for unless the Group intends to indefinitely reinvest the earnings in the subsidiaries. The Group does intend to indefinitely reinvest unremitted earnings of its foreign subsidiaries in most jurisdictions.

For certain subsidiaries for which the Group does not intend to indefinitely reinvest unremitted earnings in these foreign jurisdictions, the corresponding distribution of earnings may trigger taxes. Therefore, the Group provides for deferred income taxes on these earnings where distribution would trigger taxes. The corresponding deferred tax liability amounts to €6,678,000 on 31 March 2020 and €6,235,000 on 31 March 2019.

27.5. Income tax on components of other comprehensive income

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	31 March 2020			***31 March 2019***		
In thousands of euros	**Before tax**	**Tax (charge)/ credit**	**After tax**	**Before tax**	**Tax (charge)/ credit**	**After tax**
Cash flow hedges fair value gains/(losses) (Note 16)	(7)	–	(7)	32	–	32
Actuarial gains/(losses) on defined-benefit obligation (Note 20.1)	600	(155)	445	(28)	7	(21)
Currency translation differences	5,319	–	5,319	24,049	22	24,071
Other comprehensive income	**5,912**	**(155)**	**5,757**	**24,053**	**29**	**24,082**

28. EARNINGS PER SHARE

The Group applies the rules governing earnings per share as described in Note 2.31 above.

28.1. 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 18.2).

31 march	***2020***	***2019***
Profit for the year attributable to equity holders of the Company *(in thousands of euros)*	**116,288**	**118,186**
Weighted average number of ordinary shares in issue[a]	1,461,732,521	1,461,052,171
Basic earnings per share *(in € per share)*	**0.080**	**0.081**

(a) *Treasury shares are deducted from total shares in issue for the purposes of calculating earnings per share.*

28.2. Diluted earnings per share

The Group has two categories of dilutive potential ordinary shares: share options and free shares. For the share options, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2020	***2019***
Profit for the year attributable to equity holders of the Company *(in thousands of euros)*	**116,288**	**118,186**
Weighted average number of ordinary shares in issue[a]	1,461,732,521	1,461,052,171
Adjustment for share options	200,170	94,495
Adjustment for free shares	2,577,186	4,774,268
Weighted average number of ordinary shares for diluted earnings per share in issue	1,464,509,877	1,465,920,934
Diluted earnings per share *(in € per share)*	**0.079**	**0.081**

(a) *Treasury shares are deducted from total shares in issue for the purposes of calculating earnings per share.*

29. SUPPLEMENTAL DISCLOSURE ON CASH FLOW INFORMATION

29.1. Proceeds from sale of assets

In the consolidated cash flow statement, proceeds from the sale of assets comprise the following:

	2020				***2019***		
31 March *In thousands of euros*	**Intangible assets**	**Property, plant and equipment**	**Right-of-use assets**	**Total**	**Intangible assets**	**Property, plant and equipment**	**Total**
Disposals — Cost	1,629	49,607	2,069	53,305	5,677	32,016	37,693
Disposals — Accumulated depreciation and amortisation	(576)	(46,595)	(1,848)	(49,019)	(4,348)	(30,852)	(35,200)
Net book value (note 7 and 10)	**1,053**	**3,012**	**221**	**4,286**	**1,329**	**1,164**	**2,493**
Profit/(loss) on sale of assets (note 24)	740	(1,348)	(856)	(1,464)	(536)	(245)	(781)
Proceeds from sale of assets	**1,793**	**1,664**	**(635)**	**2,822**	**793**	**919**	**1,712**

Profit/(loss) on the sale of assets is presented within "Other gains/(losses), net" in the consolidated statement of income.

29. SUPPLEMENTAL DISCLOSURE ON CASH FLOW INFORMATION *(CONTINUED)*

29.2. Net movement in provisions

In the consolidated statement of cash flows, net movement in provisions recorded in the consolidated statement of income comprises the following:

31 March *In thousands of euros*	*Notes*	***2020***	***2019***
Employee-related disputes	*(22)*	35	(153)
Commercial claims	*(22)*	212	(566)
Onerous contracts[(a)]	*(22)*	–	(1,630)
Tax risks	*(22)*	(1,072)	356
Dismantling and restoring	*(20.2)*	1,574	314
Retirement benefits	*(20.1)*	1,347	1,233
Impairment of financial assets	*(25)*	1,855	–
Other	–	(207)	–
Net movement in provisions		**3,744**	**(446)**

(a) As a result of the first-time application of IFRS 16, the provisions for onerous lease contracts were reclassified to right-of-use assets (Note 2.1.).

29.3. Other non-cash items

The Group has granted share-based payments as described in the Note 18.3.

29.4. Effects of exchange rate fluctuations on the net increase/(decrease) in cash and cash equivalents

The effects of exchange rate fluctuations as stated in the consolidated statement of cash flows include the following:

- The translation at the closing exchange rate of foreign currency cash and cash equivalents;
- The exchange rate effect of the movement in foreign currency cash and cash equivalents from the average exchange rate to the closing exchange rate;
- The exchange movements on intragroup transactions not settled at year-end.

29.5. Cash flows reported on a net basis

In accordance with IAS 7.23, proceeds from and repayments of borrowings in which the turnover is quick, the amounts are large, and the maturities are short are reported on a net basis in the consolidated statement of cash flows.

30. CONTINGENCIES

30.1. Legal proceedings

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

30.2. Other contingent liabilities

The Group has contingent liabilities in respect of bank, other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities. All guarantees given by the Group are described in Note 31.

31. COMMITMENTS

31.1. Capital and other expenditure commitments

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

31 March *In thousands of euros*	***2020***	***2019***
Property, plant and equipment	2,499	10,087
Intangible assets	67	1,283
Raw materials	3,940	2,424
Total	**6,506**	**13,794**

The amounts as at 31 March 2020 and 31 March 2019 mainly relate to the plants in France.

31.2. Other commitments

31 March *In thousands of euros*	***2020***	***2019***
Pledge over property (land and buildings)	25,114	28,215
Total	**25,114**	**28,215**

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

32. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are described below.

32.1. Key management compensation

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

Director's emoluments

Directors are the Board members. Directors' emoluments expensed during the year can be analysed as follows:

31 March 2020 *In thousands of euros*	**Salaries and other benefits in kind**	**Employer's contribution to a retirement benefit scheme**	**Bonus**	**Directors fees**	**Share-based payments**	**Services**	**Total**
Executive directors							
Reinold Geiger[(a)]	–	–	–	–	–	772	772
André Hoffmann	478	2	–	–	–	–	480
Sylvain Desjonqueres	469	74	76	–	227	–	846
Thomas Levilion	375	81	68	–	341	–	865
Karl Guénard	112	27	53	–	66	–	257
Non executive director							
Martial Lopez	–	–	–	20	–	–	20
Independent Non executive directors							
Mark Broadley	–	–	–	47	–	–	47
Pierre Milet	–	–	–	30	–	–	30
Valérie Bernis	–	–	–	30	–	–	30
Jackson Ng	–	–	–	41	–	–	41
Total	**1,434**	**184**	**197**	**168**	**633**	**772**	**3,389**

(a) Reinold Geiger is the Chairman and Chief Executive Officer.

31 March 2019 *In thousands of euros*	**Salaries and other benefits in kind**	**Employer's contribution to a retirement benefit scheme**	**Bonus**	**Directors fees**	**Share-based payments**	**Services**	**Total**
Executive directors							
Reinold Geiger[(a)]	–	–	250	–	–	772	1,022
André Hoffmann	481	2	187	–	–	–	670
Sylvain Desjonqueres[(b)]	411	53	105	–	139	–	708
Thomas Levilion	355	82	117	–	268	–	822
Karl Guénard	100	26	53	–	61	–	240
Non executive director							
Martial Lopez	–	–	–	20	–	–	20
Independent Non executive directors							
Mark Broadley	–	–	–	45	–	–	45
Pierre Milet	–	–	–	30	–	–	30
Valérie Bernis	–	–	–	30	–	–	30
Jackson Ng	–	–	–	39	–	–	39
Total	**1,347**	**163**	**712**	**164**	**468**	**772**	**3,626**

(a) Reinold Geiger is the Chairman and Chief Executive Officer.

(b) Sylvain Desjonquères was appointed as an executive director on 26 September 2018.

There is no defined benefit obligation for directors.

Directors' material interests in transactions, arrangements or contracts

There were no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, at the end of the year or in place at any time during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. TRANSACTIONS WITH RELATED PARTIES *(CONTINUED)*

32.1. Key management compensation *(continued)*

Five highest paid individuals

The five highest paid individuals are as follows:

31 March *In thousands of euros*	***2020***	***2019***
Salaries and other benefits in kind	1,389	1,567
Employer's contribution to a retirement benefit scheme	156	197
Bonus	474	800
Directors fees	–	–
Share-based payment	913	507
Services	1,239	772
Total	**4,171**	**3,843**

Fees for the three directors' are included in the 31 March 2020 and 2019 amounts.

There is no defined-benefit obligation for the five highest paid individuals.

The emoluments of the five highest paid individuals are analysed according to the following bands:

31 March *Number of individuals*	***2020***	***2019***
Nil to €500,000	–	–
€500,000 to €600,000	–	1
€600,000 to €700,000	–	2
€700,000 to €800,000	1	1
over €800,000	4	1
Total	**5**	**5**

Senior management's emoluments expensed during the year

The emoluments of the senior management (excluding termination benefits) are as follows:

31 March *In thousands of Euros*	***2020***	***2019***
Salaries and other benefits in kind	3,603	1,925
Employer's contribution to a retirement benefit scheme	313	230
Bonus	886	470
Directors fees	–	–
Share-based payments	1,936	803
Total	**6,738**	**3,428**

There is no defined benefit obligation for senior management.

32. TRANSACTIONS WITH RELATED PARTIES *(CONTINUED)*

32.1. Key management compensation *(continued)*

Senior management's emoluments expensed during the year (continued)

The emoluments of the senior management (excluding termination benefits) are analysed according to the following bands:

31 March *Number of individuals*	***2020***	***2019***
Nil to €200,000	–	1
€200,000 to €300,000	1	–
€300,000 to €400,000	–	3
€400,000 to €500,000	5	1
over €500,000	6	3
Total	**12**	**8**

32.2. Sales of products and services

31 March *In thousands of euros*	***2020***	***2019***
Sales of goods and services		
— Sales of L'Occitane products to Les Minimes[(a)]	65	93
— Management fees to parent[(b)]	244	244
— Sales of services to LOG Investments	307	279
— Sales of services to Pierre Hermé SAS[(c)]	2,195	2,072
Total Sales of products	**2,811**	**2,688**
Receivable to related parties in connection with the above sales of products		
— Receivables from Les Minimes[(a)]	6	10
— Receivables from LOG Investments	26	28
— Receivables from Pierre Hermé SAS[(c)]	494	1,094
Total receivables	**526**	**1,132**

(a) In the normal course of business, the Group sold L'Occitane products to Les Minimes SAS, which is owned by the parent company as to 74.3%, by Mr. Reinold Geiger as to 25.7%.

(b) Management fees invoiced by the Company to the parent company amounted to €244,000 (€244,000 for the financial year ended 31 March 2019).

(c) The Company runs two flagship stores (in Paris and London) with Pierre Hermé SAS, which is an associate of L'Occitane Group S.A. The Group sub-leased a part of the flagship in Paris and recharged to Pierre Hermé SAS some operating expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. TRANSACTIONS WITH RELATED PARTIES *(CONTINUED)*

32.3. Purchases of goods and services

31 March *In thousands of euros*	***2020***	***2019***
Purchases		
— Services from Directors[(a)]	–	–
— Services from Les Minimes[(b)]	16	48
— Goods and services from Pierre Hermé[(c)]	3,546	3,496
Total purchases	**3,562**	**3,544**
Payables to related parties in connection with the above services		
— Services from Directors[(a)]	–	–
— Services from Les Minimes[(b)]	6	1
— Goods and services from Pierre Hermé[(c)]	188	458
Total payables	**194**	**459**

(a) *L'Occitane International has a contract for financial consulting services with the company Esprit-fi Eurl, wholly owned by Mr. Martial Lopez.*

(b) *Laboratoires M&L (formerly known as L'Occitane S.A.), a French subsidiary, has a contract for communication and marketing, services with the company Les Minimes SAS, which is indirectly owned by the parent company as to 74.3%, by Mr. Reinold Geiger as to 25.7%. The hotel is also invoicing nights for trainings and events.*

(c) *The Company runs two flagship stores (in Paris and London) with Pierre Hermé SAS, which is an associate of L'Occitane Group S.A. The Company buys to Pierre Hermé SAS pastries for take-away sales.*

32.4. Borrowings from related parties/loans to related parties

31 March *In thousands of euros*	***2020***	***2019***
Loans to related parties		
— Receivables from Café & Retail 86[(a)]	645	–
Total loans to related parties	**645**	**–**

(a) *The Group granted a loan amounted to €2,500,000 to Café & Retail 86 SAS, which is a subsidiary owned by the Pierre Hermé Group, operating the restaurant of the flagship in Paris. The Group also owns a 5% interests in Café & Retail 86 SAS, acquired during the year ended as at 31 March 2020. Considering the expected credit losses and the effect of the COVID-19 pandemic, the Group decided to record an impairment loss for an amount of €1,855,000 as at 31 March 2020.*

32.5. Transactions with other related parties

Over the four individuals that acquired 1.38% of ELEMIS shares on 20 March 2020, one of them is part of the senior management of the Group. This senior management member acquired 1.1% for an amount of €8,732,000.

32.6. Formation of joint ventures/Acquisition of additional interests in a subsidiary

No transaction occurred with related parties linked to the formation of joint-ventures or acquisitions of additional interests in subsidiaries other than those listed in Note 6 during the years ended 31 March 2020 and 31 March 2019.

32.7. Commitments and contingencies

The Group has not guaranteed any loans to any key management personnel.

33. COMPANY LEVEL INFORMATION

33.1. Company balance sheet

ASSETS *In thousands of euros*	***31 March 2020***	***31 March 2019***
Property, plant and equipment	1,545	1,764
Right-of-use assets	12,668	–
Intangible assets	31,280	30,318
Investments in subsidiaries	1,226,516	1,213,679
Other non-current receivables due from subsidiaries	4,090	4,890
Other non-current receivable	10,484	9,893
Non-current assets	**1,286,583**	**1,260,544**
Inventories	21,455	17,309
Trade receivables due from subsidiaries	86,900	98,282
Trade receivables	13,397	15,044
Current income taxes assets	1,751	–
Other current assets due from subsidiaries	175,265	206,226
Other current assets	9,946	11,981
Derivative financial instruments	604	50
Cash and cash equivalents	113,134	56,584
Current assets	**422,452**	**405,476**
TOTAL ASSETS	**1,709,035**	**1,666,020**

EQUITY AND LIABILITIES *In thousands of euros*	***31 March 2020***	***31 March 2019***
Share capital	44,309	44,309
Additional paid-in capital	342,851	342,851
Retained earnings	683,453	622,302
Total equity	**1,070,613**	**1,009,462**
Borrowings	339,613	538,083
Lease liabilities	10,812	–
Deferred income tax liabilities	1,638	1,057
Other financial liabilities	17,978	14,011
Other non-current liabilities	180	–
Non-current liabilities	**370,221**	**553,151**
Trade payables due to subsidiaries	92,569	83,314
Trade payables	19,840	9,710
Social and tax liabilities	4,825	4,647
Borrowings	145,837	374
Lease liabilities	2,614	–
Other current liabilities due to subsidiaries	2,062	1,728
Other current liabilities	–	2,785
Derivative financial instruments	208	849
Provisions	246	–
Current liabilities	**268,201**	**103,407**
TOTAL EQUITY AND LIABILITIES	**1,709,035**	**1,666,020**

Profits attributable to equity owners of the Company for the years ended 31 March 2020 and 2019 are dealt with in the consolidated financial statements to the extent of €109,949,000 and €97,478,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. COMPANY LEVEL INFORMATION *(CONTINUED)*

33.2. Company statement of changes in equity

In thousands of euros	Share capital	Additional paid-in capital	Retained earnings	Total
1 April 2018	**44,309**	**342,851**	**566,791**	**953,951**
Profit for the year	–	–	97,218	97,218
Currency translation difference	–	–	(895)	(895)
Dividend declared	–	–	(43,400)	(43,400)
Employee share option: value of employee services	–	–	3,169	3,169
Transaction with Erborian non-controlling interests	–	–	(504)	(504)
Cash flow hedges fair value gain/(loss), net of tax	–	–	(77)	(77)
31 March 2019	**44,309**	**342,851**	**622,302**	**1,009,462**
1 April 2019	**44,309**	**342,851**	**622,302**	**1,009,462**
Profit for the year	–	–	104,887	104,887
Dividend declared	–	–	(43,400)	(43,400)
Employee share option: value of employee services	–	–	3,963	3,963
Transaction with Erborian non-controlling interests	–	–	9,953	9,953
Transactions with ELEMIS non-controlling interests	–	–	(13,800)	(13,800)
Cash flow hedges fair value gain/(loss), net of tax	–	–	(452)	(452)
31 March 2020	**44,309**	**342,851**	**683,453**	**1,070,613**

34. POST BALANCE SHEET EVENTS

In June 2020, the Company subscribed to the new issue share capital of Shanghvi technologies Private Ltd (*MyGlamm") for an amount of €1,520,000. The Company has neither the control nor a significant influence in MyGlamm.

Creation of a joint-venture in the Middle East region

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 shareholder and distribution agreements were signed on 3 June 2020.

The joint venture agreement requires unanimous consent from all parties for the main relevant activities. The Group has therefore determined that it has a joint control over this entity, even though it holds 51% of the voting rights.

COVID-19 pandemic

As at 31 March 2020, and in addition to the €100 million cash and cash equivalents, the Group had an undrawn amount of €230 million under its revolving credit facility.

As a precaution, and to face COVID-19 crisis impact on its operations, the Group drew €100 million on its existing revolving credit facility (FY2015 Revolving Facility) in April 2020.

In addition, in May 2020, the Group has successfully secured €253 million new financing commitments to ensure liquidity during the current crisis and swiftly prepare operations restart:€203 million new revolving credit facility on L'Occitane International S.A and €50 million new term loan on Laboratoires M&L, 90% guaranteed by the French State ("Prêt Garanti par l'Etat", PGE).

35. LIST OF SUBSIDIARIES AND ASSOCIATES

List of subsidiaries and associates

List of subsidiaries and associates is as follows:

Subsidiaries		City – Country	% of interest 31 March 2020	2019	Method of consolidation 31 March 2020	2019
L'Occitane International S.A.		Luxembourg	Parent	Parent	Global	Global
Laboratoires M&L S.A.	*	Manosque – France	100.0	100.0	Global	Global
M&L Distribution France S.à r.l.	**	Manosque – France	100.0	100.0	Global	Global
L'Occitane Inc.	*	New York – USA	100.0	100.0	Global	Global
L'Occitane (Far East) Limited	*	Hong Kong	100.0	100.0	Global	Global
L'Occitane Singapore Pte. Limited	**	Singapore	100.0	100.0	Global	Global
L'Occitane Japon K.K.	***	Tokyo – Japan	100.0	100.0	Global	Global
Melvita Japon K.K.	**	Tokyo – Japan	100.0	100.0	Global	Global
L'Occitane Do Brasil	**	Jundjai – Brazil	100.0	100.0	Global	Global
Espaco Do Banho	**	Sao Paulo – Brazil	100.0	93.8	Global	Global
L'Occitane Ltd.	*	London – UK	100.0	100.0	Global	Global
L'Occitane GmbH	*	Villach – Austria	70.0	70.0	Global	Global
L'Occitane GmbH	*	Dusseldorf – Germany	100.0	100.0	Global	Global
L'Occitane Italia S.r.l.	*	Milan – Italy	100.0	100.0	Global	Global
L'Occitane Australia Pty Ltd	**	Sydney – Australia	100.0	100.0	Global	Global
L'Occitane (Suisse) S.A.	*	Geneva – Switzerland	100.0	100.0	Global	Global
L'Occitane Espana S.L	*	Madrid – Spain	100.0	100.0	Global	Global
L'Occitane Central Europe s.r.o.	*	Prague – Czech Rep.	100.0	100.0	Global	Global
L'Occitane (Taiwan) Limited	**	Taipei – Taiwan	100.0	100.0	Global	Global
L'Occitane Belgium Sprl	*	Antwerpen – Belgium	100.0	100.0	Global	Global
L'Occitane Trading (Shanghai) Co. Limited	**	Shanghai – China	100.0	100.0	Global	Global
L'Occitane (Korea) Limited	**	Seoul – Korea	100.0	100.0	Global	Global
L'Occitane Airport Venture LLC	**	Dallas – USA	65.0	65.0	Global	Global
L'Occitane Mexico S.A. de CV	*	Mexico City – Mexico	99.9	99.9	Global	Global
L'Occitane (China) Limited	**	Hong Kong	100.0	100.0	Global	Global
L'Occitane Macau Limited	**	Macau	100.0	100.0	Global	Global
L'Occitane Rus LLC (Russia)	*	Moscow – Russia	100.0	100.0	Global	Global
Verveina SAS	**	Manosque – France	100.0	100.0	Global	Global
L'Occitane Americas Export & Travel Retail Inc	*	Miami – USA	100.0	100.0	Global	Global
L'Occitane Thailand Ltd.	**	Bangkok – Thailand	100.0	100.0	Global	Global
L'Occitane Ventures (Thailand) Ltd.	**	Bangkok – Thailand	100.0	100.0	Global	Global
L'Occitane Polska Sp.z.o.o	*	Warsaw – Poland	100.0	100.0	Global	Global
L'Occitane Canada Corp	*	Toronto – Canada	100.0	100.0	Global	Global
L'Occitane India Private Limited	**	New Delhi – India	51.0	51.0	Global	Global
L'Occitane Nederland B.V.	*	Amsterdam, The Netherlands	100.0	100.0	Global	Global
L'Occitane Malaysia SDN	**	Kuala Lumpur – Malaysia	100.0	100.0	Global	Global
L'Occitane Ireland Ltd	*	Dublin – Ireland	100.0	100.0	Global	Global
Symbiose Cosmetics France SAS	*	Paris – France	100.0	81.3	Global	Global
Symbiose Cosmetics Korea	*	Seoul – Korea	100.0	81.3	Global	Global
L'Occitane Nordic AB	*	Stockholm – Sweden	80.0	80.0	Global	Global
L'Occitane South Africa	*	Johannesburg – South Africa	75.0	75.0	Global	Global
L'Occitane International GMBH	*	Dusseldorf-Germany	100.0	100.0	Global	Global

35. LIST OF SUBSIDIARIES AND ASSOCIATES *(CONTINUED)*

List of subsidiaries and associates *(continued)*

Subsidiaries		City – Country	% of interest 31 March 2020	% of interest 31 March 2019	Method of consolidation 31 March 2020	Method of consolidation 31 March 2019
L'Occitane Portugal Unipessoal LDA	*	Lisbon – Portugal	100.0	100.0	Global	Global
L'Occitane Communication Services Ltd	*	London – UK	–	100.0	–	Global
L'Occitane Norge AS	*	Oslo – Norway	100.0	100.0	Global	Global
L'Occitane Distribution Asia Pte. Ltd.	**	Singapore	100.0	100.0	Global	Global
L'Occitane Opera Industria e Comercio de Cosmeticos LTDA	***	Sao Paulo – Brazil	100.0	100.0	Global	Global
LimeLife Co-Invest Sarl (Lux)	**	Luxembourg – Luxembourg	59.2	59.9	Global	Global
Natural Cosmetics SA (Luxembourg)	**	Luxembourg – Luxembourg	59.2	59.9	Global	Global
Limelife USA LLC	**	New York – USA	59.2	59.9	Global	Global
LimeLife Canada	**	Toronto – Canada	59.2	59.9	Global	Global
LimeLife Brasil Comercio De Cosmeticos e Produtos De Perfumaria LTDA	**	Sao Paulo – Brazil	59.2	59.9	Global	Global
LimeLife Servicos de Cobranca Ltda	**	Sao Paulo – Brazil	59.2	59.9	Global	Global
LimeLife Gesta de sistema de franquia Eireli	**	Sao Paulo – Brazil	59.2	59.9	Global	Global
LimeLife France SAS	**	Paris – France	59.2	59.9	Global	Global
LimeLife by Alcone UK Ltd	**	London – UK	59.2	59.9	Global	Global
LimeLife Deutschland GMBH	**	Berlin – Germany	59.2	59.9	Global	Global
LimeLife Italia S.P.A.	**	Milan – Italy	59.2	59.9	Global	Global
LimeLife by Alcone Espana S.L.	**	Madrid – Spain	59.2	59.9	Global	Global
Limelife Australia	**	Sydney – Australia	59.2	–	Global	–
Limelife Ireland (branch of UK)	**	Dublin – Ireland	59.2	–	Global	–
Limelife international Sarl	**	Plan les Ouates – Switzerland	59.9	59.9	Global	Global
LOI Participations SARL	*	Luxembourg – Luxembourg	100.0	100.0	Global	Global
LOI L'Occitane Innovation Lab	*	Manosque – France	100.0	100.0	Global	Global
LOI ELEMIS SARL	**	Luxembourg – Luxembourg	90.9	92.3	Global	Global
ELEMIS Ltd USA	**	Coral Gables – US	90.9	92.3	Global	Global
Steiner Product Support LLC (Delaware)	**	Wilmington – US	90.9	92.3	Global	Global
ELEMIS Ltd UK	**	Bristol – UK	90.9	92.3	Global	Global
Elemis Spa Ltd (UK)	**	Bristol – UK	90.9	92.3	Global	Global
COSMETICS Ltd Bahamas	**	Nassau, Bahamas	–	92.3	–	Global
Cosmetics Export International Ltd (Bahamas)	**	Nassau, Bahamas	–	92.3	–	Global
Limelife Japan	**	Tokyo – Japan	59.2	–	Global	–
Duolab International SARL	*	Plan les Ouates – Switzerland	100.0	–	Global	–
Duolab UK Limited	**	London – UK	100.0	–	Global	–
Elemis Asia Pacific Limited	**	Hong-Kong – China	90.9	–	Global	–

* *Directly held by the Company*

** *Indirectly held by the Company*

*** *Both directly and indirectly held by the Company*

The percentages of interest are representative of voting rights as no shares have multiple voting rights. These percentages are unchanged at the approval date of the financial statements.

The main changes in the list of subsidiaries and associates are disclosed in Note 6.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. LIST OF SUBSIDIARIES AND ASSOCIATES *(CONTINUED)*

Information on subsidiaries

The date of incorporation, share capital and the principal activities of the subsidiaries are as follows:

Subsidiaries		City – Country	Date of incorporation	Share capital	Principal activities
L'Occitane International S.A.		Luxembourg	2000	EUR 38,231,891.72	Holding & Distribution
Laboratoires M&L S.A.	*	Manosque — France	1976	EUR 8,126,409.35	Production
M&L Distribution France S.à r.l.	**	Manosque — France	1994	EUR 3,097,000	Distribution
L'Occitane Inc.	*	New York — USA	1995	USD 1	Distribution
L'Occitane (Far East) Limited	*	Hong Kong	1992	HKD 8,000,000	Holding & Distribution
L'Occitane Singapore Pte. Limited	**	Singapore	1997	SGD 100,000	Distribution
L'Occitane Japon K.K.	***	Tokyo — Japan	1998	JPY 100,000,000	Distribution
Melvita Japon K.K.	**	Tokyo — Japan	2010	JPY 50,000,000	Distribution
L'Occitane Do Brasil	**	Jundjai — Brazil	1999	BRL 8,700,000	Distribution
Espaco Do Banho	**	Sao Paulo — Brazil	1996	BRL 3,800,000	Distribution
L'Occitane Ltd.	*	London — UK	1996	GBP 1,398,510.75	Distribution
L'Occitane GmbH	*	Villach — Austria	2000	EUR 70,000	Distribution
L'Occitane GmbH	*	Dusseldorf-Germany	2004	EUR 25,000	Distribution
L'Occitane Italia S.r.l.	*	Milan — Italy	2001	EUR 80,000	Distribution
L'Occitane Australia Pty Ltd	**	Sydney — Australia	2000	AUD 5,000,000	Distribution
L'Occitane (Suisse) S.A.	*	Geneva — Switzerland	2002	CHF100,000	Distribution
L'Occitane Espana S.L	*	Madrid — Spain	2003	EUR 6,459,650.10	Distribution
L'Occitane Central Europe s.r.o.	*	Prague — Czech Rep.	2004	CZK 9,361,000	Distribution
L'Occitane (Taiwan) Limited	**	Taipei — Taiwan	2005	TWD 28,500,000	Distribution
L'Occitane Belgium Sprl	*	Antwerpen — Belgium	2005	EUR 20,000	Distribution
L'Occitane Trading (Shanghai) Co. Limited	**	Shanghai — China	2005	USD 1,400,000	Distribution
L'Occitane (Korea) Limited	**	Seoul — Korea	2005	KRW 2,505,000,000	Distribution
L'Occitane Airport Venture LLC	**	Dallas — USA	2006	USD 10,000	Distribution
L'Occitane Mexico S.A. de CV	*	Mexico City — Mexico	2006	MXP 28,250,000	Distribution
L'Occitane (China) Limited	**	Hong Kong	2006	HKD 10,000	Distribution
L'Occitane Macau Limited	**	Macau	2007	MOP 25,000	Distribution
L'Occitane Rus LLC (Russia)	*	Moscow — Russia	2006	RUB 10,000	Distribution
Verveina SAS	**	Manosque — France	2008	EUR 37,000	Dormant
L'Occitane Americas Export & Travel Retail Inc	*	Miami — USA	2008	USD 1,000	Distribution
L'Occitane Thailand Ltd.	**	Bangkok — Thailand	2008	THB 20,000,000	Distribution
L'Occitane Ventures (Thailand) Ltd.	**	Bangkok — Thailand	2012	THB 451,700	Distribution
L'Occitane Polska Sp.z.o.o	*	Warsaw — Poland	2009	PLN 3,754,000	Distribution
L'Occitane Canada Corp	*	Toronto — Canada	2009	CAD 6,000,000	Distribution
L'Occitane India Private Limited	**	New Delhi — India	2009	INR 17,500,000	Distribution
L'Occitane Nederland B.V.	*	Amsterdam, the Netherlands	2010	EUR 200,000	Distribution
L'Occitane Malaysia SDN	**	Kuala Lumpur — Malaysia	2011	MYR 2	Distribution
L'Occitane Ireland Ltd	*	Dublin — Ireland	2012	EUR 100	Distribution
Symbiose Cosmetics France SAS	*	Paris — France	2012	EUR 140,000	Distribution
Symbiose Cosmetics Korea	*	Seoul — Korea	2012	KRW 100,000,000	Production
L'Occitane Nordic AB	*	Stockholm — Sweden	2012	SEK 50,000	Distribution
L'Occitane South Africa	*	Johannesburg — South Africa	2013	ZAR 750	Distribution
L'Occitane International GmbH	*	Dusseldorf-Germany	2014	EUR 25,000	Holding
L'Occitane Portugal Unipessoal LDA	*	Lisbon — Portugal	2013	EUR 50,000	Distribution
L'Occitane Communication Services Ltd	*	London — UK	2014	GBP 20,000	Services
L'Occitane Norge AS	*	Oslo — Norway	2014	NOK 129,000	Distribution

35. LIST OF SUBSIDIARIES AND ASSOCIATES *(CONTINUED)*

Information on subsidiaries *(continued)*

Subsidiaries		City – Country	Date of incorporation	Share capital	Principal activities
L'Occitane Distribution Asia Pte. Ltd.	**	Singapore	2016	SGD 10,000	General Warehousing
L'Occitane Opera Industria e Comercio de Cosmeticos LTDA	***	Sao Paulo — Brazil	2017	BRL 1,000,000	Production
LimeLife Co-Invest Sarl (Lux)	**	Luxembourg — Luxembourg	2018	USD 42,229,729	Holding
Natural Cosmetics SA (Luxembourg)		Luxembourg — Luxembourg	2016	EUR 1,000,000	Distribution
Limelife USA LLC	**	New York — USA	2017	USD 5,830,313	Distribution
LimeLife Canada	**	Toronto — Canada	2017	CAD 529,310	Distribution
LimeLife Brasil Comercio De Cosmeticos e Produtos De Perfumaria LTDA	**	Sao Paulo — Brazil	2017	BRL 11,279,388	Distribution
LimeLife Servicos de Cobranca Ltda	**	Sao Paulo — Brazil	2018	BRL 1,000	Distribution
LimeLife Gesta de sistema de franquia Eireli	**	Sao Paulo — Brazil	2018	BRL 111,0000	Distribution
LimeLife France SAS	**	Paris — France	2018	EUR 333,400	Distribution
LimeLife by Alcone UK Ltd	**	London — UK	2017	GBP 300,880	Distribution
LimeLife Deutschland GMBH	**	Berlin — Germany	2018	EUR 30,000	Distribution
LimeLife Italia S.P.A.	**	Milan — Italy	2018	EUR 50,000	Distribution
LimeLife by Alcone Espana S.L.	**	Madrid — Spain	2019	EUR 30,000	Distribution
Limelife Australia	**	Sydney — Australia	2019	AUD 40,000	Distribution
Limelife international Sarl	**	Plan les Ouates — Switzerland	2018	CHF 50,000	Distribution
LOI Participations SARL	*	Luxembourg-Luxembourg	2017	EUR 10,000,000	Holding
LOI L'Occitane Innovation Lab	*	Manosque — France	2017	EUR 5,000,000	Investment
LOI ELEMIS SARL	**	Luxembourg-Luxembourg	2019	EUR 12,000	Holding
ELEMIS Ltd USA	**	Coral Gables — US	2019	USD 178,850,000	Distribution
Steiner Product Support LLC (Delaware)	**	Wilmington — US	2002	USD 100	Distribution
ELEMIS Ltd UK	**	Bristol — UK	1988	GBP 795,000	Distribution
Elemis Spa Ltd (UK)	**	Bristol — UK	1993	GBP 2	Distribution
Limelife Japan	**	Tokyo — Japan	2019	JPY 5,000,000	Distribution
Duolab International SARL	*	Plan les Ouates — Switzerland	2019	EUR 272,000	Development, Production, Distribution
Duolab UK Limited	**	London — UK	2019	GBP 50,000	Distribution
Elemis Asia Pacific Limited	**	Hong-Kong — China	2019	HKD 1	Distribution

* *Directly held by the Company*

** *Indirectly held by the Company*

*** *Both directly and indirectly held by the Company*

**** *No more directly or indirectly held by the Company*

The main changes in the list of subsidiaries and associates are disclosed in note 6.

Disclaimer: some information presented in the tables has been rounded to the nearest whole number or the nearest decimal point. Consequently, the sum of the numbers in a 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 were based upon the rounded numbers.

FINANCIAL SUMMARY

A summary of the consolidated results and assets, liabilities, equity and minority interests of the Group for the last five financial years is set out below.

Year ended 31 March	***2020***	***2019***	***2018***	***2017***	***2016***
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
Net sales	**1,644,083**	1,426,874	1,319,366	1,323,177	1,282,676
Gross profit	**1,341,231**	1,186,973	1,098,398	1,102,426	1,061,505
Gross profit margin	**81.6%**	83.2%	83.3%	83.3%	82.8%
Operating profit	**187,263**	150,747	140,987	168,312	168,019
Operating profit margin	**11.4%**	10.6%	10.7%	12.7%	13.1%
Profit for the year	**115,240**	117,569	96,506	132,354	113,555
attributable to:					
equity owners of the Company	**116,288**	118,186	96,313	131,910	110,343
non-controlling interests	**(1,048)**	(617)	193	444	3,212
Total assets	**2,408,359**	1,964,011	1,302,489	1,243,362	1,188,343
Total liabilities	**1,233,024**	879,779	363,688	323,017	332,786
Equity attributable to the equity owners of the Company	**1,098,480**	1,017,768	930,973	919,880	850,584
Non-controlling interests	**76,855**	66,464	7,828	465	4,973

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standard (IFRS), as issued by the International Accounting Standards Board which are similar, for operations conducted by the Group, to International Financial Reporting Standards as adopted by the European Union.

The above summary does not form a part of the consolidated financial statements.


Groupe
L'OCCITANE