Groupe L'OCCITANE

L'OCCITANE INTERNATIONAL S.A.

(Incorporated under the laws of Luxembourg with limited liability)

Stock code : 973

FY2021
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)
Yves Blouin
(Group Managing Director)
Thomas Levilion
(Group Deputy General Manager, Finance and Administration)
Karl Guénard
(Company Secretary)
Séan Harrington

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
Yves Blouin

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, Société coopérative
Certified Public Accountants
Recognized Public Interest Entity Auditor

Principal Share Registrar and Transfer Office

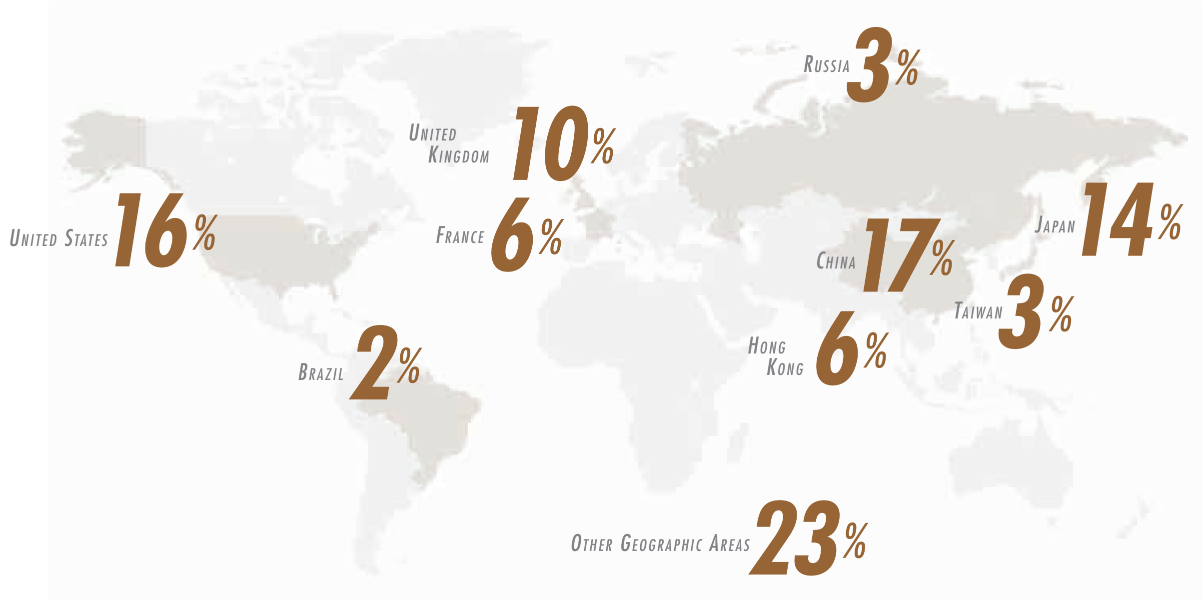
49, Boulevard Prince Henri
L-1724 Luxembourg

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

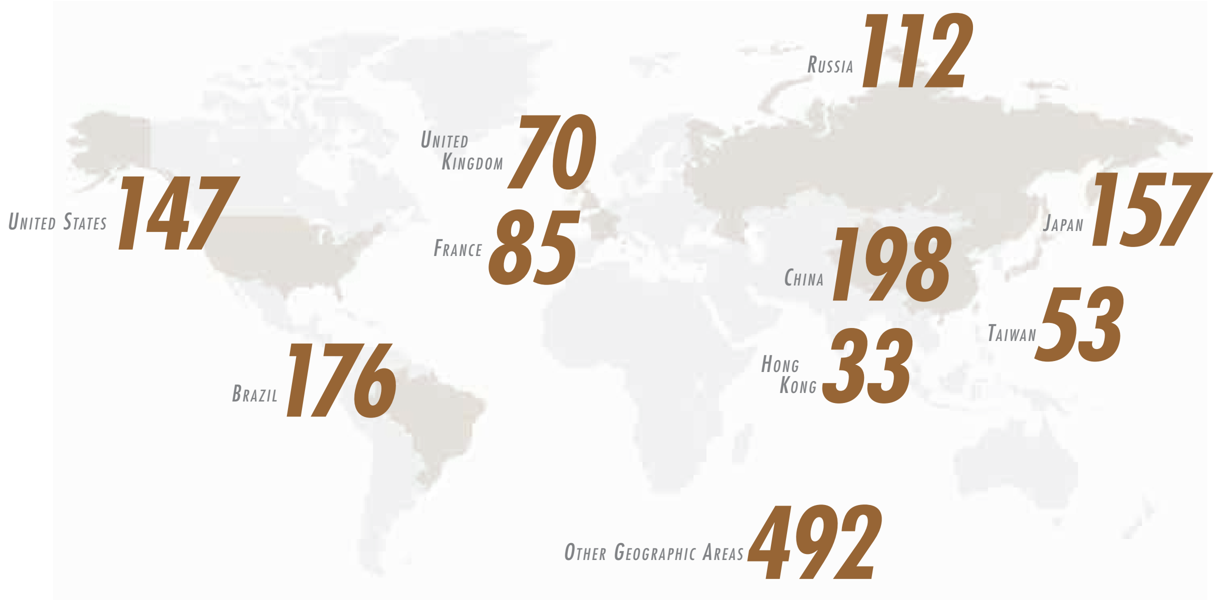
FINANCIAL HIGHLIGHTS

OUR ACTIVITY WORLDWIDE



* Net sales (%) by geographic area

OUR STORES WORLDWIDE



* 3,088 retail locations and
1,523 stores operated directly by the group

KEY FINANCIAL HIGHLIGHTS

For the year ended 31 March	***2021***	*2020*
Net sales *(€ million)*	**1,537.8**	1,644.1
Operating profit *(€ million)*	**220.2**	187.3
Profit for the year *(€ million)*	**157.0**	115.2
Gross profit margin	**83.0%**	81.6%
Operating profit margin	**14.3%**	11.4%
Net profit margin	**10.2%**	7.0%
Net operating profit after tax *(€ million)* (NOPAT) (1)	**171.5**	131.2
Capital employed *(€ million)* (2)	**1,674.5**	1,905.7
Return on capital employed (ROCE) (3)	**10.2%**	6.9%
Return on equity (ROE) (4)	**12.9%**	10.6%
Current ratio (times) (5)	**0.9**	1.2
Gearing ratio (6)	**32.7%**	37.2%
Average inventory turnover days (7)	**282**	245
Turnover days of trade receivables (8)	**32**	31
Turnover days of trade payables (9)	**215**	173
Total number of own stores (10)	**1,523**	1,608
Profit attributable to equity owners *(€ million)*	**154.6**	116.3
Basic earnings per share *(€)*	**0.105**	0.080

Notes:

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

Disclaimer

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

CHAIRMAN'S STATEMENT

Message from

REINOLD GEIGER

Chairman and Chief Executive Officer

28 June 2021

FY2021 was one of the most challenging years the Group has ever faced. However, we embraced the challenges with resilience, determination and an acceleration of our digital transformation. I am extremely humbled by the commitment and solidarity of our team as we worked through and rose above the COVID-19 crisis.

Through our agile and collective efforts, we were able to take full advantage of the informed steps we had earlier taken to develop and expand our digital capabilities and build a motivated and entrepreneurial team, while maintaining what L'Occitane always stood for: a commitment to natural and organic ingredients, to sustainability, and to health and well-being.

Despite the huge contraction in the retail industry globally, I am pleased to share that the Group delivered better-than-expected sales and its highest ever operating and net profits. This serves as strong proof that our medium-to-long-term strategy to pursue sustainable and profitable growth was the right one.

COVID-19 has brought forward what was always going to be the inevitable future. One in which digital channels play a major role; where physical channels elevate product discovery and customer recruitment; and where expansion and marketing become digital-first, with a greater emphasis on social and entrepreneurship.

Each of these was a critical component of our performance in FY2021 across many of our key markets. But it converged most neatly in Asia. Online sales in China, the first market to shut down during the crisis, grew by more than 60%. Meanwhile, the rapid recovery of physical channels in the second half of the year, alongside the robust growth we saw in markets such as Taiwan and South Korea (which both saw solid growth in the absence of harsher lockdowns) proved the continued importance and vitality of brick-and-mortar stores. The pandemic also led many to rediscover the importance of hygiene and wellness aroused from hand, body and skin care — greatly supporting the resilience of our core brand, L'OCCITANE en Provence.

The future providence of digital-first engagement was on full display this year with ELEMIS. Even in its heritage markets of the US and UK, digital engagement largely compensated for the impact that the pandemic had on its physical and maritime channels. In just one year, ELEMIS launched more than a dozen e-commerce sites in markets across Europe and Asia. The most important launch, however, was in China, where ELEMIS has been profitable since its launch in July 2020.

Importantly, we shifted towards a more balanced approach to our top and bottom lines, which will support the continued growth of our profitability going forward. A corporate reorganisation that resulted in a small downsizing of our global corporate workforce, will allow the Group to become even more agile and capture the remarkable growth opportunities outlined above. The voluntary Chapter 11 case involving our US subsidiary announced in January 2021 is also proceeding well and is greatly supporting our store rationalisation process in this important market. Together, both of these are expected to generate significant savings in the years to come.

This crisis has undoubtedly changed our worldview as individuals. It has also made us reflect upon the importance of protecting our society and the environment. As a group that takes inspiration from nature and relies on its resources, we are devoted to long-term missions where we believe we can create the most positive impact — namely, mitigating the climate crisis, preserving and restoring biodiversity, and empowering all people in our communities. We are also proud to have given ourselves the ambitious target to contribute to the world's carbon neutrality by achieving Net Zero emissions across the Group by 2030.

Looking ahead, we look forward to the day in which the world fully emerges from the COVID-19 crisis. Despite sporadic lockdowns and other social-distancing measures in some of our markets, the rollout of vaccination programs around the world will provide conditions necessary for the return of travel and in-person interactions.

Notwithstanding the lingering impacts of COVID-19, we remain optimistic about the coming years as the demand for natural premium cosmetics will continue to rise. Backed by the proven resilience of our brands, targeted investments and greater efficiency, as well as our teams' focus and determination, I am fully confident to accelerate growth and improve profitability, and generate value for shareholders in the long term. I thank you for your continued support.

STRONG GLOBAL PRESENCE

Charlotte,
North Carolina, United States

Regent Street London,
United Kingdom

Omotesando
Tokyo, Japan

Vegas Crocus City,
Moscow, Russia (Erborian)

Plaza Indonesia,
Jakarta, Indonesia (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
TRIPHASE
ESSENCE

MANAGEMENT DISCUSSION & ANALYSIS

MANAGEMENT DISCUSSION & ANALYSIS

Summary:

	Reported [(1)] FY2021 € million or %	Management [(2)] FY2021 € million or %	Reported FY2020 € million or %
Net sales	1,537.8	1,550.9	1,644.1
Operating profit	220.2	211.6	187.3
Profit for the year	157.0	n/a	115.2
Gross profit margin	83.0%	83.1%	81.6%
Operating profit margin	14.3%	13.6%	11.4%
Net profit margin	10.2%	n/a	7.0%
Net cash inflow from operations [(3)]	429.5	n/a	369.5

(1) *Reported FY2021 — sales and operating expenses of L'Occitane, Inc. in February and March 2021 were not consolidated but instead treated as associate under the equity method, due to the Chapter 11 proceedings.*

(2) *Management FY2021 — assuming L'Occitane, Inc. remained part of the Group and its results in February and March 2021 were consolidated into the Group's results. The management believes that this management version provides a better view of the financial performance in FY2021 and is thus more comparable to the reported results of FY2020.*

(3) *including impact of IFRS 16.*

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 and LimeLife.

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 reported net sales were €1,537.8 million in FY2021, representing a decrease of 6.5% as compared to FY2020.

Part of the sales decrease, in the amount of €13.1 million or 0.9% of the overall sales, is explained solely by the accounting effect of the deconsolidation of L'Occitane, Inc. in February and March 2021.

In the announcement of the Company dated 26 January 2021, the Group disclosed that its subsidiary in the US, L'Occitane, Inc., had commenced a voluntary case under Chapter 11 of the US Bankruptcy Code. The subsidiary is now in relevant proceedings and its reorganisation is well underway. Even though the US operations continue as usual, the Group is required to deconsolidate L'Occitane, Inc. from the date of filing until the completion of proceedings, in accordance with IFRS. However, for the purpose of proper comparison, the related sales of L'Occitane, Inc. remain included in the Group's revenue analysis in this report.

Excluding the accounting effect of the deconsolidation of L'Occitane, Inc., the Group's net sales were €1,550.9 million in FY2021, representing a slight decrease of 1.7% at constant rates or a decrease of 1.1% on a like-for-like basis (including sales of L'Occitane, Inc. in February and March 2021 and excluding ELEMIS's sales in March 2019 of FY2020) as compared to FY2020. The COVID-19 pandemic and its restrictive measures continued to impact the business operations and retail traffic significantly in some of the key markets, particularly in the first half of FY2021. Sales momentum strengthened in the second half of FY2021 and drove sales back to growth. Online channels performed very well throughout the year. China, Taiwan and Russia were particularly resilient, recording growth at constant rates of 36.0%, 15.5% and 6.1% respectively.

The Company's total number of retail locations reduced from 3,486 as at 31 March 2020 to 3,088 as at 31 March 2021, a decrease of 398 or 11.4%. The number of own retail stores decreased from 1,608 as at 31 March 2020 to 1,523 as at 31 March 2021, representing a net decrease of 85 or 5.3%. The Company strategically closed underperforming stores during FY2021, including 25 shops in the US under the Chapter 11 reorganisation plan. At the end of March 2021, the breakdown of the 1,523 own stores by brand and change over last year were as follows: L'Occitane en Provence (1,389; -54), L'Occitane au Brésil (64; -26), Melvita (50; -10), Erborian (15; -) and ELEMIS (5; +5). The number of non-own stores decreased by 313 or 16.7%, mainly due to decrease in travel retail, distribution and franchise locations.

MANAGEMENT DISCUSSION & ANALYSIS

Performance by Brand

The following table presents the net sales and net sales growth by brand for the periods indicated, including sales of L'Occitane, Inc. in February and March 2021:

	FY2021 € '000	**%**	FY2020 € '000	%	Growth at reported rates %	Growth at constant rates %
L'Occitane en Provence	**1,207,505**	**77.9**	1,295,188	78.8	(6.8)	(3.1)
ELEMIS [1]	**158,910**	**10.2**	165,809	10.1	(4.2)	(0.8)
LimeLife	**102,155**	**6.6**	84,790	5.2	20.5	25.7
Others [2]	**82,313**	**5.3**	98,296	5.9	(16.3)	(8.8)
Total [3]	**1,550,883**	**100.0**	1,644,083	100.0	(5.7)	(1.7)

(1) *ELEMIS's sales in FY2020 included March 2019. Excluding this month, sales growth at constant rates would be +5.8% in FY2021.*

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

(3) *Excluding ELEMIS's sales in March 2019 of FY2020, the Group's overall like-for-like sales growth would be -1.1% in FY2021.*

L'Occitane en Provence accounted for 77.9% of the Group's total sales. Sales momentum of the brand started slow in the first half of FY2021 amid restrictive measures related to COVID-19. The retail business was affected heavily, particularly in Europe and the Americas. The second half of FY2021 saw significant improvement in sales momentum and posted sales growth, thanks to the sustained performance of online channels across the world and outstanding contribution from Asia. China, Korea and Taiwan were particularly strong. Sales ended the year with a decline of 3.1% at constant rates.

ELEMIS accounted for 10.2% of the Group's total sales and recorded slight decline of 0.8% at constant rates. However, ELEMIS's sales in FY2020 included March 2019. Excluding this month, sales growth at constant rates would be 5.8% in FY2021. Online and TV channels performed very well, and covered more than the loss of sales to cruise ships and wholesale business. During FY2021, the brand successfully entered China and Russia, mainly through wholesale chains.

LimeLife posted sales growth of 25.7% at constant rates for FY2021, with strong sales momentum throughout the year. The encouraging results were supported by a newly-launched mobile application, new and seasonable products, as well as successful beauty guides recruitment operations.

The other brands finished FY2021 with a sales decline of 8.8% at constant rates. Sales momentum was disrupted by the COVID-19 outbreak similar to L'Occitane en Provence in FY2021, with sluggish retail and wholesale sales in the first half and positive performance in the second half. Among the other brands, Erborian remained robust and posted double-digit growth for the year.

Performance by Geographic Area

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

	FY2021 € '000	%	FY2020 € '000	%	Growth at reported rates %	Growth at constant rates %	Contribution to Overall Growth at constant rates %
Japan	215,273	13.8	231,870	14.1	(7.2)	(4.4)	(36.6)
Hong Kong [1]	94,589	6.1	124,822	7.6	(24.2)	(20.2)	(89.5)
China	263,642	17.0	197,159	11.9	33.7	36.0	252.7
Taiwan	47,464	3.1	41,074	2.5	15.6	15.5	22.7
France	86,688	5.6	104,148	6.3	(16.8)	(16.8)	(62.1)
United Kingdom	154,444	10.0	160,835	9.8	(4.0)	(2.1)	(11.8)
United States	258,552	16.7	295,786	18.0	(12.6)	(8.0)	(83.9)
Brazil	34,453	2.2	57,591	3.5	(40.2)	(15.9)	(32.6)
Russia	50,966	3.3	58,642	3.6	(13.1)	6.1	12.7
Other geographic areas [2]	344,812	22.2	372,156	22.7	(7.3)	(5.4)	(71.6)
Total	**1,550,883**	**100.0**	**1,644,083**	**100.0**	**(5.7)**	**(1.7)**	**(100.0)**

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

(2) *Includes sales from Luxembourg.*

MANAGEMENT DISCUSSION & ANALYSIS

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 FY2021 compared to the same period last year:

	Own Retail Stores				% contribution to Overall Growth [1][2]			
	31 March 2021	Net openings YTD 31 March 2021	31 March 2020	Net openings YTD 31 March 2020	Non-comparable Stores	Comparable Stores	Total Stores	Same Store Sales Growth % [2]
Japan [3]	157	(6)	163	9	(20.1)	(12.1)	(32.2)	(1.9)
Hong Kong [4]	33	(2)	35	(1)	(9.6)	(12.1)	(21.7)	(17.0)
China	198	(5)	203	13	25.6	76.9	102.5	20.3
Taiwan	53	(2)	55	2	10.8	16.3	27.2	17.9
France [5]	85	(2)	87	1	4.5	(43.0)	(38.5)	(22.1)
United Kingdom	70	(2)	72	(2)	(5.8)	18.0	12.2	8.4
United States	147	(25)	172	(12)	(54.0)	(35.9)	(90.0)	(8.7)
Brazil [6]	176	(23)	199	17	(8.8)	(12.5)	(21.4)	(9.6)
Russia [7]	112	–	112	5	0.5	0.9	1.4	0.6
Other geographic areas [8]	492	(18)	510	4	(27.1)	(30.0)	(57.1)	(4.5)
Total [9]	**1,523**	**(85)**	**1,608**	**36**	**(84.1)**	**(33.6)**	**(117.6)**	**(1.1)**

(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 35 and 31 Melvita stores as at 31 March 2020 and 31 March 2021 respectively.*

(4) *Includes 3 L'Occitane stores in Macau and 10 Melvita stores in Hong Kong as at 31 March 2020 and 2 L'Occitane stores in Macau, 8 Melvita stores and 3 ELEMIS stores in Hong Kong as at 31 March 2021.*

(5) *Includes 7 Melvita and 2 Erborian stores as at 31 March 2020 and 5 Melvita and 2 Erborian stores as at 31 March 2021.*

(6) *Includes 90 and 64 L'Occitane au Brésil stores as at 31 March 2020 and 31 March 2021 respectively.*

(7) *Includes 11 Erborian stores as at 31 March 2020 and 31 March 2021.*

(8) *Include 8 Melvita and 2 Erborian stores as at 31 March 2020 and 6 Melvita, 2 Erborian and 2 ELEMIS stores as at 31 March 2021.*

(9) *Include 60 Melvita, 90 L'Occitane au Brésil and 15 Erborian stores as at 31 March 2020 and 50 Melvita, 64 L'Occitane au Brésil, 15 Erborian and 5 ELEMIS stores as at 31 March 2021.*

Japan

Japan's net sales for FY2021 were €215.3 million, a decrease of 7.2% as compared to FY2020. At constant exchange rates, the decline was 4.4%. Retail traffic was impacted by restrictive measures and state of emergency orders during the year. Yet, L'Occitane en Provence was resilient and posted low single-digit decline, thanks to mid-double-digit growth in online channels. Melvita posted a low double-digit decline, due partly to low traffic and partly to trading with fewer stores. A total of 6 stores were closed during FY2021, comprising of 2 L'Occitane en Provence and 4 Melvita stores.

The Group's first sustainability concept store at Pacific Place, Hong Kong

Hong Kong

Hong Kong's net sales for FY2021 were €94.6 million, a decrease of 24.2% as compared to FY2020. At constant exchange rates, the decline was 20.2%. Hong Kong's retail business was mainly affected by restrictive measures, a plunge in tourist traffic and store closures. During the year, the Group closed 3 L'Occitane en Provence and 2 Melvita stores and opened 3 ELEMIS counters. The travel retail business in Asia was challenged under the sharp drop in international and regional air traffic. However, sales were positive in domestic offshore islands, such as Hainan, Jeju and Okinawa. The rate of decline in sales of Hong Kong retail and travel retail was about the same for the year.

China

China's net sales for FY2021 were €263.6 million, an increase of 33.7% as compared to FY2020, propelling it to become the largest market of the Group. At constant exchange rates, the growth was 36.0%, contributing most to Overall Growth. Both online and offline channels performed very well, thanks to attractive product offerings and successful marketing campaigns. Hand care, body care and toiletry products were driving the growth. Same store sales growth reached 20.3% and online channels posted mid-double-digit growth for the year. ELEMIS rolled out as planned and penetrated Sephora's entire store network in China by the end of the year.

Taiwan

Taiwan's net sales for FY2021 were €47.5 million, an increase of 15.6% at reported rates or 15.5% at constant exchange rates as compared to FY2020. Same Store Sales Growth recorded 17.9%. Taiwan was one of the Group's most resilient markets. The encouraging growth was driven mainly by face and hand care ranges.

MANAGEMENT DISCUSSION & ANALYSIS

France

France's net sales for FY2021 were €86.7 million, a decrease of 16.8% as compared to FY2020. Amid the disruptions of the COVID-19 restrictive measures, retail traffic was the most hampered, especially in the shops in tourist areas. Online channels, on the other hand, posted high double-digit growth throughout the year. Both L'Occitane en Provence and Melvita posted mid- to high-teens sales decline while Erborian was resilient and had flat growth as compared to FY2020.

United Kingdom

The United Kingdom's net sales for FY2021 were €154.4 million, a decrease of 4.0% as compared to FY2020. At constant exchange rates, the decline was 2.1%. Retail channels were seriously impacted by multiple rounds of national lockdowns during the year. L'Occitane en Provence was particularly impacted. Despite strong online and TV channels, L'Occitane en Provence ended the year with a high single-digit decline. ELEMIS was impacted in the same intensity in the first half of the year. Yet, thanks to successful marketing campaigns, ELEMIS achieved a strong second half and was able to offset the decline in its spa and wholesale channels. ELEMIS ended the year with low single-digit growth, thanks to the amazing growth of over 100% in online channels.

United States

The United States' net sales for FY2021 were €258.6 million, a decrease of 12.6% as compared to FY2020. At constant exchange rates, the decline was 8.0%. The reported net sales for FY2021 were €242.1 million, after deconsolidating the sales in February and March 2021 in accordance with IFRS requirements, following the Chapter 11 filing. The restrictive measures posted challenges to retail operations. Retail sales were affected by store closures, shorter opening hours and a significant drop in footfall. L'Occitane en Provence ended the year with high-teens drop in sales. ELEMIS posted a decline of around 20%, due mainly to the sharp decline in cruise ship and wholesale business. Sales of LimeLife remained dynamic throughout the year, recording more than 20% growth. This strong performance was fueled by successful recruitment operations, release of new products and the launch of a new mobile application.

Brazil

Brazil's net sales for FY2021 were €34.5 million, a decrease of 40.2% as compared to FY2020. At constant exchange rates, the decline was 15.9%. Both L'Occitane en Provence and L'Occitane au Brésil were affected by the restrictive measures, store closures during weekends and low retail traffic. In addition, during FY2021, 23 stores were closed permanently, which were mostly underperforming kiosks of L'Occitane au Brésil.

Russia

Russia's net sales for FY2021 were €51.0 million, a decrease of 13.1% as compared to FY2020. At constant exchange rates, it achieved growth of 6.1%, contributed by double-digit growth of Erborian during the year. Both online and offline channels posted good growth. L'Occitane en Provence was more affected by restrictive measures. During the year, the Group also successfully launched ELEMIS, mainly through wholesale chains.

Other geographic areas

Other geographic areas' net sales for FY2021 were €344.8 million, a decrease of 5.4% at constant exchange rates. Countries with strong positive contribution were Korea, Malaysia, Thailand and Canada, all posting low- to mid-double-digit growth for the year.

MANAGEMENT DISCUSSION & ANALYSIS

PROFITABILITY ANALYSIS

Cost of Sales and Gross Profit

The reported cost of sales decreased by 13.9%, or €42.1 million, to €260.7 million in FY2021. The gross profit margin increased to 83.0%, an increase of 1.4 points as compared to FY2020. The improvement is attributable to the following factors:

- favourable channel, product and country mix effects for 1.5 points, mainly contributed by a higher proportion of online channels and countries in Asia which have higher gross margin;
- price increases and lower discounts for 0.2 points; and
- lower use of mini products and pouches ("MPPs") for 0.1 points, in particular in the travel retail channel.

The increase in gross profit margin was partly offset by:

- obsolescence and inventory depreciation for 0.2 points;
- unfavourable exchange rates for 0.1 points; and
- higher freight duties and other factors for another 0.1 points.

Distribution Expenses

The reported distribution expenses decreased by 13.0%, or €99.4 million, to €666.2 million in FY2021. As a percentage to net sales, distribution expenses decreased by 3.3 points to 43.3%. This improvement is attributable to a combination of:

- favourable brand and channel mix for 3.8 points as online channels have lower distribution costs;
- rent, headcount, travelling and other costs cutting in response to COVID-19 for 2.4 points;
- government subsidies and grants for 1.9 points; and
- foreign exchange ("FX"), one-off and others for 0.2 points.

This improvement was partly offset by:

- lower leverage in personnel costs, rents and fixed-asset depreciation for 5.0 points.

Marketing Expenses

The reported marketing expenses increased by 3.5%, or €7.2 million, to €213.8 million in FY2021. As a percentage of net sales, marketing expenses increased by 1.3 points to 13.9%. The increase is attributable to:

- unfavourable channel mix as a result of rapid growth in online channels, which have higher marketing structural costs than brick-and-mortar channels, partly offset by favourable brand mix, for 0.6 points;
- higher investment in digital marketing, online search and social media to accelerate online sales, particularly in Japan, Korea, France, China and the UK for 0.4 points;
- ELEMIS's investments in international marketing structure and online marketing in developed markets for 0.4 points;
- deleverage, unfavourable FX impact and others for another 0.2 points; and
- higher usage of samples and promotional tools for 0.2 points.

This increase was partly offset by savings in travelling expenses and international marketing seminars, lower CRM spending in the retail channel and government subsidies related to COVID-19 restrictive measures for a total of 0.5 points.

Research & Development Expenses

The reported research and development ("R&D") expenses decreased by 18.1%, or €3.9 million, to €17.4 million in FY2021. As a percentage to net sales, R&D expenses decreased by 0.2 points to 1.1%.

The lower R&D expenses were due to savings and restructuring at some of our smaller brands, a reclassification to other expenses categories and cost cutting in reaction to the COVID-19. At the same time, we continued to invest in the development of our fastest growing brands including ELEMIS.

MANAGEMENT DISCUSSION & ANALYSIS

General and Administrative Expenses

The reported general and administrative expenses decreased by 7.6%, or €12.1 million, to €147.8 million in FY2021. As a percentage of net sales, general and administrative expenses decreased by 0.1 points to 9.6%. The improvement is attributable to:

- a reduction in costs, consumables, travelling and headcount in response to COVID-19 for 0.7 points; and
- COVID-19 grants, subsidies and furlough schemes offered by local governments for 0.5 points.

The improvement was mostly offset by:

- increase in incentives for 0.6 points;
- lower leverage for 0.2 points;
- invest in ELEMIS's international team, management and long-term incentive for 0.2 points; and
- IT investment, FX and others for 0.1 points.

SHARE OF (LOSSES) FROM ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD

Total losses of €4.1 million in FY2021 from associates and joint ventures accounted for using the equity method were mainly from L'Occitane, Inc. for a loss of €4.0 million in February and March 2021 and from L'Occitane Middle East for a loss of €0.1 million.

On 26 January 2021, the Group's subsidiary in the US, L'Occitane, Inc. commenced a voluntary case under Chapter 11 of the US Bankruptcy Code. Even though the Group still owns 100% of L'Occitane, Inc., based on the legal restrictions applicable to Chapter 11 proceedings, the operational activities of L'Occitane, Inc. are managed through motions that must be validated by the court. Motions granted by the court to L'Occitane, Inc. to operate the business can be overturned by the same court. Consequently, the Group no longer controls the relevant activities. The exclusive control of L'Occitane Inc. was lost as soon as bankruptcy proceedings were filed. L'Occitane, Inc. must therefore be deconsolidated at the date of filing of the proceedings with the court. Subsequently to the derecognition of the assets and liabilities of L'Occitane, Inc., the Group's investment in L'Occitane, Inc. is recorded using the equity method.

DECONSOLIDATION OF L'OCCITANE, INC.

The gain of €5.8 million from the deconsolidation of L'Occitane, Inc. was mainly from derecognition of the assets and liabilities of L'Occitane, Inc. at their carrying amounts of €2.7 million together with a currency translation difference of €3.0 million.

When the Chapter 11 proceedings are complete with a final court decision, the Group will gain back exclusive control of L'Occitane, Inc. and the entity will be re-consolidated.

RESTRUCTURING COSTS

The restructuring expenses were mainly composed of €10.9 million for one-off retrenchment costs under the global restructuring plan and €2.3 million for professional fees relating to Chapter 11 proceedings.

OPERATING PROFIT

Operating profit increased by 17.6%, or €33.0 million, to €220.2 million. The operating margin improved by 2.9 points of net sales to 14.3%. The improvement is explained by the factors below:

- cost reduction under proactive management of the COVID-19 crisis for 5.6 points, including savings from reorganisations and cutting non-essential expenses, as well as grants and subsidies received from local governments;
- favourable channel, brand and product mixes for 4.9 points, as a result of sharp increase in proportion of online channels (marketplace, web partner and own e-commerce), which have higher profitability; and
- gains from deconsolidating L'Occitane, Inc. after its Chapter 11 proceedings for 0.4 points.

The improvement was partly offset by the following:

- lower leverage and efficiency on rental and retail personnel costs and others, mainly from the impact of COVID-19 for 5.3 points;
- enhanced investments in digital marketing, IT as well as international structure and marketing of ELEMIS for a total of 1.4 points;
- one-off retrenchment costs under the global restructuring plan and Chapter 11 costs at headquarters for 0.9 points; and
- other factors for 0.4 points.

The following table summarises the impact of the accounting treatment of L'Occitane, Inc. on the Group's overall operating profit margin.

	Reported [(1)] ***FY2021***		***Management*** [(2)] ***FY2021***		***Reported FY2020***	
	€ 'M	***% to sales***	***€'M***	***% to sales***	***€'M***	***% to sales***
Sales	**1,537.8**		**1,550.9**		**1,644.1**	
Cost of sales	(260.7)	-17.0%	(261.6)	-16.9%	(302.9)	-18.4%
Gross profit	**1,277.1**	**83.0%**	**1,289.2**	**83.1%**	**1,341.2**	**81.6%**
Distribution expenses	(666.2)	-43.3%	(675.7)	-43.6%	(765.6)	-46.6%
Marketing expenses	(213.8)	-13.9%	(216.2)	-13.9%	(206.6)	-12.6%
Research and development expenses	(17.4)	-1.1%	(17.4)	-1.1%	(21.3)	-1.3%
General and administrative expenses	(147.8)	-9.6%	(151.0)	-9.7%	(160.0)	-9.7%
Share of profit/(loss) from associates and joint ventures accounted for using the equity method	(4.1)	-0.3%	(0.1)	0.0%	–	0.0%
Other gains/(losses), net	(0.1)	0.0%	(0.4)	0.0%	(0.5)	0.0%
Deconsolidation of L'Occitane Inc.	5.8	0.4%	–	0.0%	–	0.0%
Restructuring expenses	(13.2)	-0.9%	(16.9)	-1.1%	–	0.0%
Operating profit	**220.2**	**14.3%**	**211.6**	**13.6%**	**187.2**	**11.4%**

(1) *Reported FY2021 — sales and operating expenses of L'Occitane, Inc. in February and March 2021 were not consolidated but instead treated as associate under the equity method, due to the Chapter 11 proceedings.*

(2) *Management FY2021 — assuming L'Occitane, Inc. remained part of the Group and its results in February and March 2021 were consolidated into the Group's results. The management believes that this management version provides a truer view of the financial performance in FY2021 and is thus more comparable to the reported results of FY2020.*

MANAGEMENT DISCUSSION & ANALYSIS

Finance Costs, Net

Net finance costs were €18.4 million in FY2021, which consisted of interest incomes on cash and cash equivalents of €2.8 million and the following expense items:

- IFRS 16 lease liabilities related interest and finance expenses of €11.5 million;
- interest expenses related to bank borrowing, overdrafts and current account with non-controlling interests and related parties of €7.6 million; and
- unwinding discount on certain financial liabilities and others of €2.1 million.

As compared to FY2020, net interest expenses decreased by €3.8 million, mainly explained by lower IFRS 16 related interest expenses as well as lower interest expenses related to bank loans and borrowing.

Foreign Currency Gains/Losses

Net foreign currency losses amounted to €3.0 million in FY2021 (FY2020: net losses of €4.6 million) and were comprised of €5.5 million realised losses, €2.2 million unrealised gains and €0.3 million gains related to IFRS 16.

The realised losses were mainly related to intercompany trade and financing arrangements at group level. The losses mainly arose from trade and financing arrangements in British pound and Chinese yuan. The unrealised gains were mainly related to intercompany receivables at group level, denominated in British pound and Swiss franc.

Income tax Expense

The effective tax rate decreased from 28.2% in FY2020 to 21.1% in FY2021, a decrease of 7.1 points, due primarily to one-time effects for a total of 4.2 points.

The one-time effects comprised of the following:

- unfavourable effects last year for 1.8 points due notably to a change in treatment of the amortisation of LimeLife's goodwill; and
- reimbursement in FY2021 of tax paid in excess in the past financial years, and other one-time effects, for 2.4 points.

The decrease in effective tax rate was further explained by a favourable country mix effect for 0.7 points and lower tax rates particularly in France and Switzerland for 2.2 points of other effects.

Note that the goodwills and trademarks of LimeLife and ELEMIS in the US 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 €5.4 million in FY2021, or 2.7% of the Group's pre-tax income. However, in the Group's consolidated account in IFRS, goodwills are not amortised. Such saving is thus reversed by corresponding non-cash deferred tax liabilities.

PROFIT FOR THE YEAR

For the aforementioned reasons, net profit for FY2021 was €157.0 million, increased by 36.3% or €41.8 million as compared to FY2020. Basic and diluted earnings per share in FY2021 were €0.105 and €0.105 respectively (FY2020: basic €0.080 and diluted €0.079), increased by 32.5% and 32.4% respectively. The numbers of basic and diluted shares used in the calculations of earnings per share in FY2021 were 1,466,677,921 and 1,470,779,165 respectively (FY2020: basic 1,461,732,521 and diluted 1,464,509,877).

IMPACT OF COVID-19 PANDEMIC

Since the fourth quarter of FY2020, the COVID-19 pandemic has remained a serious threat to the global business environment in FY2021. Travel bans, lockdowns and shop closures were extended to most of our key markets and seriously affected our business operations throughout the year. The Group's retail and travel retail channels were particularly hampered by the low air traffic, intermittent lockdowns and shop closures in most of the key markets. As a result, sales and profitability of the retail and travel retail channels dropped significantly.

However, the Group proactively responded to the crisis through re-directing resources to online channels and to key markets in Asia, rationalising the retail networks in individual countries, cutting non-essential expenses and delaying capital expenditures.

All of the financial impacts arising from the COVID-19 pandemic have been recognised in the income statement and essentially affected the recurring operating income. In particular, the costs related to the health measures put in place (purchases of hand sanitiser and face masks, exceptional measures for regularly disinfecting premises, etc.) were accounted for as expenses. Grants and subsidies received from local governments were accounted for as reductions to the corresponding expenses.

The Group's net sales in FY2021 ended with a slight decrease of 1.1% as compared to FY2020 on a like-for-like basis. Online channels were particularly strong and posted growth of more than 69%. The Group's net profit for FY2021 ended with a record €157.0 million.

Given the unpredictability of the future development of COVID-19, the impact to the Group in FY2021 is not indicative of the impact for the financial year ending 31 March 2022 ("FY2022").

MANAGEMENT DISCUSSION & ANALYSIS

BALANCE SHEET AND CASH-FLOW REVIEW

Liquidity and Capital Resources

As at 31 March 2021, the Group had cash and cash equivalents of €421.2 million as compared to €166.3 million as at 31 March 2020. The sharp increase was mainly explained by increase in net cash inflow from operating activities, contributed by a record net profit. As at 31 March 2021, total borrowings, including term loans, revolving facilities, bank borrowings, finance lease liabilities, and current accounts with minority shareholders and related parties, amounted to €522.1 million. As at 31 March 2021, the aggregate amount of undrawn borrowing facilities was €433.0 million.

SUMMARISED CASH-FLOW STATEMENT

For the year ended 31 March	**2021**	2020
	€ '000	*€ '000*
Profit before tax, adjusted for non-cash items	421,201	385,810
Changes in working capital	36,316	18,013
Income tax paid	(28,006)	(34,347)
Net cash inflow from operating activities	429,511	369,476
Net cash outflow for capital expenditures	(27,838)	(67,455)
Free cash flow[(1)]	**401,673**	302,021
Net cash (outflow) from investment in new ventures and financial assets	(50,585)	(4,131)
Net cash (outflow) from financing activities	(97,177)	(275,399)
Effect of exchange rate changes	963	(591)
Net increase/(decrease) in cash, cash equivalents and bank balances	**254,874**	21,900

(1) *Free cash flow generated for FY2021 was €401.7 million, as compared to €302.0 million in FY2020. If excluding the IFRS 16 non-cash items, free cash flow generated for FY2021 and FY2020 would be €278.1 million and €170.5 million respectively. The increase was partly due to higher profit before tax and partly due to reduction in capital expenditures. Improvement in working capital also contributed to the higher free cash flow.*

CAPITAL EXPENDITURES

Net cash used in capital expenditures was €27.8 million in FY2021, as compared to €67.5 million in FY2020, representing a decrease of €39.7 million. The sharp decrease was mainly in retail stores and factory related capital expenditures. The capital expenditures for FY2021 were primarily related to:

- additions of leasehold improvements and other tangible assets, related to ELEMIS's wholesale clients and new stores of L'Occitane en Provence for €5.4 million;
- minimal replacement in machinery and equipment of the factory and warehousing facilities and R&D for a total of €7.0 million; and
- addition of hardware, software and development costs for €14.5 million, including various enhancement projects on e-commerce, CRM and omni-channel platforms.

INVESTMENT IN NEW VENTURES, ASSOCIATES AND FINANCIAL ASSETS

Net cash outflow from investment in new ventures, associates and financial assets was €50.6 million in FY2021, as compared to €4.1 million in last year. The outflow this year was mainly for the investment in Capsum, a company specialized in the development of high-tech processes applied to beauty products, and in a joint venture in the Middle East.

FINANCING ACTIVITIES

Financing activities in FY2021 ended with a net cash outflow of €97.2 million (FY2020: outflow of €275.4 million). Net cash outflow during the year mainly reflected the following:

- principal components of lease payments of €121.8 million under IFRS 16; and
- payment of dividend for €32.6 million.

This was partly offset by the following:

- net bank borrowing for €47.0 million;
- transfer out of treasury shares to the employees under the share option plans for €8.2 million; and
- transactions with non-controlling interests for €2.0 million.

MANAGEMENT DISCUSSION & ANALYSIS

INVENTORIES

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

	FY2021	FY2020
Average inventory turnover days[1]	282	245

[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.*

As at 31 March 2021, inventory value decreased by 2.5%, or €5.1 million, to €198.9 million as compared to 31 March 2020. Average inventory turnover increased by 37 days due to the COVID-19 development, and partly due to higher inventory for the rapid growth and development of ELEMIS and L'Occitane en Provence towards the end of FY2021. Average inventory turnover of raw material & finished goods and MPPs increased by 43 and 5 days respectively. The increase was partly offset by inventory allowance for 7 days, FX impact for 4 days. The net effect of the deconsolidation of L'Occitane, Inc. included above was 5 days.

TRADE RECEIVABLES

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

	FY2021	FY2020
Turnover days of trade receivables[1]	32	31

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

Turnover days of trade receivables increased by 1 day to 32 days for FY2021 as compared to FY2020. The increase was due mainly to the sales developments towards the end of the financial year in Asia and at ELEMIS, partly offset by FX impact.

TRADE PAYABLES

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

	FY2021	FY2020
Turnover days of trade payables[1]	215	173

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

The increase of 42 days in turnover days of trade payables in FY2021 was due mainly to reduction in cost of sales by 13.9%. In terms of expense type, the increases in turnover days of accrued expenses and trade payables were 27 days and 17 days respectively. FX impact and others offset part of the increase in turnover days by 2 days.

BALANCE SHEET RATIOS

Return on capital employed in FY2021 was 10.2%, an increase of 3.3 points as compared to FY2020, as a result of an increase in net operating profit after tax by 30.8% accompanied by a decrease of 12.1% in capital employed. The decrease in capital employed was mainly due to lower fixed assets at the end of FY2021 after restraining capital expenditure spending amid COVID-19 risks.

The capital and reserves attributable to the equity owners increased by €101.7 million for FY2021, due mainly to the profits retained for the year. Return on equity ratio in FY2021 improved by 2.3 points to 12.9%, compared to 10.6% in FY2020.

The Group's gearing ratio reduced from 37.2% in FY2020 to 32.7% in FY2021. If the impacts of IFRS 16 were excluded, gearing ratio in FY2021 would decrease to 23.8%.

	Reported FY2021	Reported FY2020
Profitability		
EBITDA[(1)]	407,975	383,517
Net operating profit after tax (NOPAT)[(2)]	171,512	131,153
Capital employed[(3)]	1,674,503	1,905,674
Return on capital employed (ROCE)[(4)]	10.2%	6.9%
Return on equity (ROE)[(5)]	12.9%	10.6%
Liquidity		
Current ratio (times)[(6)]	0.9	1.2
Quick ratio (times)[(7)]	0.7	0.7
Capital adequacy		
Gearing ratio[(8)]	32.7%	37.2%
Debt to equity ratio[(9)]	30.9%	62.1%

(1) *Earnings before interest, taxes, depreciation and amortisation*

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

(3) *Non-current assets – (deferred tax liabilities + other financial liabilities + other non-current liabilities) + working capital*

(4) *NOPAT/capital employed*

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

(6) *Current assets/current liabilities*

(7) *(Current assets – inventories)/current liabilities*

(8) *Total debt/total assets*

(9) *Net debt/(total assets – total liabilities)*

MANAGEMENT DISCUSSION & ANALYSIS

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 2021, the Company had foreign exchange derivatives net liabilities of €0.6 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 2021 were primarily sale of Chinese yuan for an equivalent amount of €23.4 million, US dollar for €10.4 million, Hong Kong dollar for €7.1 million, Mexican peso for €3.6 million, Russian ruble for €3.2 million, Japanese yen for €2.8 million, Great British pound for €2.8 million and Thai baht for €2.7 million.

DIVIDENDS

At the Board meeting held on 29 June 2020, the Board recommended a gross dividend distribution of €0.02228 per share for a total amount of €32.6 million or 28.0% of the net profit attributable to the equity owners of the Company. The amount of the final dividend was based on 1,461,732,521 shares in issue as at 29 June 2020 excluding 15,232,370 treasury shares. The shareholders of the Company (the "Shareholders") approved this dividend at a meeting held on 30 September 2020. The dividend was duly paid on 23 October 2020.

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 €0.03687 per share (the "Final Dividend"), approximately 165.5% of the dividend in FY2020, or a payout ratio of approximately 35.0%. The total amount of the Final Dividend is €54.1 million.

The Final Dividend is based on 1,467,388,221 shares in issue as at 28 June 2021 excluding 9,576,670 treasury shares.

EVENTS SUBSEQUENT TO THE END OF FINANCIAL YEAR

The COVID-19 crisis and the corresponding restrictive measures, such as travel bans, partial lockdowns, and store closures in some of the Group's key markets continue to affect business operations notably in Europe. Given the unpredictability of the future development of COVID-19, the impact on the Group in the fiscal year ended 31 March 2021 is not indicative of the impact on its future financial information. The Group will continue to follow the applicable health and hygiene measures and closely monitor the situation. The estimated financial effects, if any, will be reflected in the Group's future financial statements.

On 10 May 2021, the Group acquired securities of Carbios for a total consideration of €10 million.

On 16 June 2021, the FY2021 PGE bank borrowing of €50.1 million was paid off.

STRATEGIC REVIEW

During a year marked by the ongoing challenges from the COVID-19 pandemic, the Group managed to deliver a strong set of results in FY2021, exceeding its expectations in terms of both sales and profitability. Thanks to the Group's agility and adaptability in a socially-distant world, the strong sales recovery in the second half of the year helped recover most of the ground lost earlier in the year, resulting in only a slight sales decline in FY2021 as compared to FY2020.

Importantly, the Group made tremendous progress in expanding its bottom line — recording an operating margin of 14.3% with contribution from its online channels, excellent performance in key markets in Asia, strong results from its newer brands, as well as greater operational efficiency.

This outcome was made possible by the Group's continued adherence to the five pillars of its strategy of building trust, sustainable growth and profitability — namely, empowering teams; executing fundamentals especially in a retail context; adopting an omni-channel, mobile and digital approach; engaging customers; and strengthening brand commitments. This strategy will remain at the core of the Group's direction as it seeks to further improve its financial performance in the coming years.

Online and omni-channel sales drove better profitability

In FY2021, sales through the Group's online channels expanded 69.2%, and accounted for more than one-third of the Group's total sales. The strong online sales compensated for most of the sales lost through the Group's brick-and-mortar stores, of which more than 75% were shuttered at the peak of the COVID-19 pandemic. This shift of sales activity from offline to online channels also contributed to the Group's expanded profitability in FY2021, with the inherently higher-margin online business helping to offset the operating deleverage of closed stores.

The Group's proactive approach to social selling underpinned the successful pivot to online sales, enabling it to maintain and strengthen its human approach to beauty despite the need for social distance. In Europe, the Group rolled out 68 social selling projects, including personal shopping concierge services, livestreaming and online consultation services to adapt to changing customer behaviour. It was clear that these initiatives gained traction as the pandemic developed, with peak usage correlated with lockdown periods. In the US, the Group launched a pilot clienteling program that allowed in-store beauty advisors to communicate directly with their customers via SMS and social media. Meanwhile, South Korea had one of the highest online sales mix across the Group's key markets, backed by L'OCCITANE en Provence's no. 1 position in the beauty category on the Kakao Gifting platform.

Core brand resilient in key product segments and Asian markets

The Group's core brand, L'OCCITANE en Provence proved particularly resilient in FY2021. Demand for products such as soaps, and hand and body moisturisers spiked as the COVID-19 pandemic stimulated heightened awareness of hygiene around the world. At the same time, key markets in Asia, especially China, Taiwan and South Korea, still delivered growth in FY2021. And despite a difficult year, the Group was able to lower the level of discounts to protect its brand equity and profitability, again evident of the strong positioning of its core brand.

Riding on L'OCCITANE en Provence's iconic status in premium body and hand care, the Group ran targeted campaigns in key markets to capture growth. For example, its performance in South Korea in the second half of the year was boosted by a new Shea Butter marketing campaign with K-pop singer Wendy from the Red Velvet girl band. In addition to elevating its signature Shea Butter range, the Group also invested in the hair care category, seen as a key opportunity in China where the category saw strong double-digit growth. Globally, the Group rolled out strong face care campaigns throughout FY2021, particularly for its *Immortelle Reset* range with the recent launch of the *Immortelle Reset Triphase Essence*, in line with its ongoing hero product strategy with a focus on face care.

Overall, China was undisputedly the Group's best-performing market and one of the first markets to emerge from COVID-19. In the fourth quarter of FY2021, China's retail sales grew more than 50%, mainly contributed by successful Chinese New Year and Women's Day promotion campaigns, as well as a low base in FY2020. Specifically, the Group ran eye-catching physical roadshows during Chinese New Year that encouraged product sampling and conversion. In addition to this recovery in the offline channel, online channels remained robust, growing more than 45% in the same quarter. The recovery of both channels cumulated into an impressive 36% growth in China, which saw it become the Group's largest market in FY2021.

MANAGEMENT DISCUSSION & ANALYSIS

Digital-first global expansion of ELEMIS validates multi-brand strategy

FY2021 saw the rapid expansion of ELEMIS into new markets under a digital-first strategy, materialising on synergies with L'OCCITANE en Provence where possible. One of the highlights was China, where ELEMIS launched in all 269 stores of its exclusive retail partner, Sephora. Since its launch in July 2020, ELEMIS's performance in China has gone from strength to strength and is highly profitable. March 2021 was the brand's best-performing month yet in terms of China retail sales, backed by the introduction of five new SKUs, including the Ultra Smart anti-ageing line, the brand's most premium range.

Elsewhere, ELEMIS continued to roll out in new markets across Asia, Europe and the Middle East, including Russia, Malaysia and Indonesia. It also launched more than a dozen e-commerce websites in key markets including France, Germany and Italy, as well as Hong Kong, Taiwan, Singapore and Thailand.

Despite ELEMIS's fruitful progress in new markets, the brand also delivered strong results in its heritage markets of the US and the UK, where the momentum across digital and home shopping channels greatly offset its severely impacted brick-and-mortar businesses.

ELEMIS's resilient performance in FY2021 underscored the soundness of the Group's multi-brand strategy, with its lean and agile structure enabling it to swiftly cut costs early on in the pandemic and contribute to its stellar operating profit margin of 25.7%. The Group also continued to develop each of the other brands in its portfolio throughout FY2021, further diversifying its revenue sources. In FY2021, L'OCCITANE en Provence contributed 78% of the Group's total sales, down from 79% in FY2020.

LimeLife was the Group's fastest-growing brand and turned profitable in FY2021, benefiting from its online-only and social media-based business model. This dynamic performance was fuelled by successful recruitment operations in the US and the release of the new products.

The performance of the Group's emerging brands, Melvita, L'OCCITANE au Brésil and Erborian also improved as a whole as FY2021 progressed. This was mostly led by Erborian, which grew 14% in FY2021 and maintained its profitability. L'OCCITANE au Brésil showed signs of a turnaround towards the end of the year by focusing on key customer groups, recruitment and the development of new channels, with growth returning in the fourth quarter of FY2021. Melvita continued to face challenges, yet showed sales improvement quarter after quarter. Both L'OCCITANE au Brésil and Melvita are well advanced in their restructures and continued to close underperforming stores during the year as they aim to improve profitability.

Two major restructuring actions pave the way for greater operational efficiency

In addition to driving top-line performance, the Group undertook two major restructuring actions in FY2021 to accelerate its transformation, address loss-making areas and increase the efficiency of its investments. Over the coming years, this will allow the Group to become a much more efficient and agile organisation.

In October 2020, the Group announced a reorganisation that led to the loss of approximately 300 positions globally of its total workforce of 9,000, mostly at its corporate offices. Subsequently in January 2021, the Group's US subsidiary, L'Occitane, Inc., commenced a voluntary Chapter 11 case to accelerate its store rationalisation process. As of the end of FY2021, the case was progressing well and resulted in a net closure of 25 underperforming stores. The Group expects a successful Chapter 11 case to deliver savings of around €9 million to €10 million on an annual basis for the next four to five years.

Unwavering resolve to addressing COVID-19 and long-term sustainability

Throughout FY2021, the Group continuously donated care products to support healthcare workers fighting the pandemic around the world. Likewise, the Group strengthened its support of Shea Butter producers in Burkina Faso to help protect them from COVID-19. As stores reopened, the Group remained committed to offering a 100% contactless journey to provide the highest level of safety to its staff and customers, while still providing a memorable and fresh shopping experience.

As a group that takes inspiration from nature and relies on its resources, the Group has identified three priority areas on the sustainability front: deliver dramatic change to mitigate the climate crisis; protect and restore cultivated and natural biodiversity; and empower all people in our communities. For example, through the Group's #NotJustSuppliers program, it is continuing to boost supply chain sustainability and ensure its industry suppliers have sound ethical, social, and environmental business practices in place. These efforts were recently recognised by EcoVadis, a provider of one of the world's most trusted business sustainability ratings. Meanwhile, the Group continued its global fight to minimise plastic pollution and create a circular economy for plastic as a signatory of the Ellen MacArthur Foundation, which has seen the Group pledge to have 100% of its bottles made out of 100% recycled plastic and 100% of its company-owned stores offer a recycling service by 2025. To go further in eliminating single-use plastic, the Group is set to install refill fountains across 27 countries in 2021, with each refill saving more than 90% of plastic compared to classic products.

Together with numerous other actionable initiatives, the Group has set an ambitious objective of achieving carbon neutrality at its two production sites in France by 2025, and across the Group by 2030.

OUTLOOK

Heading into FY2022, the global fight against COVID-19 remains a concern. As physical stores in Europe re-opened following new waves of infections earlier in 2021, stores in several Asian markets including Japan, Taiwan and Malaysia, have been forced to close due to new local lockdowns.

However, the Group's performance should remain resilient as it continues to benefit from the accelerated shift to online channels globally, as well as its unparalleled self-care, skincare and hand care image. The Group expects its online sales and its sales in high-growth Asian markets to remain robust, with its brand portfolio, especially the core brand and ELEMIS, to deliver strong profit contribution. As the customer evolves, the Group is also well equipped to continue creating engaging content as it accelerates its digital and sustainability initiatives.

Looking ahead, the Group believes the inherent strength of its brands, the determination and focus of its management team, as well as its targeted investments, will further strengthen its foundation for future growth and profitability. By proactively taking steps to maximise the financial efficiency of its business, prioritise its omni-channel approach and engage with customers, the Group is confident in generating greater value for Shareholders in the long term.


L'OCCITANE
EN PROVENCE
L'OCCITANE
EN PROVENCE
CREME MAINS
PEAUX SECHES
20%
DRY SKIN
HAND CREAM

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 FY2021 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. Yves Blouin ("Mr. Blouin", appointed on 14 January 2021). 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. Blouin have full executive responsibilities in the business directions and operational efficiency of the business units under their respective responsibilities and are accountable to Mr. Geiger.

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by the Directors of Listed Issuers (the "Model Code") set out in Appendix 10 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 2021 (the "Review Period").

CORPORATE GOVERNANCE REPORT

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

Composition of the Board

The Board consists of eleven Directors, comprising six 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 52 to 57 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 FY2021:

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	11/11				1/1
André Hoffmann	ED	11/11		2/2		0/1
Silvain Desjonquères[1]	ED	8/8			2/2	1/1
Yves Blouin[2]	ED	3/3			1/1	0/0
Thomas Levilion	ED	11/11				1/1
Karl Guénard	ED	11/11				1/1
Séan Harrington[3]	ED	2/6				0/0
Martial Lopez	NED	10/11	4/4			0/1
Valérie Bernis	INED	11/11		2/2		1/1
Mark Broadley	INED	8/11	4/4		3/3	0/1
Pierre Milet	INED	10/11			3/3	1/1
Jackson Ng	INED	11/11	4/4	2/2		1/1

Notes:

(1) Mr. Silvain Desjonquères resigned as an ED on 14 January 2021.

(2) Mr. Yves Blouin was appointed as an ED on 14 January 2021.

(3) Mr. Séan Harrington was appointed as an ED on 30 September 2020.

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.

Company Secretary

Mr. Karl Guénard was appointed as company secretary on 1 September 2013. During FY2021, 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 FY2021 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 website of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and the Company's website on 8 February 2019.

During FY2021, 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 FY2021:

i. Review of the report from the auditor on the audit of the final results of the Group for FY2020;

ii. Review of the draft financial statements of the Group for FY2020;

iii. Review of the draft results announcement and annual report of the Group for FY2020;

iv. Review of the audit fees payable to the external auditor for FY2020;

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 2020;

vii. Review of the financial statements for the period ended 31 December 2020;

viii. Review of the internal control system including the internal audit results analysis and the internal audit plan for 2020-2021, 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 Mr. Thomas Levilion as ED, and of Mr. Charles Mark Broadley and Mr. Jackson Ng as INEDs, and the election of Mr. Séan Harrington as ED at the FY2020 AGM, one Nomination Committee meeting was held during FY2021. Another Nomination Committee meeting was held during FY2021 for the appointment of Mr. Yves Blouin, as ED and Group Managing Director of the Company, to replace Mr. Silvain Desjonquères as ED and Group Managing Director of the Company.

CORPORATE GOVERNANCE REPORT

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. Yves Blouin (since 14 January 2021). Mr. Yves Blouin 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 FY2021:

i. Review of the repartition and cost of the cash Long Term Incentive Plan 2021.

ii. Review of the Directors' and senior management's compensation, and extraordinary proposal for executive compensation reduction measure during the COVID-19 crisis, with recommendation to the Board for approval.

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

There have been three meetings 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 FY2021 was approximately €4,551,000. 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 FY2021 was approximately €5,238,000.

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 FY2021. 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 FY2021 provided by PricewaterhouseCoopers, the external auditor of the Company, amounted to approximately €1,452,000 and €346,000 respectively. There were no non-audit services provided by the auditor during the year.

	€'000
Annual audit and interim review services	1,452
Audit related services	346
TOTAL	1,798

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 76 to 82 of this Annual Report.

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

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

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 FY2021, 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 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.

CORPORATE GOVERNANCE REPORT

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 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
EN PROVENCE
10.1 FL.OZ
SOIN NOURRISSANT
NOURISHING CARE
shampooing - shampoo
L'OCCITANE
EN PROVENCE
HUILES ESSENTIELLES
5
ESSENTIAL OILS
300ML
10.1 FL.OZ
shampooing micellaire
micellar shampoo
tous types de cheveux
all hair types
L'OCCITANE
EN PROVENCE
HUILES ESSENTIELLES
5
ESSENTIAL OILS
10.1 FL.OZ
RÉPARATION INTENSE
INTENSIVE REPAIR
shampooing - shampoo
cheveux abîmés
damaged hair

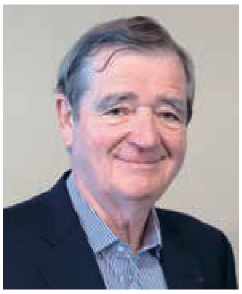
DIRECTORS AND SENIOR MANAGEMENT

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	73	Executive Director, Chairman and Chief Executive Officer
André Hoffmann	65	Executive Director and Vice-Chairman
Yves Blouin	56	Executive Director and Group Managing Director
Thomas Levilion	61	Executive Director and Group Deputy General Manager, Finance and Administration
Karl Guénard	54	Executive Director and Company Secretary
Séan Harrington	55	Executive Director
Martial Lopez	61	Non-Executive Director
Valérie Bernis	62	Independent Non-Executive Director
Charles Mark Broadley	57	Independent Non-Executive Director
Pierre Milet	78	Independent Non-Executive Director
Jackson Chik Sum Ng	60	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.

Yves Blouin
Executive Director and Group Managing Director

Mr. Yves Blouin was appointed as an executive Director with effect from 14 January 2021 and is the Group Managing Director. He is responsible for the overall management of the Group. Mr. Blouin has over 28 years' leadership experience, during which time he has successfully managed global luxury and cosmetics brands in diverse and complex markets in the Americas, Asia-Pacific, the Middle East and India. He has distinguished himself for his ability to develop people and build a strong customer-oriented culture. A down-to-earth entrepreneur and visionary leader, Mr. Blouin strives to achieve the company's objectives while constantly exploring new opportunities to develop and improve it. Mr. Blouin is passionate about developing people and has consistently promoted diversity among his teams. Prior to joining L'OCCITANE, Mr. Blouin worked with Chanel from 1993 to 2019, where he served as Managing Director and General Manager and sat on many of the company's Executive Committees. Mr. Blouin graduated from the Institut Georges Chetochine in 1988 with a bachelor's degree in Marketing & Communication before completing the Harvard Business School Advanced Management Program in 2013 and INSEAD's Leading Digital Transformation and Innovation Programme in 2020.

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.

Séan Harrington
Executive Director

Mr. Séan Harrington, was appointed as an executive director with effect from 30 September 2020 and 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.

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 PriceWaterhouse, Marseille until the merger between PriceWaterhouse 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

Sotaro Amano

Mr. Sotaro Amano, aged 53, joined the Group in April 2021 as the President and Representative Director of L'Occitane Japan and Melvita Japan. He has extensive experience in managing the Japan business for global brands. Prior to joining the Group, Mr. Amano was CEO, President and Affiliate Management Representative of the Abbott Japan Group. Before that, he managed the Japan business for Hoya Healthcare Corporation, Lenovo and Abbott Medical Optics and served as Division Vice President of Commercial Operations for Asia Pacific at Abbott Medical Optics. Mr. Amano began his career at Sharp Electronics in the UK in 1991 and in 2000 he moved to Dell Japan, where he held various leadership roles. Mr. Amano is a graduate of the Josai University of Tokyo.

Alain Buzzacaro

Mr. Alain Buzzacaro, aged 51, 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 48, 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 36, is the Group Sustainability Officer and the L'Occitane en Provence Global Brand Director. Mr. Adrien 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. Adrien Geiger worked for Électricité de France, a French energy group, for 3 years. Mr. Adrien 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. Mr. Adrien Geiger 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 40, is the President of L'Occitane Japan. Mr. Nicolas Geiger joined the Group in 2011 as Marketing and Retail Director in Brazil and was then promoted to Managing Director of Brazil in 2014. Mr. Nicolas Geiger continues to be in charge of the development of the L'Occitane au Brésil brand. Mr. Nicolas Geiger holds a Master's degree in Engineering, Economics and Management from the University of Oxford, UK and an MBA from INSEAD. Mr. Nicolas Geiger 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 52, is the Group Chief Operating Officer and Laboratoires M&L General Manager. Mr. Giacomoni joined the Group in October 2012. He is responsible for the Company's end to end supply chain and procurement, overseeing from manufacturing to omni-channel fulfilment operations, direct and indirect purchasing. He has over 20 years of experience in leading and strengthening global supply chains in FMCG and beauty sectors, and previously held senior positions 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, and received the AMP General Management programme certification at INSEAD in 2018.

Marcin Jerzy Jasiak

Mr. Marcin Jerzy Jasiak, aged 54, holds both Polish and Swiss nationality. He is the President of Greater Europe Area, including Western, Central and Eastern Europe and Russia. 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 49, 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 Master's 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

Yann Tanini

Mr. Yann Tanini, aged 43, 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 42, 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.

"THE DIRECTORS SUBMIT THEIR REPORT TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2021."

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 1,500 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 FY2021 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 2021 are provided in Note 36 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 26 to 29 of this Annual Report. In addition, discussions on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Chairman's Statement on page 6 and Corporate Governance Report on page 36 and in this Directors' Report on page 61 and in the ESG report available on the Group's corporate website in due course.

RESULTS AND DIVIDENDS

The results of the Group for FY2021 are set out in the Consolidated Statements of Income on page 83 of this Annual Report.

The Board recommends a final dividend of €0.03687 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 29 September 2021. The record date to determine which Shareholders will be eligible to attend and vote at the forthcoming AGM will be on 29 September 2021. The register of members of the Company will be closed from Friday, 24 September 2021 to Wednesday, 29 September 2021, 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, 23 September 2021.

Subject to the Shareholders approving the recommended final dividend at the forthcoming AGM, such dividend will be payable on Friday, 22 October 2021 to Shareholders whose names appear on the register of members on Tuesday, 12 October 2021. To determine eligibility for the final dividend, the register of members will be closed from Thursday, 7 October 2021 to Tuesday, 12 October 2021, 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, 6 October 2021.

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 196 of this Annual Report.

DISTRIBUTABLE RESERVES

As at 31 March 2021, 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 €758,631,786.

DONATIONS

Charitable and other donations made by the Group during FY2021 amounted to around €1,428,000, 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 FY2021, the Company transferred out of treasury a total of 4,945,400 Shares held in treasury pursuant to the employees' free share plan of the Company. The Company held 10,286,970 shares in treasury on 31 March 2021. Save as disclosed above, neither the Company nor its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during FY2021.

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 2021 are set out in note 37 to the consolidated financial statements.

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company during FY2021 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. Yves Blouin
(appointed on 14 January 2021)
Mr. Silvain Desjonquères
(appointed on 26 September 2018 and resigned on 14 January 2021)
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)
Mr. Séan Harrington
(appointed on 30 September 2020)

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 52 to 57 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 2021, 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	1,079,023,111 (long position)	73.06%
André Hoffmann	Beneficial interest	2,495,250 (long position)	0.17%
Thomas Levilion	Beneficial interest	922,600 (long position)	0.06%
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 76.41% of the entire issued share capital of LOG (being beneficial owner of 10,706,965 shares, having deemed interest in 1,015,454 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 1,067,587,391 shares and controls 10,286,970 treasury shares held by the Company. Mr. Geiger is also the beneficial owner of 1,148,750 shares.*

(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 10,286,970 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	11,722,672 (Note 1)	76.41%
André Hoffmann	Beneficial interest and deemed interest	2,904,823	18.93%
Thomas Levilion	Beneficial interest	21,567	0.14%
Martial Lopez	Beneficial interest	12,800	0.08%
Karl Guénard	Beneficial interest	6,387	0.04%

Notes:

(1) Comprised of 253 shares held by Mr. Reinold Geiger, 10,706,965 shares held by CIME and 1,015,454 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 1,015,454 treasury shares held by LOG.

Long Position in the shares of LOI ELEMIS S.A.R.L.

Name of Director	Capacity and Nature of Interest	Number of Shares/ Underlying Shares Held or Controlled	Approximate % of Shareholding
Séan Harrington	Interest in controlled corporation	132	1.10%

Save as disclosed herein, as at 31 March 2021, 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 2021, 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	1,077,874,361 (long position) (Note 1)	72.98%
Cime S.C.A.	Interest in controlled corporation and deemed interest	1,077,874,361 (long position) (Note 1)	72.98%
Société d'Investissements CIME S.A.	Interest in controlled corporation and deemed interest	1,077,874,361 (long position) (Note 1)	72.98%
LOG	Interest in controlled corporation and deemed interest	1,077,874,361 (long position) (Note 1)	72.98%
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 76.41% of the total issued share capital of LOG (being beneficial owner of 10,706,965 shares and having deemed interest in 1,015,454 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 1,067,587,391 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 10,286,970 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 10,286,970 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 2021, 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.

ISSUED SHARES IN THE YEAR

Details of the Shares issued for the year ended 31 March 2021 are set out in note 19 to the consolidated financial statements.

SHARE OPTION PLANS

On 30 September 2010, a meeting of the Shareholders authorised the adoption of a share option plan (the "Share Option Plan 2010"), which expired and was terminated on 29 September 2013 and was replaced by another share option plan (the "Share Option Plan 2013") which was adopted on 25 September 2013. This Share Option Plan 2013 expired on 24 September 2016 and was replaced by another share option plan (the "Share Option Plan 2016") which was adopted on 28 September 2016. This Share Option Plan 2016 expired on 27 September 2019 and was replaced by another share option plan (the "Share Option Plan 2020") which was adopted on 30 September 2020.

The purpose of the Share Option Plan 2020 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 2020 rules (the "Options"), which will motivate the Eligible Persons to optimise their performance, effectiveness and efficiency for the benefit of the Group and attract and retain or otherwise maintain ongoing business relationships with those Eligible Persons whose contributions are or will be beneficial to the long-term growth of the Group. The maximum number of Shares in respect of which Options may be granted under the Share Option Plan 2020 shall not exceed 21,925,987 shares, being 1.5% of the Company's issued share capital (excluding shares held in treasury) as at 30 September 2020.

As at 31 March 2021, no shares were granted under the Share Option Plan 2020, leaving a balance of 21,925,987 Options representing 1.5% of the issued Shares as at date of this Annual Report available for grant in future. The Share Option Plan 2020 will expire on 29 September 2023 and its remaining life is around 2 years and 3 months.

Under the Share Option Plan 2020, 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 Hong Kong Stock Exchange on the offer date;

(ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Hong Kong 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 2020 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 2021 were as follows. No share options were granted under the Share Option Plan 2020 during this period.

Name/Category of Participant	As of 01/04/2020	Number of share options Granted during the period	Cancelled or forfeited during the period	Exercised during the period	As of 31/03/2021	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	277,211	–	(277,211)	–	–	28-Nov-12	28/11/2016-28/11/2020	24.47	24.35
André Hoffmann	277,211	–	(277,211)	–	–	28-Nov-12	28/11/2016-28/11/2020	24.47	24.35
Thomas Levilion	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
Sub-total (Note 3)	2,749,122	–	(672,422)	(799,700)	1,277,000				
Others									
Employees	831,000	–	(831,000)	–	–	26-Oct-12	26/10/2016-26/10/2020	23.60	23.60
	2,619,750	–	(209,500)	(1,246,500)	1,163,750	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
	3,220,500	–	(77,500)	(1,529,350)	1,613,650	23-Mar-16	23/03/2020-22/03/2024	14.36	14.00
	5,386,100	–	(181,500)	(1,369,850)	3,834,750	10-Feb-17	10/02/2021-10/02/2025	15.16	15.03
	4,582,200	–	(106,000)	–	4,476,200	29-Mar-18	29/03/2022-29/03/2026	14.50	14.50
Sub-total (Note 3)	16,786,550	–	(1,405,500)	(4,145,700)	11,235,350				
Total	19,535,672	–	(2,077,922)	(4,945,400)	12,512,350				

Notes:

(1) As a general rule, the vesting period of the 2010, 2013, 2016 and 2020 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, the Share Option Plan 2013 was terminated on 24 September 2016 and the Share Option Plan 2016 was terminated on 27 September 2019. The Board was however entitled to grant Options to Eligible Persons under the Share Option Plan 2020 subject to such conditions as the Board may think fit, including in respect to the vesting and exercise of such 2020 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, 2016 or 2020 Options; and the average closing price for the five business days immediately preceding the date of grant.

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

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

In total, share-based compensation expense of €4,520,000 was included in the consolidated statements of comprehensive income for the year ended 31 March 2021 (year ended 31 March 2020: €4,701,000). 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 2021.

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 2021, the Company was in compliance with the conditions of the Waiver.

The Company holds as at 31 March 2021, 10,286,970 ordinary shares as treasury shares, and the total number of ordinary shares in issue (excluding shares held as treasury shares) is 1,466,677,921.

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 FY2021, 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 2021 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 2021, 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.

DIRECTORS' REPORT

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

(1) Sublease agreement

On 26 July 2017, the Group (as sub-lessor) entered into a sub-lease agreement with P2S2 for an initial period of 3 years from 1 August 2017 to 20 July 2020. Rentals for the property subleasing were determined after arm's length negotiations between the parties with reference to the prevailing market rent for comparable premises. The Group recharged rentals of €508,000 for the year ended 31 March 2021. The sub-lease contract with P2S2 expired on 20 July 2020 and was not renewed.

(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 2021, P2S2 invoiced the Group €731,000 for supply of Pierre Hermé products, €296,000 for service fees and personnel cost recharges. The agreement expired on 20 July 2020. As the realised annual transaction amount was below the original forecast amount in the agreement, and the forecast transaction amounts in the coming three years will be below *de minimis* exemption level, thus there will be no further disclosure necessary in future unless circumstances change.

P2S2 is a wholly-owned subsidiary of Pierre Hermé, which is indirectly owned as to approximately 84.5% 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 34 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 2021 are set out in note 20 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 21 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 49 of this Annual Report.

CONTINGENT LIABILITIES

Details of contingent liabilities are set out in notes 32.2 to the consolidated financial statements.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 36 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 2021, the Group had 8,733 employees (31 March 2020: 9,347 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
28 June 2021

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 2021, 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 2021;
- the consolidated income statement 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 Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for 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 2021, the Group has net sales of €1,538 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 recognised 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 71.9% of the total revenue. The revenue is recognised 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 recognised 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) Testing of the number and the fair value of award credits recognised in deferred revenue.

For wholesale and distributor 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 outstanding customer 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) Testing of journal entries posted to revenue accounts to identify any unusual or irregular items, and of the reconciliations between the revenue systems and its financial ledger.

INDEPENDENT AUDITOR'S REPORT

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

Key audit matters *(continued)*

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 recognises 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 2021, the Group had goodwill of €754.8 million, intangible assets of €315.9 million (including trademarks for €258.5 million), right-of-use assets of €301.3 million and leasehold improvements for €37.3 million in property, plant and equipment as at 31 March 2021.

Management performed an annual review of the cash generating units (CGU) to which goodwill and other non-current assets are allocated in order to ensure that their carrying amount does not exceed their recoverable amount. The recoverable amount is determined based on expected future cash flow projections taking into account the Covid-19 pandemic.

How our audit addressed the key audit matter

(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 assessed the consistency of cash flow projections with Management's assumptions and the economic environment in which the Group operates. We have notably evaluated the impact of COVID-19 considered by Management in the assumptions 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 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 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 in the key assumptions adopted, to evaluate the extent to which reasonably possible changes, both individually and in the 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

L'Occitane Inc. chapter 11 filing

Due to the financial difficulties faced by L'Occitane Inc. (a subsidiary of L'Occitane in the United States), the Group announced on 26 January 2021 the restructuring of its US store portfolio through a Chapter 11 proceedings.

The Group owns 100% of L'Occitane Inc., however, based on the legal restrictions applicable to Chapter 11 proceedings, the activities are managed through motions that must be validated or supervised by the court of New Jersey (the "court"). Consequently, the control of L'Occitane Inc. was lost as soon as bankruptcy proceedings were filed and L'Occitane Inc. was deconsolidated at the date of filling of proceedings with the court.

Management maintains significant influence over the subsidiary, thus accounting L'Occitane Inc. as an associate to be recorded under the net equity method.

The loss of control resulted in recognising a gain for an amount of €5.8 million which has been recorded in the line "Deconsolidation of L'Occitane Inc." in the consolidated statement of income.

Subsequently, Management accounted for L'Occitane Inc. under the net equity method, by:

- Determining the fair value of L'Occitane Inc. based for 50% on expected future cash flow projections and 50% on public companies multiples method;
- Performing the notional purchase price allocation by determining the fair value of identifiable assets and liabilities. The main fair value adjustment relates to the right-of-use assets and the lease liabilities as at 31 January 2021.

We consider L'Occitane Inc. Chapter 11 filing as a key audit matter given the significance of the amounts involved and significant Management's assumptions, judgments and estimates used to determine the fair value of L'Occitane Inc. and the notional purchase price allocation.

How our audit addressed the key audit matter

(a) We inspected the legal documentation and analysis prepared by Management;

(b) We agreed on the accounting treatment of the deconsolidation of L'Occitane Inc. and the accounting for L'Occitane Inc. under the net equity method;

(c) We tested the carrying value of assets and liabilities of L'Occitane Inc. as at 26 January 2021 that were deconsolidated;

(d) With the assistance of our Valuation experts, we assessed the fair value of L'Occitane Inc. notably through the discounted cash flow method and the public companies multiples method:

- 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;
- We assessed the consistency of cash flow projections with management's assumptions and the US economic environment in which the Group operates. We have notably evaluated the impact of COVID-19 considered by Management in the assumptions and the reasonableness of the estimate;
- We assessed the reasonability of the growth rates and the post-tax discount rate applied to projected cash flows with the US economic environment;
- We assessed the reasonability of the multiples derived from comparable companies.

(e) We tested the notional purchase price allocation by assessing the fair value of identifiable assets and liabilities of L'Occitane Inc. as at 31 January 2021;

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

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 annual report including the 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, actions taken to eliminate threats or safeguards applied.

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

PricewaterhouseCoopers, Société coopérative

Luxembourg, 30 June 2021

Represented by

Magalie Cormier

CONSOLIDATED STATEMENT OF INCOME

Year ended 31 March *In thousands of euros, except per share data*	*Notes*	***2021***	***2020***
Net sales	(5.2)	**1,537,845**	**1,644,083**
Cost of sales		(260,711)	(302,852)
Gross profit		**1,277,134**	**1,341,231**
% of net sales		*83.0%*	*81.6%*
Distribution expenses	(24)	(666,154)	(765,569)
Marketing expenses	(24)	(213,772)	(206,622)
Research and development expenses	(24)	(17,385)	(21,306)
General and administrative expenses	(24)	(147,837)	(159,968)
Share of profit/(loss) from associates and joint ventures accounted for using the equity method	(11)	(4,136)	–
Deconsolidation of L'Occitane Inc.	(6.1)	5,756	–
Restructuring expenses	(26)	(13,246)	–
Other gains/(losses), net	(25)	(125)	(503)
Operating profit		**220,235**	**187,263**
Finance income	(27)	2,847	2,614
Finance costs	(27)	(21,186)	(24,781)
Foreign currency gains/(losses)	(28)	(2,961)	(4,556)
Profit before income tax		**198,935**	**160,540**
Income tax expense	(29)	(41,899)	(45,300)
Profit for the year		**157,036**	**115,240**
Attributable to:			
Equity owners of the Company		154,579	116,288
Non-controlling interests	(12)	2,457	(1,048)
Total		**157,036**	**115,240**
Earnings per share for profit attributable to equity owners of the Company during the year *(expressed in euros per share)*			
Basic	(30)	0.105	0.080
Diluted	(30)	0.105	0.079
Number of shares used in earnings per share calculation			
Basic	(30)	1,466,677,921	1,461,732,521
Diluted	(30)	1,470,779,165	1,464,509,877

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March *In thousands of euros*	*Notes*	*2021*	*2020*
Profit for the year		**157,036**	**115,240**
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses) on defined benefits obligation	(29.5)	233	445
Changes in the fair value of equity investments at fair value through other comprehensive income	(3.3)	(652)	(448)
		(419)	**(3)**
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges fair value gains/losses, net of tax		363	(452)
Reclassification of currency translation differences relating to the deconsolidation of L'Occitane Inc.	(6.1)	(3,029)	–
Currency translation differences[(1)]	(29.5)	(36,846)	5,319
		(39,512)	**4,867**
Total comprehensive income/(loss) for the year	(1)	**117,105**	**120,104**
Attributable to:			
— Equity owners of the Company		116,721	119,267
— Non-controlling interests	(12)	384	837
Total comprehensive income/(loss) for the year		**117,105**	**120,104**

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 29.5.

(1) The currency translation differences were mainly generated by the subsidiaries in the United States.

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

CONSOLIDATED BALANCE SHEET

ASSETS *In thousands of euros*	Notes	***31 March 2021***	***31 March 2020***
Property, plant and equipment	(7)	130,347	180,505
Right-of-use assets	(8)	301,271	429,451
Goodwill	(9)	754,843	761,926
Intangible assets	(10)	315,949	341,577
Deferred income tax assets	(29.2)	65,854	76,521
Investments accounted for using the equity method	(11)	53,636	–
Other non-current assets	(13)	66,696	65,331
Non-current assets		**1,688,596**	**1,855,311**
Inventories	(14)	198,860	203,966
Trade receivables	(15)	135,338	131,571
Other current assets	(16)	52,798	50,565
Derivative financial instruments	(17)	72	604
Cash and cash equivalents	(18)	421,216	166,342
Current assets		**808,284**	**553,048**
TOTAL ASSETS		**2,496,880**	**2,408,359**

EQUITY AND LIABILITIES *In thousands of euros*	Notes	***31 March 2021***	***31 March 2020***
Share capital	(19)	44,309	44,309
Additional paid-in capital	(19)	342,851	342,851
Other reserves		(107,642)	(86,918)
Retained earnings		920,661	798,238
Capital and reserves attributable to the equity owners		**1,200,179**	**1,098,480**
Non-controlling interests	(12)	78,699	76,855
Total equity		**1,278,878**	**1,175,335**
Borrowings	(20)	19,622	361,493
Lease liabilities	(8)	216,189	322,426
Other financial liabilities	(6.3)	18,671	17,978
Other non-current liabilities	(21)	23,256	22,929
Deferred income tax liabilities	(29.2)	52,786	42,021
Non-current liabilities		**330,524**	**766,847**
Trade payables	(22)	161,658	145,994
Social and tax liabilities		93,539	72,809
Current income tax liabilities	(29)	28,504	12,270
Borrowings	(20)	502,492	113,556
Lease liabilities	(8)	78,538	99,206
Derivative financial instruments	(17)	713	208
Provisions	(23)	1,677	1,525
Other current liabilities	(21)	20,357	20,609
Current liabilities		**887,478**	**466,177**
TOTAL EQUITY AND LIABILITIES		**2,496,880**	**2,408,359**

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

					Attributable to equity owners of the Company								
					Other reserves								
In thousands of Euros (except "Number of Shares")	*Notes*	Number of shares	Share capital	Additional paid-in capital	Share based payments	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 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	(29.5)	–	–	–	–	–	–	–	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.

In thousands of Euros (except "Number of Shares")	Notes	Attributable to equity owners of the Company											
					Other reserves								
		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
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**
Comprehensive income													
Profit for the year		–	–	–	–	–	–	–	–	–	154,579	2,457	157,036
Other comprehensive income													
Currency translation differences		–	–	–	–	–	(34,773)	–	–	–	–	(2,073)	(36,846)
Reclassification of currency translation diff. Relating to the deconsolidation of L'Occ. Inc.		–	–	–	–	–	(3,029)	–	–	–	–	–	(3,029)
Actuarial gain/(loss) on defined benefit obligation	(29.5)	–	–	–	–	–	–	–	233	–	–	–	233
Changes in the fair value of equity investments at fair value through other comprehensive income	(3.3)	–	–	–	–	–	–	–	–	(652)	–	–	(652)
Cash flow hedge fair value gain/(loss), net of tax		–	–	–	–	–	–	–	–	363	–	–	363
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	***(37,802)***	**-**	***233***	***(289)***	***154,579***	***384***	***117,105***
Transactions with owners													
Allocation of prior year earnings		–	–	–	–	–	–	–	–	–	–	–	–
Dividends declared		–	–	–	–	–	–	–	–	–	(32,618)	–	(32,618)
Distribution 4,945,400 stock options		–	–	–	(7,995)	7,995	–	–	–	8,222	–	–	8,222
Share-based payment: value of employee benefit	(19.3)	–	–	–	7,478	–	–	–	–	–	–	500	7,978
Contribution from the parent		–	–	–	3,177	–	–	–	–	–	–	–	3,177
Transactions with non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–
Total contributions by and distributions to owners of the Company		**-**	**-**	**-**	***2,660***	***7,995***	**-**	**-**	**-**	***8,222***	***(32,618)***	***500***	***(13,241)***
Non-controlling interests recorded as a liabilities		–	–	–	–	–	–	1,253	–	–	319	(319)	1,253
Transaction with non-controlling interests in Limelife		–	–	–	–	–	–	–	–	–	(84)	84	–
Transaction with non-controlling interests in South Africa		–	–	–	–	–	–	(1,590)	–	–	–	1,390	(200)
Transaction with non-controlling interests		–	–	–	–	–	–	–	–	–	(1,179)	1,179	–
Deconsolidation of L'Occitane Inc.		–	–	–	–	–	–	–	–	–	–	(1,374)	(1,374)
Total transactions with owners		**-**	**-**	**-**	**-**	**-**	**-**	***(337)***	**-**	**-**	***(944)***	***960***	***(321)***
Balance at 31 March 2021		**1,476,964,891**	**44,309**	**342,851**	**30,959**	**(16,381)**	**(54,971)**	**(72,728)**	**279**	**7,595**	**918,266**	**78,699**	**1,278,878**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March *In thousands of Euros*	*Notes*	***2021***	***2020***
Cash flows from operating activities			
Profit for the year from continuing operations		157,036	115,240
Adjustments to reconcile profit for the year to net cash from operating activities			
Depreciation, amortisation and impairment	(24.3)	190,701	200,810
Tax expenses	(29.1)	41,899	45,300
Share-based payment	(19)	11,155	6,456
Unwinding of discount on lease liabilities	(8.2)	11,533	14,032
Interests income/(expense)	(27)	6,806	6,280
Change in the fair value of derivatives	(17), (28)	1,401	(1,647)
Other losses/(gains) on sale of assets, net	(31.1)	1,240	1,755
Net movements in provisions	(31.2)	2,878	3,744
Share of (profit)/loss of joint ventures	(11)	4,136	–
Deconsolidation of L'Occitane Inc.	(6.1)	(2,719)	–
Total of non-cash items		**269,030**	**276,730**
Interests paid	(27)	(4,865)	(6,160)
Income tax paid	(29.1)	(28,006)	(34,347)
Changes in working capital			
Inventories		(10,780)	(5,688)
Trade receivables		(8,403)	3,639
Trade payables		35,148	8,736
Salaries, wages, related payroll items and other tax liabilities		25,953	4,897
Other assets and liabilities, net		(5,602)	6,429
Changes in working capital		**36,316**	**18,013**
Net cash inflow/(outflow) from operating activities		**429,511**	**369,476**
Cash flows from investing activities			
Acquisition of subsidiaries and businesses, net of cash acquired	(6.1), (6.2)	173	1,549
Investments in associates	(11)	(38,205)	–
Acquisition of property, plant and equipment	(7)	(22,582)	(55,757)
Acquisition of intangible assets	(10)	(10,353)	(14,148)
Acquisition of financial assets		(5,746)	(6,352)
Proceeds from sale of intangible assets and property, plant and equipment	(31.1)	2,122	2,822
Deconsolidation of L'Occitane Inc.	(6.1)	(7,743)	–
Change in deposits and key money paid to lessors		2,975	(372)
Change in non-current receivables and liabilities		936	672
Net cash inflow/(outflow) from investing activities		**(78,423)**	**(71,586)**

Year ended 31 March *In thousands of Euros*	*Notes*	***2021***	***2020***
Cash flows from financing activities			
Transactions with non-controlling interests	(6.2)	–	(10,239)
Proceeds from non-controlling interests		1,997	9,025
Dividends paid to equity owners of the Company	(19.5)	(32,618)	(43,309)
Dividends paid to non-controlling interests		–	(340)
Proceeds from distribution of free shares and stock options	(19.2)	8,222	746
Principal components of lease payments		(121,843)	(135,113)
Proceeds from borrowings	(20.4)	229,749	106,439
Repayments of borrowings	(20.4)	(182,684)	(202,608)
Net cash inflow/(outflow) from financing activities		**(97,177)**	**(275,399)**
Exchange gains/(losses) on cash, cash equivalents and bank overdrafts	(31.4)	963	(591)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**254,874**	**21,900**
Cash, cash equivalents and bank overdrafts at beginning of the year		**166,342**	**144,442**
Cash and cash equivalents		*166,342*	*144,442*
Cash, cash equivalents and bank overdrafts at end of the year		**421,216**	**166,342**
Cash and cash equivalents		*421,216*	*166,342*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. THE GROUP

1.1. General information

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 28 June 2021.

1.2. Main events of the year

Impact of COVID-19 pandemic

The COVID-19 pandemic led to a significant slow-down of the global economy. The resulting impact on sea and freight channel and the closure of stores in most countries for several months (some stores are still closed because of the pandemic), along with the halt in international travelled to a reduction in revenue.

The Group proactively responded to the crisis showing great resilience by rolling out new online initiatives, cutting costs and accelerating a retail transformation already well underway to best serve customers across multiple channels globally.

All of the impacts arising from the COVID-19 pandemic have been recognised in the income statement and essentially affect recurring operating income. In particular, the costs related to health measures put in place (purchases of hand sanitiser and face masks, exceptional measures for regularly disinfecting premises, etc.) have been accounted for as expenses.

Due to the below considerations these events and conditions do not cast doubt on the Group's ability to continue as a going concern.

Recoverable amount of non-current assets as at 31 March 2021

The impacted assets mainly include goodwill, trademarks, right-of-use assets, leasehold improvements and other property, plant and equipment related to stores.

Management has reviewed the indicators for impairment of assets related to stores. When necessary, impairment calculations were updated. This resulted in the recognition of an impairment loss amounting to €9.6 million, net of reversals (note 8.1).

An impairment test was performed on goodwill and trademark and considering the impact of COVID-19 on future cash flows no impairment loss was recorded. Note 9.2 contains more details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. THE GROUP *(CONTINUED)*

1.2. Main events of the year *(continued)*

Impact of COVID-19 pandemic (continued)

Credit risk

The Group assessed that the credit risk increased for counterparts located in impacted areas as at 31 March 2021. Where applicable, the expected credit loss measurement was adjusted to align with the future economic conditions forecasted by the Group. The impact recorded in the consolidated statement of income amounted to €3,982,000 as at 31 March 2021 (€2,674,000 as at 31 March 2020) (Note 15).

Net realisable value of inventories

As at 31 March 2021, the Group adjusted the net realisable value of inventories to reflect slower inventory turnover and more limited sales prospects. The impact of these additional allowances on inventories recorded in the consolidated statement of income amounted to €15,992,000 (€11,700,000 as at 31 March 2020) (Note 14).

Lease expenses

The rent concessions negotiated with lessors due to the consequences of the COVID-19 pandemic were immediately recognised in the income statement as negative variable lease payments rather than as an amendment to the associated leases. This accounting method complies with the simplification measure provided for in the Amendment to IFRS 16 — Leases, issued by the IASB on 28 May 2020. As a result, a total amount of €10,491,000 was recognised as deduction from variable rents directly in the consolidated statement of income (Note 24).

Government grants/subsidies

The Group received grants or subsidies from local governments for a total amount of €20,991,000. These assistances mainly aimed at protecting jobs corresponding in savings in employee benefit expenses (Note 24).

Liquidity risk

As at 31 March 2021, in addition to the €421.2 million in cash and cash equivalents, the Group had an undrawn amount of €443.3 million under its revolving credit facility.

During the full year ended 31 March 2021, the Group's access to liquidity was preserved:

- In April 2020, the Group drew €100 million on its existing revolving credit facility (FY2015 Revolving Facility),
- In May and June 2020, the Group secured new financing of €253 million: €203 million new revolving credit facility for L'Occitane International S.A. and a €50 million new term loan for Laboratoires M&L with 90% guaranteed by the French State (FY2021 PGE Bank Borrowing).
- In 31 March 2021, the Group signed a new revolving facility amounting to €600 million with a five year maturity in replacement of the FY2021 Revolving Facility (COVID-19), the FY2021 PGE Bank Borrowing and the FY2015 Revolving Facility (Note 20).

As at 31 March 2021, the total liquidity reserves (cash and cash equivalents net of bank overdrafts and undrawn borrowings) facilities amount to €864.5 million.

The Group also prepared a cash projection for the period from April 2021 to July 2022 and showed no liquidity risks.

1. THE GROUP *(CONTINUED)*

1.2. Main events of the year *(continued)*

Other significant events of the year ended 31 March 2021

Chapter 11 proceedings with respect to L'Occitane Inc.

In order to drive sustainable growth and profitability the Group focused on addressing loss areas and increasing the efficiency of the investments. Due to the difficulties faced by the subsidiary of L'Occitane in the United States, the Group announced on 26 January 2021 that it was accelerating the restructuring of its US store portfolio enabling the Group to best position the US business for the future. These actions led to the filing of Chapter 11 proceedings in order to accelerate and facilitate the negotiations with the lessors (Note 6).

Restructuring plan

In October 2020, a plan was announced to streamline the corporate headcount within few L'Occitane subsidiaries by approximately 10%. The restructuring costs amounted to €10.9 million for the year (Note 26).

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 individual Company 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 European Union. They are similar, for operations conducted by the Group. IFRS are available on the European Commission's website.

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. 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 2020:

Amendment to IFRS 16 — Leases — COVID-19-Related Rent Concessions

The Group has chosen to early adopt the amendment to IFRS 16 — Leases, which was adopted by the IASB (International Accounting Standards Board) on 28 May 2020 and by the European Union on 12 October 2020.

This amendment aims to simplify certain provisions of IFRS 16, enabling lessees to recognise concessions granted due to the health crisis on rent initially due up to the end of 2021 as negative variable lease payments (i.e., directly in the income statement), without having to assess whether the concessions were granted pursuant to contractual or legal clauses governing the performance of the lease in question. The impact on the consolidated financial statements is described in Note 24.

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)

Other new and amended standards

Several other new standards became mandatory after 1 January 2020, but do not have a material impact on the Group consolidated financial statements:

- Definition of Materiality — Amendments to IAS 1 and IAS 8
- Definition of a Business — Amendments to IFRS 3
- Revised Conceptual Framework for Financial Reporting

Another amendment is applicable after 1 January 2021, but do not have a material impact on the Group consolidated financial statements:

- Interest Rate Benchmark Reform — Amendments to IFRS 9, IAS 39 and IFRS 7.

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

In March 2021, the IASB decided to extend the time period over which the practical expedient of the Amendment to IFRS 16 — Leases — COVID-19-Related Rent Concessions is available for use beyond 30 June 2021. The Group did not applied this amendment yet.

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.

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.

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

2.2. Principles of consolidation *(continued)*

(b) ***Separate financial statements***

For the individual Company balance sheet as presented in Note 35, 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 the 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) ***Associates and Joint arrangements***

Associates

Associates are all entities over which the Group has significant influence but not control or joint control.

This is generally the case where the Group holds between 20% and 50% of the voting rights.

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has joint ventures and no joint operations.

Interests in associate or joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.2. Principles of consolidation *(continued)*

(d) Associates and Joint arrangements (continued)

Equity method

Under the equity method of accounting, investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income.

Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. The elimination of upstream and downstream transactions between the Group and the associates/joint ventures is as follows:

- Downstream and upstream transactions (sales from the Group to associates and joint ventures): the elimination of unrealised gains is recorded as a decrease in the investment in the joint venture and a decrease to "Share of profit/loss from associates and joint ventures accounted for using the equity method";
- Upstream transactions (sales from the associates and joint ventures to the Group): the elimination of unrealised gains is recorded as a decrease in the investment in the joint venture and a decrease to "Share of profit/loss from associates and joint ventures accounted for using the equity method".

Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested 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 the asset's fair value less costs of disposal and value in use.

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

2.2. Principles of consolidation *(continued)*

(e) Change in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss, for those which are recyclable only.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

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 recognised 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.3. Foreign currency translation *(continued)*

(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.

2.4. 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.

As from financial year 2020, and due to the recent business combinations with ELEMIS and LimeLife, the Group has modified the structure of its internal organisation. The Chairman & CEO and the Managing Director primarily review the Group's internal reporting in order to assess performance and allocate resources from a brand perspective. 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, 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 (Note 5). Other information, including assets and liabilities per segment, are not regularly provided to the chief operating decision-maker.

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 the L'Occitane en Provence trademark, the goodwill relates to past acquisitions of exclusive distributors and is 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 was therefore not recognised 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 2.5). The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the trademark.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

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

The Group leases various offices, retail stores, equipment, and vehicles. Leases are typically made of 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.

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 payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.7. Leases *(continued)*

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is 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.

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

- the amount of the initial measurement of lease liability;
- 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 of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. 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 percentage 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 in profit or loss in the period in which the condition that triggers those payments occurs.

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.

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

2.7. Leases *(continued)*

Extension and termination options (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.

As explained in Note 2.1.a) above, the Group has chosen to early adopt the amendment to IFRS 16 — Leases, which was adopted by the IASB (International Accounting Standards Board) on 28 May 2020 and by the European Union on 12 October 2020. The impact on the consolidated financial statements is described in Note 24.

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.

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 their 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 CGUs 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, 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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 realisable 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”.

2.13. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.13. Financial assets *(continued)*

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 cost		
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 recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Other financial assets at amortised cost	The Group classifies 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).

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 months before 31 March 2020 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 1.2), the Group has not identified any specific relevant factors to adjust the historical loss rates.

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

Debt investments

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

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

2.14. 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 17. 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 hedges

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 hedges

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.

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

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

(b) Cash flow hedges (continued)

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".

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

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.

2.18. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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.

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 in employee benefit expenses 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.

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

2.20. Employee benefits *(continued)*

(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 19.3.

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).

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.

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

2.20. Employee benefits *(continued)*

(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.

2.21. Borrowings

Borrowings are initially recognised 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 drawdown 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.

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

2.22. Revenue recognition *(continued)*

(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.

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 the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2.22. Revenue recognition *(continued)*

(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.

2.23. 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. 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.

2.27. 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)*

2.28. Foreign currency gains/(losses)

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

- Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the 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 17);
- 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 17).

2.29. Income tax

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 recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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 tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity of different taxable entities where there is an intention to settle the balances on a net basis.

2.30. Earnings per share

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 major part of the production and purchasing costs is therefore denominated in EUR for L'Occitane en Provence. For ELEMIS and LimeLife the cost of goods sold is denominated in GBP and USD, respectively. The Group is thus exposed to foreign exchange risk on its commercial transactions, whether known or forecasted.

As at 31 March 2021, 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	23,892	19,356	4,285	16,487	19,424	25,335	6,545	4,180	358	519	14,957	135,338
Other current receivables	28,018	147	519	4,054	4,139	3,695	6,748	294	13	(256)	5,427	52,798
Cash and cash equivalents	263,923	22,308	2,022	23,153	47,187	10,153	1,265	906	2,258	3,117	44,924	421,216
Monetary assets	**315,833**	**41,811**	**6,826**	**43,694**	**70,750**	**39,183**	**14,558**	**5,380**	**2,629**	**3,380**	**65,308**	**609,352**
Borrowings	482,111	–	–	20,896	4,460	–	–	2,212	5,962	879	5,594	522,114
Trade payables	14,937	13,468	11,454	13,380	38,110	36,947	4,699	4,753	1,139	2,821	19,950	161,658
Social and tax liabilities	49,234	9,645	4,068	5,987	2,615	4,115	3,677	1,057	51	251	12,839	93,539
Monetary liabilities	**546,282**	**23,113**	**15,522**	**40,263**	**45,185**	**41,062**	**8,376**	**8,022**	**7,152**	**3,951**	**38,383**	**777,311**
Gross exposure in the statement of financial position	**(230,449)**	**18,698**	**(8,696)**	**3,431**	**25,565**	**(1,879)**	**6,182**	**(2,642)**	**(4,523)**	**(571)**	**26,925**	**(167,959)**

As at 31 March 2020, 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	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	**(381,544)**	**23,457**	**1,606**	**(23,767)**	**1,700**	**17,752**	**6,524**	**(2,239)**	**(4,407)**	**(3,039)**	**18,581**	**(345,376)**

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 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.

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 2021 and 2020, 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	***2021***	***2020***	***2021***	***2020***	***2021***	***2020***
USD	45,732	49,208	25,543	30,525	(2,041)	(82)
JPY	10,367	11,186	21,527	23,187	5,636	5,808
HKD	12,670	15,122	10,928	11,515	12,282	12,964
CNY	17,659	16,180	26,364	19,673	12,562	12,068
GBP	34,355	33,283	17,622	19,008	(124)	1,739

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1. Financial risk factors *(continued)*

(a) Market risk (continued)

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 20.3.

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

In accordance with the financial covenants described in Note 20.2, the margin of certain bank borrowings is liable to change.

Based on the simulations performed, on 31 March 2021 and 2020, 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 27).

In thousands of euros	***2021***	***2020***
Sensitivity of finance costs	1,970	2,770
Sensitivity of finance income	375	272
Sensitivity of the post-tax profit	334	413

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 2021 and 2020 on the interest expense but does not take into consideration the effect of a higher/lower interest rate on the fair market value of the derivatives designed to manage the cash flow interest risk floating-to-fixed interest rate swaps. The fair value of these derivatives at period end is not material.

Price risk

The Group is not significantly exposed to commodity price risk.

The Group is 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 2021, the Group owned 23.4% 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 €800,000 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.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1. Financial risk factors *(continued)*

(b) Credit risk

Credit risk is managed on a Group basis, except where it relates to accounts receivable balances. Each local entity is responsible for monitoring and analysing the credit risk of its customers. Standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments, carried at 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 activities, 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 2021 and 2020, 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 activities, 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-.

(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 31 March 2021, the Company signed a multi-currency revolving facility agreement for an amount of €600 million with a five-year maturity and an option to extend for two additional years in replacement of the FY15 revolving credit facility and FY2021 Revolving Facility (COVID-19).

The directly attributable transaction costs related to the issuance of this FY2021 Revolving Facility agreement amounted to €2,548,561 were capitalised as a deferred charge and amortised over the term of the loan.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1. Financial risk factors *(continued)*

(c) Liquidity risk (continued)

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 2021 are as follows:

31 March *In thousands of euros*	***2021***	***2020***
Cash and cash equivalents and bank overdrafts	421,216	166,342
Undrawn borrowing facilities (Note 20.3)	443,272	230,689
Liquidity reserves	**864,488**	**397,031**

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 20.2).

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**	**2 and 5 years**	**Over 5 years**	**Total**
Borrowings (Note 20)	502,506	2,729	8,758	8,121	522,114
Trade payables (Note 22)	158,781	–	–	–	158,781
Lease liabilities (Note 8.2)	78,650	58,599	80,034	77,444	294,727
Interests payments on borrowings	1,110	597	365	103	2,175
Total on 31 March 2021	**741,047**	**61,925**	**89,157**	**85,668**	**977,797**
Borrowings (Note 20)	113,556	342,322	8,247	10,924	475,049
Trade payables (Note 22)	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**

The interest payments on borrowings are based on existing interest rates as at 31 March 2021. The net book value is close to the fair value.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.2. Capital risk management

The Group's objectives when managing capital are to safeguard 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 2021		***31 March 2020***	
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)]	33,383	33,383	28,151	28,151
Other non-current receivables	33,313	33,313	37,180	37,180
Derivative financial instruments[(a)]	72	72	604	604
Total assets	**66,768**	**66,768**	**65,935**	**65,935**
Liabilities				
Floating rate	522,114	522,114	475,049	475,049
Total borrowings	**475,049**	**475,049**	**475,049**	**475,049**
Derivative financial instruments[(a)]	713	713	208	208
Other financial liabilities	18,671	18,671	17,978	17,978
Total liabilities	**19,384**	**19,384**	**18,186**	**18,186**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2021			*31 March 2020*		
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)	–	72	–	–	604	–
Financial assets at fair value through other comprehensive income (FVOCI) (Note 12)	–	17,503	15,880	–	13,671	14,480
Total assets	**–**	**17,575**	**15,880**	**–**	**14,275**	**14,480**
Liabilities						
Derivatives at fair value (Note 16)	–	713	–	–	(208)	–
Total liabilities	**–**	**713**	**–**	**–**	**(208)**	**–**

(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 2021. No changes were made to any of the valuation techniques applied as at 31 March 2020.

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 2021 and 31 March 2020:

In thousands of euros	Balance as at 31 March 2020	Disposals	Acquisitions	Unwinding of discount	Gain/(loss) recognized in other comprehensive income	Balance as at 31 March 2021
Assets						
Financial assets at fair value through other comprehensive income (FVOCI) (Note 13)	14,480	–	1,400	–	–	15,880
Total assets (level 3)	**14,480**	**–**	**1,400**	**–**	**–**	**15,880**

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 13)	12,893	–	1,587	–	–	14,480
Total assets (level 3)	**12,893**	**–**	**1,587**	**–**	**–**	**14,480**

These financial assets correspond to the investment in MyGlamm (see Note 13). The table below summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

in thousands of euros / *Financial assets at FVOCI*	Fair value at *31 March 2020*	Fair value at *31 March 2021*	Unobservable inputs	Range of inputs *31 March 2020*	Range of inputs *31 March 2021*	Relationship of unobservable inputs to fair value
MyGlamm	14,480	15,880	Recent price value of shares used for the capital increase carried out in the financial year ended 31 March 2020 and translated with the exchange rate as at 31 March 2021			Increasing or decreasing the price value of shares by 500 basis points would increase or decrease the fair value by €800,000.

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 from 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 judgements 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 2.29), fair value of the derivative instruments (Note 2.14), valuation of share-based payments (Note 19.3), valuation of put options (Note 6.3) contingencies (Note 32), fair value of the Group's investment in L'Occitane Inc. (Note 6.1.1) and the notional purchase price for L'Occitane Inc. (Note 6.1.1).

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 judgements 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.

Value-in-use is determined with respect to projected future cash flows, 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.

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:

31 March 2021 *in millions of euros*		**ELEMIS**	**LimeLife**	**Melvita**
Business plan time frame		4 years	4 years	5 years
Net sales annual growth rate over the plan		28.0%	25.2%	18.1%
Budgeted EBITDA over the plan(*)		30.7%	11.4%	12.9%
Long term growth rate		2.1%	2.0%	1.4%
Post-tax discount rate		8.3%	8.2%	7.8%
Carrying amounts	*Goodwill*	514	113	36
	Trademark	243	–	14
	Others items	64	15	11
Recoverable value		1,202	376	79
Headroom available		381	248	17

31 March 2020 *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
	Others items	54	15	16
Recoverable value		1,026	392	82
Headroom available		197	256	16

(*) Average % of EBITDA over the 4-year or 5-year plan

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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).
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: • FY25 plans for LimeLife and ELEMIS; • FY26 plan for Melvita.
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	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.

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

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

Sensitivity analysis

The recoverable amount of the ELEMIS, LimeLife and Melvita CGUs would equal its carrying amount if the key assumptions were to change individually as follows:

	ELEMIS	LimeLife	Melvita
CAGR	22.5%	16.4%	16.9%
% of EBITDA for each year of the business plan decreased by	7.3 points	8.1 points	2.0 points
WACC	11.2%	19.0%	9.7%
Long-term growth rate	–1.5%	–14.7%	–1.0%

For L’Occitane en Provence, the estimated value in use significantly exceeds the carrying amount of goodwill to such an extent 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 depreciated on a straight-line basis in accordance with the accounting policy presented in Note 2.7. They 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 23 and 31).

4.5. Income tax

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2021 *In thousands of euros*	**L'Occitane en Provence**	**ELEMIS**	**LimeLife**	**Other brands**	**Total**
Net sales	**1,194,227**	**158,910**	**102,155**	**82,553**	**1,537,845**
In % of total	*77.7%*	*10.3%*	*6.6%*	*5.4%*	*100%*
Gross profit	**1,021,218**	**116,970**	**78,462**	**60,484**	**1,277,134**
% of net sales	*85.5%*	*73.6%*	*76.8%*	*73.3%*	*83.0%*
Distribution expenses	(537,492)	(28,116)	(63,974)	(36,572)	(666,154)
Marketing expenses	(159,237)	(30,115)	(3,639)	(20,781)	(213,772)
Research & development expenses	(13,545)	(1,464)	–	(2,376)	(17,385)
General and administrative expenses	(118,128)	(14,707)	(9,032)	(5,970)	(147,837)
Share of profit/(losses) from joint operations	(4,136)	–	–	–	(4,136)
Other gains/(losses), net	1,276	(597)	1	(805)	(125)
Deconsolidation of L'Occitane Inc.	5,756	–	–	–	5,756
Restructuring expenses	(11,323)	(1,163)	–	(760)	(13,246)
Operating profit/(loss)	**184,389**	**40,808**	**1,818**	**(6,780)**	**220,235**
% of net sales	*15.4%*	*25.7%*	*1.8%*	*(8.2%)*	*14.3%*

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%*

There are no significant inter-segment transfers or transactions.

5. SEGMENT INFORMATION *(CONTINUED)*

5.2. Geographic areas

(a) *Net sales by location*

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

31 March	*2021*		*2020*	
In thousands of euros	**Total**	**In % of total**	**Total**	**In % of total**
China	263,642	*17.1%*	197,159	*12.0%*
United States	242,101	*15.7%*	295,786	*18.0%*
Japan	215,273	*14.0%*	231,870	*14.1%*
United Kingdom	154,445	*10.0%*	160,835	*9.8%*
Hong Kong	94,589	*6.2%*	124,822	*7.6%*
France	86,688	*5.6%*	104,148	*6.3%*
Russia	50,966	*3.3%*	58,642	*3.6%*
Taiwan	47,464	*3.1%*	41,074	*2.5%*
Luxembourg	43,633	*2.8%*	70,702	*4.3%*
Brazil	34,452	*2.2%*	57,591	*3.5%*
Other geographic areas	304,592	*19.8%*	301,454	*18.3%*
Net sales	**1,537,845**	***100.0%***	**1,644,083**	***100.0%***

(b) *Non-current assets by location*

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

	Year ended 31 March					
	2021			*2020*		
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	1,685	2,040	270,550	24,809	104,735	292,326
Japan	7,380	23,283	237	11,040	27,097	278
China	5,621	8,267	540	3,443	2,679	479
United Kingdom	6,733	23,691	3,271	9,222	24,449	1,242
Hong Kong	5,369	18,211	–	6,712	22,763	–
France	71,870	111,156	17,216	83,339	118,269	18,646
Luxembourg	980	11,616	22,627	1,545	12,668	27,322
Russia	1,987	13,486	202	2,442	15,536	129
Brazil	9,365	9,362	464	12,393	13,103	543
Taiwan	1,056	2,622	58	1,678	3,309	31
Other geographic areas	18,301	77,537	784	23,882	84,843	581
Total	**130,347**	**301,271**	**315,949**	**180,505**	**429,451**	**341,577**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. INFORMATION RELATING TO GROUP STRUCTURE

6.1. For the year ended 31 March 2021

6.1.1. L'Occitane Inc. Chapter 11 filing

Change in the control of L'Occitane Inc.

On 14 January 2021, the Board of Directors approved the decision to file Chapter 11 proceeding with respect to L'Occitane Inc. The case was filed on 26 January 2021 before the bankruptcy court of New Jersey (the "court"). The aim of proceedings is to facilitate the negotiation of lease arrangements with lessors. The goal is to reach a consensual plan under which general unsecured creditors (mainly lessors) agree to accept payment of less than the full amount of the liabilities. There are no plans to liquidate the subsidiary.

The Group owns 100% of L'Occitane Inc. However, based on the legal restrictions applicable to Chapter 11 proceedings, the operational activities of L'Occitane Inc. are managed through motions that must be validated by the court. Motions granted by the court to L'Occitane Inc. to operate the business can be overturned by the same court. Consequently, the Group no longer controls the relevant activities. The exclusive control of L'Occitane Inc. was lost as soon as bankruptcy proceedings were filed. L'Occitane Inc. must therefore be deconsolidated at the date of filing of the proceedings with the court. When the Chapter 11 proceedings are complete with a final court decision, the Group will gain back exclusive control of L'Occitane Inc. and the entity will be re-consolidated (probably during the fiscal year ended 31 March 2022).

The Group is still involved in the management of L'Occitane Inc. and maintains significant influence over the subsidiary:

- The Group is the sole shareholder of L'Occitane Inc.;
- The marketing strategy is defined at Group level;
- The Group is the owner of the trademark and the exclusive supplier of goods;
- The financing of L'Occitane Inc.'s operations is ensured by the Group;
- L'Occitane Inc. still runs the business, albeit under the court's supervision.

Subsequently to the derecognition of the assets and liabilities of L'Occitane Inc. the Group's investment in L'Occitane Inc. is recorded using the equity method.

6. INFORMATION RELATING TO GROUP STRUCTURE *(CONTINUED)*

6.1. For the year ended 31 March 2021 *(continued)*

6.1.1. L'Occitane Inc. Chapter 11 filing (continued)

Derecognition of the assets and liabilities of L'Occitane Inc.

As at 31 January 2021 (the five days between the date of the filing and the end of month are assessed by management as not significant), the following assets (including goodwill) and liabilities of L'Occitane Inc. were derecognized:

ASSETS *In thousands of Euros*	***31 January 2021***
Property, plant and equipment	16.4
Right-of-use assets	71.4
Goodwill	5.8
Intangible assets	0.2
Deferred income tax assets	13.3
Other non-current assets	0.6
Non-current assets	**107.7**
Inventories	13.7
Trade receivables	6.5
Other current assets	1.1
Cash and cash equivalents	7.7
Current assets	**29.0**
Total assets	**136.7**
Borrowings	–
Lease liabilities	66.5
Other non-current liabilities	0.3
Non-current liabilities	**66.8**
Trade payables	22.5
Salaries and tax liabilities	4.5
Current income tax liabilities	–
Borrowings	19.9
Lease liabilities	17.9
Provisions	–
Other current liabilities	4.0
Current liabilities	**68.8**
Total liabilities	**135.6**
Non controlling interests Airport Venture Limited	1.3
Net assets	**2.4**

Prior to the deconsolidation of the subsidiary, no impairment test or review of the amortisation schedule and the residual value of the non-current assets of L'Occitane Inc. is required.

6. INFORMATION RELATING TO GROUP STRUCTURE *(CONTINUED)*

6.1. For the year ended 31 March 2021 *(continued)*

6.1.1. L'Occitane Inc. Chapter 11 filing (continued)

Fair value of the Group's investment in L'Occitane Inc.

As at 31 January 2021, the Group determined the fair value of L'Occitane Inc. for a nil amount with the assistance of an external advisor. The key underlying hypotheses for the estimation of the fair value of L'Occitane Inc. are as follows:

- The enterprise value was estimated in a range of US$43.3 million–US$48.1 million based on the discounted cash flow (DCF) method (weight of 50%) and the public companies multiples method (weight of 50%);
- For the DCF method, the annual growth rate (CAGR) and the EBIT margin were estimated at respectively 5.6% and 2.5%. The WACC used was 9.5%. The terminal value takes into account a long term growth of 2% in line with the inflation forecast data for the United States;
- For the public companies multiples method, the revenue multiple applicable is estimated in a range of 0.27x–0.32x and the EBIT multiple applicable is estimated in a range of 10.6x–12.8x;
- Net debt was decreased from the enterprise value for an amount of US$45.8 million to take into account the intercompany loan, cash, the normalization of the net working capital and the cash-outs related to the Chapter 11 proceedings (accounts payable to landlords, rejected part of accounts payable to landlords, closing stores termination fees, professional fees).

Gain resulting from the loss of control of L'Occitane Inc.

The gain recorded in the line "Deconsolidation of L'Occitane Inc." in the consolidated statement of income is analysed as follows:

In thousands of euros

Derecognition of the assets and liabilities of L'Occitane Inc. at their carrying amounts	2,727
Recognition of the investment retained in L'Occitane Inc. at its fair value	–
Reclassification to statement of income of the amounts previously recognised in other comprehensive income (currency translation differences)	3,029
Net gain from the deconsolidation of L'Occitane Inc.	**5,756**

The derecognition of the assets and liabilities of L'Occitane Inc. at their carrying amounts also include consolidation entries accounting for a gain of €3,704,000 (mainly the elimination of intercompany margin).

The loss from L'Occitane Inc. from 1 February 2021 to 31 March 2021 is presented within "Share of profit/(losses) from associates and joint ventures accounted for using the equity method" in the consolidated statement of income (see Note 11).

The other impacts of the Chapter 11 filing, including the restructuring costs, are presented within "Restructuring expenses" in the consolidated statement of income (Note 26).

External fees (lawyers, real estate broker, financial advisors) corresponding to the services rendered before the Chapter 11 filing were expensed for an amount of €2,336,000 within "Restructuring expenses" in the consolidated statement of income" (Note 26). External fees corresponding to services rendered after 31 January 2021 are recorded for an amount of €1,025,000 in the share of profit/(loss) from L'Occitane Inc. (Note 11).

6. INFORMATION RELATING TO GROUP STRUCTURE *(CONTINUED)*

6.1. For the year ended 31 March 2021 *(continued)*

6.1.1. L'Occitane Inc. Chapter 11 filing (continued)

Notional purchase price allocation

A notional purchase price allocation was performed where identifiable assets and liabilities of L'Occitane Inc. were measured at fair value as at 31 January 2021.

A purchase price allocation was performed to estimate the fair value of the shares hold by L'Occitane International S.A.. The fair value amounts to a nil amount.

The fair value adjustments are as follows:

- The existing goodwill is not considered as an identifiable asset but directly included as the residual value between the fair value of the Group's investment in L'Occitane Inc. and the fair value of the net assets acquired of L'Occitane Inc.;
- L'Occitane Inc. does not own any trademarks;
- Customer relationships (Sell-In distribution channel): given that there are no long term exclusive distribution agreements,the fair value is deemed to be insignificant;
- For 25 stores closed when L'Occitane Inc. entered Chapter 11, no right-of-use assets are attached to the related leases;
- Right-of-use assets were measured at an amount equal to the recognised liability and adjusted to reflect any unfavourable terms of the lease relative to market terms. This leads to reducing the amount of the right-of-use asset compared to the lease liability for an amount of €10,599,000. This analysis was performed notably based on a range of market rental expenses proposed by a real estate broker;
- The deferred taxes assets were recognised based on the tax planning taking into account the current reorganisation and restructuring of L'Occitane Inc. and based on the Group's transfer pricing policy;
- The lease liability is measured according to IFRS 16 and recognised as if lease contracts were new leases as at 31 January 2021.

6.1.2. 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 "L'Occitane Middle East" that would be owned 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 consideration paid for the 51% amounts to €10,103,000 and the acquisition costs are nil.

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 which requires the equity method for the measurement of the shares.

As at 31 March 2021, the Group share in L'Occitane Middle East profit or loss has been recognised in the consolidated statement of income within "Share of profit/(losses) from joint ventures accounted for using the equity method" for an amount of €(100,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. INFORMATION RELATING TO GROUP STRUCTURE *(CONTINUED)*

6.1. For the year ended 31 March 2021 *(continued)*

6.1.3. Transaction with 86 Café Retail

As at 1 August 2020, the Group acquired 95% of 86 Café Retail from L'Occitane Groupe S.A. (parent company of L'Occitane International) for a total acquisition costs of €10,000, accounted for under IFRS 3. This subsidiary operates the café in the flagship store on the Champs Elysées in Paris.

In millions of euros	**Value as at 1 August 2020**	**Fair value adjustment**	**Provisional fair value**
Net equity acquired	(1.4)	–	(1.4)
Borrowings with L'Occitane International	2.5	–	2.5
Net identifiable assets acquired	1.1	–	1.1
Acquisition price	0.6	–	0.6
Excess of the fair value of acquired net assets over the cost of an acquisition (Note 25)	0.6	–	0.6

A pre-existing relationship via a current account between L'Occitane International and 86 Café Retail for a net amount of €645,000 was taken into account in the acquisition price.

The above badwill was recognised within "Other (losses)/gains, net" (Note 25) in the consolidated statements of income. The new subsidiary generated a loss for the period in an amount of €664,000.

6.1.4. Investment in Capsum

As at 12 January 2021, the Group acquired 27.73% of Capsum for a total acquisition costs of €27,946,593. This entity, is specialised in encapsulation in the cosmetic sector and co-develops and manufactures products with tailor-made formulas for established cosmetic brands.

As the Group has a significant influence in Capsum the investment is accounted for using the equity method.

6.1.5. Transaction with South Africa minority shareholder

As at 8 December 2020, the Group acquired 25% of the interest hold by the minority shareholder in L'Occitane South Africa for a purchase price of €200,000. The Group now owns 100% of the interests in the subsidiary.

6. INFORMATION RELATING TO GROUP STRUCTURE *(CONTINUED)*

6.2. For the year ended 31 March 2020

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

On 11 January 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. During the year ended 31 March 2020, the allocation of the goodwill was 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**

6. INFORMATION RELATING TO GROUP STRUCTURE *(CONTINUED)*

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

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

The fair value adjustment on intangible assets relates 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 amortisation 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 amortised over 10 years.

The tax value of the goodwill, trademark and backlog which are deductible over 15 years amounts to €341 million. No deferred tax is recognised on the goodwill at the date of the acquisition and 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 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).

6.3. Other financial liabilities

The following put options have been granted by the Group to non-controlling interests:

In thousands of euros	***31 March 2020***	**Increase**	**Change in estimates in the valuation of the exercise price**	**Unwinding of discount (note 23)**	***31 March 2021***
Put on L'Occitane GmbH non-controlling interests	4,178	–	–	350	4,528
Put on ELEMIS non-controlling interests	13,800	–	(1,253)	1,596	14,143
Total other financial liabilities	**17,978**	**–**	**(1,253)**	**1,946**	**18,671**

The non-controlling interest of the Austrian subsidiary owns 30% of that 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 €14,143,000.

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 2020*	**Present value of the redemption amount** *31 March 2021*	**Unobservable inputs**	**Range of inputs** *31 March 2020*	**Range of inputs** *31 March 2021*	**Relationship of unobservable inputs to value**
Other financial liabilities — Put on L'Occitane GmbH non-controlling interests	4,178	4,528	Discount rate	8%	8%	Increasing the discount rate by 100 basis points and decreasing the annual EBITDA growth rate by 100 basis points would decrease the fair value by €30,000.
			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 increase the fair value by €354,000.
Other financial liabilities — Put on ELEMIS non-controlling interests	13,800	14,143	Discount rate	11.5%	10.7%	Increasing the post-tax discount rate by 100 basis points and decreasing the EBITDA by 100 basis points would decrease the fair value by €344,000.
			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 €335,000.

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 the plan for the company without the effects of IFRS 16.

7. PROPERTY, PLANT AND EQUIPMENT

7.1. Year ended 31 March 2021

As at 31 March 2021, 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 2020	**3,371**	**59,904**	**65,477**	**118,734**	**164,037**	**50,140**	**8,027**	**469,690**
Additions	–	–	1,909	5,898	7,348	1,620	5,542	22,316
Disposals	–	–	(264)	(7,925)	(9,657)	(3,995)	(502)	(22,343)
Acquisition of subsidiaries	–	–	65	57	2,726	–	–	2,848
Deconsolidation of L'Occitane Inc.	–	–	(506)	(10,285)	(36,479)	(14,092)	(2,348)	(63,710)
Other movements	–	–	1,472	1,322	1,387	422	(5,189)	(586)
Exchange differences	(125)	(735)	(325)	(2,007)	(2,192)	(1,358)	(113)	(6,855)
Cost as of 31 March 2021	**3,246**	**59,169**	**67,828**	**105,793**	**127,170**	**32,737**	**5,417**	**401,360**
Accum. depreciation as of 31 March 2020	**–**	**(24,366)**	**(38,474)**	**(83,190)**	**(109,323)**	**(33,832)**	**–**	**(289,185)**
Depreciation	–	(3,794)	(6,872)	(14,690)	(19,601)	(6,163)	–	(51,120)
Impairment loss	–	–	–	–	(519)	–	–	(519)
Reversal of impairment loss	–	–	–	18	928	–	–	946
Disposals	–	–	205	7,235	8,984	3,712	–	20,135
Acquisition of subsidiaries	–	–	–	(29)	(1,356)	–	–	(1,385)
Deconsolidation of L'Occitane Inc.	–	–	487	6,502	29,835	10,180	–	47,004
Other movements	–	–	(372)	1	105	(5)	–	(272)
Exchange differences	–	31	133	1,309	1,058	852	–	3,383
Accum. depreciat. as of 31 March 2021	**–**	**(28,129)**	**(44,894)**	**(82,845)**	**(89,889)**	**(25,256)**	**–**	**(271,013)**
Net book value as of 31 March 2021	**3,246**	**31,040**	**22,934**	**22,948**	**37,281**	**7,481**	**5,417**	**130,347**

The additions of the period mainly relate to 61 stores openings and refurbishments for €7,348,000.

The disposals of the period mainly relate to 145 store closures.

Excluding non-cash items, total cash additions amount to €22,582,000.

7. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

7.2. Year ended 31 March 2020

As at 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 €55,757,000.

7. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

7.3. Classification of the depreciation of PP&E in the statement of income

Depreciation of the Group's property, plant and equipment has been charged to the consolidated statement of income as follows:

31 March *In thousands of euros*	***2021***	***2020***
Cost of goods sold	11,987	10,633
Distribution expenses	32,656	39,157
Marketing expenses	108	119
Research and development expenses	904	941
General and administrative expenses	5,465	5,656
Depreciation expenses	**51,120**	**56,506**

7.4. Impairment tests of property, plant and equipment

31 March *In thousands of euros*	***2021***	***2020***
Accumulated impairment provision as of the beginning of the year	**(8,235)**	**(9,626)**
Impairment provision	(519)	(491)
Reversal of impairment provision (used)	527	1,854
Reversal of impairment provision (unused)	419	–
Deconsolidation of L'Occitane Inc.	3,943	–
Exchange differences	164	28
Accumulated impairment provision as of 31 March	**(3,701)**	**(8,235)**

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 €519,000 as at 31 March 2021 and €491,000 as at 31 March 2020 has been recorded within "distribution expenses" to adjust the carrying amount of certain fixed assets related to the stores.

The reversal of used impairment provisions corresponds to stores that are closed.

8. LEASES

This note provides information on 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 2020	**357,204**	**56,569**	**15,678**	**429,451**
Additions	85,563	14,612	3,943	104,118
Disposals	(29,781)	2,553	(958)	(28,186)
Depreciation (Note 24.3)	(93,002)	(15,259)	(5,693)	(113,954)
Deconsolidation of L'Occitane Inc.	(60,230)	(8,986)	(2,430)	(71,646)
Impairment loss net of reversals (Note 24.3)	(9,602)	–	–	(9,602)
Exchange differences	(6,881)	(1,674)	(355)	(8,910)
Net book value as at 31 March 2021	**243,271**	**47,815**	**10,185**	**301,271**

During the year ended 31 March 2021, the additions mainly relate to new stores (€9,775,000) and other effects such as the extension or renewal of contracts or new offices (€94,343,000).

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 2021 *In thousands of euros*	Stores	Offices	Other	Total
Distribution expenses	(99,427)	–	–	(99,427)
General and administrative expenses	–	(7,717)	(6,810)	(14,527)
Depreciation expenses	**(99,427)**	**(7,717)**	**(6,810)**	**(113,954)**

Impairment tests for right-of-use assets

Period ended 31 March *In thousands of euros*	***2021***	***2020***
Accumulated impairment as of the beginning of the year	**(5,764)**	**–**
First application of IFRS 16	–	(4,489)
Impairment loss	(10,193)	(4,747)
Reversal of impairment loss (used)	591	3,420
Deconsolidation of L'Occitane Inc.	5,367	–
Other movement	154	–
Exchange differences	53	52
Accumulated impairment provision as of 31 March	**(9,792)**	**(5,764)**

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. Note 4.1 describes the key assumptions used for the value-in-use calculations.

An impairment loss amounting to €10,193,000 as at 31 March 2021 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 provisions corresponds to stores that are closed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. LEASES *(CONTINUED)*

8.2. Lease liabilities

Amounts recognised in the consolidated balance sheet

Maturities of lease liabilities can be analysed as follows:

In thousands of euros	***2021***	***2020***
Within 1 year	78,538	99,206
Between 1 and 2 years	58,599	79,152
Between 2 and 5 years	80,034	132,577
Over 5 years	77,556	110,697
Period ended 31 March	**294,727**	**421,632**

The total cash outflow for leases for the year ended 31 March 2021 was €121,843,000.

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 2021***
Interest expense (included in finance cost)	11,533
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
Total	**90,392**

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 2019	Additions	Exchange differences	31 March 2020	Additions	Other	Deconsolidation of L'Occitane Inc.	Exchange differences	31 March 2021
L'Occitane en Provence[a]										
of which:	*Russia*	29,464	–	(4,079)	25,385	–	–	–	(609)	24,776
	Japan	20,858	–	975	21,833	–	–	–	(1,854)	19,979
	Malaysia	9,764	–	(310)	9,454	–	–	–	(253)	9,201
	Norway	5,191	–	(835)	4,356	–	–	–	660	5,016
	United States	6,021	–	153	6,174	–	–	(5,791)	(383)	–
	Other countries	21,899	–	(736)	21,163	–	–	–	(300)	20,863
ELEMIS[b]		501,831	–	13,079	514,910	–	10,738	–	(1,347)	524,301
LimeLife		118,328	–	3,008	121,336	–	–	–	(7,944)	113,392
Melvita		35,931	–	–	35,931	–	–	–	–	35,931
Erborian		2,384	–	–	2,384	–	–	–	–	2,384
Total cost		**751,671**	**-**	**11,255**	**762,926**	**-**	**10,738**	**(5,791)**	**(12,030)**	**755,843**
Accumulated impairment loss		(1,000)	–	–	(1,000)	–	–	–	–	(1,000)
Total cost		**750,671**	**-**	**11,255**	**761,926**	**-**	**10,738**	**(5,791)**	**(12,030)**	**754,843**

(a) Goodwill related to L'Occitane en Provence relates to past acquisitions of exclusive distributors in the above-mentioned countries.

(b) The goodwill related to ELEMIS was modified to take into account the adjustment of the tax value of the intangible assets that are deductible from the taxable result in the United States. This adjustment resulted in additional deferred tax liabilities for the trademark for an amount of €10,738,000.

9.2. Goodwill impairment testing

The key assumptions and sensibility analysis are disclosed in Note 4.1.

10. INTANGIBLE ASSETS

10.1. Year ended 31 March 2021

Intangible assets include:

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

Changes in intangible assets can be analysed as follows:

In thousands of euros	Websites	Trademarks	Software	Contractual customer relationships	Intangible assets in progress	Other intangible assets	Total
Cost as of 31 March 2020	**9**	**276,216**	**68,746**	**35,272**	**5,935**	**20,523**	**406,701**
Additions	47	–	3,750	–	5,673	883	10,353
Disposals	–	–	(947)	–	(230)	–	(1,177)
Deconsolidation of L'Occitane Inc.	–	–	(854)	–	(219)	(72)	(1,145)
Other movements	–	–	3,121	–	(5,156)	2,091	56
Exchange differences	(0)	(17,061)	(494)	(2,081)	99	31	(19,506)
Cost as of 31 March 2021	**56**	**259,155**	**73,321**	**33,191**	**6,102**	**23,456**	**395,281**
Accumulated amortisation and impairment as of 31 March 2020	**(0)**	**(611)**	**-**	**(51,129)**	**(5,371)**	**(8,013)**	**(65,124)**
Amortisation	(7)	–	–	(10,185)	(3,406)	(2,854)	(16,452)
Disposals	–	–	–	945	–	–	945
Deconsolidation of L'Occitane Inc.	–	–	–	854	–	52	906
Exchange differences	0	–	3	241	191	(42)	393
Accumulated amortisation and impairment as of 31 March 2021	**(7)**	**(611)**	**3**	**(59,274)**	**(8,586)**	**(10,857)**	**(79,332)**
Net book value as of 31 March 2021	**49**	**258,544**	**73,324**	**(26,083)**	**(2,484)**	**12,599**	**315,949**

Additions mainly concerned:

- Assets in progress for €5,673,000 related mainly to software.
- Software for an amount of €3,750,000.

10. INTANGIBLE ASSETS *(CONTINUED)*

10.2. Year ended 31 March 2020

As of 31 March 2020, 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 6.2).*

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

Additions mainly concerned:

- Assets in progress for €5,201,000 related mainly to software.
- Software for an amount of €5,446,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. INTANGIBLE ASSETS *(CONTINUED)*

10.3. Classification of the amortisation of intangible assets in the consolidated statement of income

Amortisation of intangible assets has been charged to the statement of income as follows:

31 March *In thousands of euros*	***2021***	***2020***
Cost of goods sold	13	1,003
Distribution expenses	4,219	3,898
Marketing expenses	496	576
Research and development costs	13	3
General and administrative expenses	11,711	8,714
Amortisation expenses	**16,452**	**14,194**

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*	***2021***	***2020***
Accumulated impairment provision as of the beginning of the year	**(27)**	**(27)**
First-time application of IFRS 16	–	–
Impairment provision	–	–
Reversal of impairment provision	–	–
Exchange differences	–	–
Accumulated impairment provision as of 31 March	**(27)**	**(27)**

11. JOINT VENTURES AND ASSOCIATES

The Group has 51% interest in "L'Occitane Middle East" (joint venture), 100% in L'Occitane Inc. (associate) and 28% in CAPSUM (associate) (Note 6).

11.1. Interests in associates and joint ventures

The amounts disclosed for interests in associates and joint ventures are as follows:

In thousands of euros **Name of entity**	**Place of business**	**% of ownership interest**	**Nature of relationship**	**Measurement method**	**Share of profit/(loss) FY21**	**Carrying amount FY21**
L'Occitane Inc.	USA	100%	Associate	Equity method	(4,036)	15,921
L'Occitane Middle East	Middle East	51%	Joint Venture	Equity method	(100)	9,624
CAPSUM	Europe/USA	28%	Associate	Equity method	–	28,091
Total equity-accounted investments					**(4,136)**	**53,636**

11.2. Summary balance sheet for associates and joint ventures

In thousands of euros **Summarised balance sheet**	**L'Occitane Inc.** ***31 March 2021***	**L'Occitane Middle East** ***31 March 2021***
Cash and cash equivalents	10,953	4,420
Other current assets	18,315	6,032
Total current assets	**29,268**	**10,452**
Total non-current assets	**90,060**	**775**
Financial liabilities	–	–
Other current liabilities	78,774	5,849
Total current liabilities	**78,774**	**5,849**
Total non-current liabilities	**48,974**	**3,974**
Net assets	**(8,420)**	**1,404**

11. JOINT VENTURES AND ASSOCIATES *(CONTINUED)*

11.2. Summary balance sheet for associates and joint ventures *(continued)*

In thousands of euros **Reconciliation of carrying amounts**	**L'Occitane Inc.** ***31 March 2021***	**L'Occitane Middle East** ***31 March 2021***
Net assets	**(8,420)**	**1,404**
Group's share in %	100%	51%
Group's share in thousands of euros	(8,420)	716
Notional goodwill	4,399	8,908
Loan	19,942	–
Carrying amount	**15,921**	**9,624**

The exchange difference arising from the conversion of the associates and joint venture from their functional currency to the Group's presentation currency is recorded in the Group's other comprehensive income: €15,000 for L'Occitane Inc. and €776,000 for L'Occitane Middle East.

The loans granted by the Group to L'Occitane Inc. are considered to be part of the Group's net investment in that subsidiary.

11.3. Summary statement of comprehensive income for associates and joint ventures

31 March 2021 *In thousands of euros*	**L'Occitane Inc.**	**L'Occitane Middle East**
Net sales	16,667	19,518
Cost of sales	(5,308)	(11,702)
Gross profit	**11,359**	**7,816**
Distribution expenses	(9,696)	(1,621)
Marketing expenses	(2,412)	(2,399)
General and administrative expenses	(2,892)	(3,986)
Other gains/(losses), net	(1,429)	–
Other financial interests	(662)	(4)
Income tax expense	1,696	–
Profit/(loss) for the period	**(4,036)**	**(194)**
Other comprehensive income	15	776
Total comprehensive income	**(4,021)**	**582**

11.4. Commitments and contingent liabilities in respect of associates and joint ventures

There are no commitments to provide funding for joint venture and associate capital and no contingent liabilities (contingent liabilities incurred jointly with other investors or liabilities for which the Group is severally liable).

12. INTERESTS IN OTHER ENTITIES

The summary financial information for each subsidiary that has non-controlling interests (NCI) 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 to the Group's strategy.

The amounts disclosed for each subsidiary are before inter-company eliminations.

Summary balance sheet

	31 March 2021		***31 March 2020***	
In thousands of euros	**LimeLife**	**ELEMIS**	**LimeLife**	**ELEMIS**
Current assets	29,466	134,439	28,896	81,656
Current liabilities	31,967	40,027	33,451	26,385
Net current assets	**(2,501)**	**94,412**	**(4,555)**	**55,271**
Non-current assets	118,779	815,089	128,958	831,459
Non-current liabilities	5,394	48,450	3,993	39,514
Net non-current assets	**113,385**	**766,639**	**124,965**	**791,945**
Net assets	**110,884**	**861,051**	**120,410**	**847,216**
% of interests owned by the Group	58.6%	90.9%	59.2%	90.9%
Accumulated non-controlling interests	5,594	73,946	5,798	73,332

Summary statement of comprehensive income

	31 March 2021		***31 March 2020***	
In thousands of euros	**LimeLife**	**ELEMIS**	**LimeLife**	**ELEMIS**
Revenue	101,535	148,447	84,790	165,809
Profit for the year	**(615)**	**30,988**	**(13,643)**	**31,523**
Other comprehensive income/(expense)	(8,595)	(17,413)	3,259	28,784
Total comprehensive income/(expense)	**(9,210)**	**13,575**	**(10,384)**	**60,307**

Other comprehensive income for ELEMIS mainly relates to currency translation adjustments on goodwill, trademarks and intangible assets.

Other comprehensive income for LimeLife mainly relates to currency translation adjustments on goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. INTERESTS IN OTHER ENTITIES *(CONTINUED)*

Summary statement of cash flows

	31 March 2021		31 March 2020	
In thousands of euros	**LimeLife**	**ELEMIS**	**LimeLife**	**ELEMIS**
Cash flows from operating activities	6,224	45,530	(4,360)	33,338
Cash flows from investing activities	(1,532)	(35,046)	(715)	(36,007)
Cash flows from financing activities	(3,339)	(4,467)	917	(517)
Net increase/(decrease) in cash and cash equivalents	**1,353**	**6,017**	**(4,157)**	**(3,185)**

The cash flows from investing activities for ELEMIS relate to cash transferred to L'Occitane International S.A.

13. OTHER NON-CURRENT ASSETS

Other non-current assets can be analysed as follows:

31 March *In thousands of euros*	***2021***	***2020***
Deposits	24,763	29,491
Equity investments at fair value through other comprehensive income (FVOCI)	33,383	28,151
Tax receivables	6,848	4,466
Financial assets	156	846
Other	1,546	2,377
Other non-current assets	**66,696**	**65,331**

Equity investments at fair value through other comprehensive income mainly correspond to the investments in:

- MyGlamm for an amount of €15,880,000. The Group owns 23.4% (31.4% in FY20, €14,480,000) of MyGlamm which operates in the distribution of cosmetic products mainly in India.
- Real estate investment funds for an amount of €9,520,000.

The fair value adjustment as at 31 March 2021 amounting to €(652,000) was recorded in the consolidated statement of comprehensive income.

14. INVENTORIES

Inventories can be analysed as follows:

31 March *In thousands of euros*	***2021***	***2020***
Raw materials and supplies	25,037	28,692
Finished goods and work in progress	189,815	186,936
Inventories, gross	**214,852**	**215,628**
Less, allowance	(15,992)	(11,662)
Inventories	**198,860**	**203,966**

15. TRADE RECEIVABLES

Trade receivables can be analysed as follows:

31 March *In thousands of euros*	***2021***	***2020***
Trade receivables, gross	139,321	134,245
Less, allowance for doubtful accounts	(3,983)	(2,674)
Trade receivables	**135,338**	**131,571**

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*	***2021***	***2020***
Current and past due within 3 months	133,162	130,996
3 to 6 months	2,321	2,327
6 to 12 months	1,746	537
Over 12 months	2,092	385
Trade receivables, gross	**139,321**	**134,245**

Movements in the Group's provision for impairment on trade receivables are as follows:

31 March *In thousands of euros*	***2021***	***2020***
At beginning of the year	(2,674)	(1,453)
Provision for impairment	(3,410)	(1,429)
Reversal of impairment	1,707	173
Reclassification	497	35
Deconsolidation of L'Occitane Inc.	8	–
Exchange differences	(110)	–
At end of the year	**(3,982)**	**(2,674)**

The creation and release of a provision for impaired receivables has been included in distribution expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. TRADE RECEIVABLES *(CONTINUED)*

The ageing of the provision for impaired receivables by due date is as follows:

31 March *In thousands of euros*	***2021***	***2020***
Within 3 months	1,060	1,739
3 to 6 months	849	307
6 to 12 months	714	255
Over 12 months	1,359	373
Impaired receivables	**3,982**	**2,674**

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 2021 and 2020 is as follows:

31 March *In thousands of euros*	***2021***	***2020***
Within 3 months	9,358	10,765
3 to 6 months	1,472	2,020
6 to 12 months	1,032	282
Over 12 months	734	12
Trade receivables past due but not impaired	**12,596**	**13,079**

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.

16. OTHER CURRENT ASSETS

The following table presents details of other current assets:

In thousands of euros	***31 March 2021***	***31 March 2020***
Value added tax receivable and other taxes and social items receivable	16,836	16,285
Prepaid expenses[(a)]	18,907	16,496
Income tax receivable	3,894	4,482
Advance payments to suppliers	10,331	7,611
ELEMIS key managers receivables on shares purchases	–	2,239
Other current assets	2,830	3,452
Total other current assets	**52,798**	**50,565**

(a) 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.

17. DERIVATIVE FINANCIAL INSTRUMENTS

17.1. Analysis of derivative financial instruments

Derivative financial instruments can be analysed as follows:

In thousands of euros	***31 March 2021***		***31 March 2020***	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Foreign exchange derivatives at fair value through profit and loss	72	657	1,024	208
Sub-total derivative financial instruments at fair value through profit and loss	**72**	**657**	**1,024**	**208**
Interest rate derivatives at fair value through other comprehensive income	–	56	(420)	–
Sub-total derivative financial instruments designated as hedging instruments	**–**	**56**	**(420)**	**–**
Current portion of derivative financial instruments	**72**	**713**	**604**	**208**

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.

17.2. 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*	***2021***	***2020***
— within 'foreign currency gains/(losses)' for currency derivatives (Note 28)	(1,401)	1,647
Total change in the fair value of derivatives at fair value through profit and loss: gains/(losses)	**(1,401)**	**1,647**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. DERIVATIVE FINANCIAL INSTRUMENTS *(CONTINUED)*

17.3. Derivatives designated as hedging instruments

The derivatives designated at fair value through other comprehensive income are disclosed in Note 17.1.

17.4. Notional amounts of derivatives

The notional principal amounts of the outstanding forward foreign exchange derivatives are as follows:

31 March *In thousands of euros*	***2021***	***2020***
Sale of currencies		
CNY	23,371	27,614
USD	10,376	1,195
HKD	7,147	4,555
MXN	3,573	2,041
RUB	3,249	2,359
JPY	2,819	16,557
GBP	2,799	2,296
THB	2,681	2,273
AUD	470	1,305
NOK	268	218
PLN	174	221
SEK	111	111
CZK	77	309
ZAR	69	122
HUF	60	175
BRL	–	3,244

18. CASH AND CASH EQUIVALENTS

The following table presents details of cash and cash equivalents:

31 March *In thousands of euros*	***2021***	***2020***
Cash at bank and on hand	419,319	164,955
Cash equivalents	1,897	1,387
Cash and cash equivalents	**421,216**	**166,342**

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:

	2021	***2020***
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:

	2021	***2020***
Cash equivalents in euros (short-term bank deposits)	Euribor/Local market rate	Euribor/Local market rate

19. 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 2021. At the same date, 72.28% of the Company's share capital was held by L'Occitane Groupe S.A., incorporated in Luxembourg ("LOG" or the "parent company"). CIME S.C.A. is the ultimate parent company, incorporated in Luxembourg.

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

19.1. 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 30 March 2020	**1,476,964,891**	**44,309**	**342,851**
At 30 March 2021	**1,476,964,891**	**44,309**	**342,851**

19.2. Treasury shares

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.

As at 31 March 2021, the Company held 10,286,970 shares in treasury and the aggregate price of the purchased shares was deducted from equity as "Treasury shares reserve" for an amount of €16,381,000.

19. CAPITAL AND RESERVES *(CONTINUED)*

19.3. Share-based payment

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

(i) Main characteristics and detail of the plans with LOI instruments

Stock options

The stock option plans can be summarised as follows:

	31 March 2021		*31 March 2020*	
	Average exercise price in HKD per share option	**Number of options**	**Average exercise price in HKD per share option**	**Number of options**
At the beginning of the period	15.94	19,535,672	16.15	24,696,747
Exercised during the period	15.61	(4,945,400)	17.62	(370,250)
Cancelled/lapsed during the period	21.73	(2,077,922)	16.93	(4,790,825)
At the end of the period	**15.94**	**12,512,350**	**15.94**	**19,535,672**

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 periods have the following vesting dates and exercise prices:

			Number of share options	
Grant date	**Vesting date**	**Exercise price**	***31 March 2021***	***31 March 2020***
26 October 2012	26 October 2016	23.60 HKD	–	831,000
28 November 2012	29 November 2016	24.47 HKD	–	672,422
4 December 2013	4 December 2017	17.62 HKD	1,254,250	3,021,750
23 February 2015	23 February 2019	19.22 HKD	238,000	238,000
21 March 2016	21 March 2020	14.36 HKD	1,711,250	3,806,300
02 February 2017	02 February 2021	15.16 HKD	4,337,050	5,888,400
29 March 2018	29 March 2022	14.50 HKD	4,971,800	5,077,800
Total			**12,512,350**	**19,535,672**

19. CAPITAL AND RESERVES *(CONTINUED)*

19.3. 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 2021		*31 March 2020*	
	Average fair value in HKD per free shares	**Number of free shares**	**Average fair value in HKD per free shares**	**Number of free shares**
At the beginning of the period	14.50	3,371,400	14.49	5,941,900
Vested during the period	–	–	14.36	(311,500)
Forfeited during the period	14.50	(11,100)	15.50	(2,259,000)
At the end of the period	**14.50**	**3,360,300**	**14.50**	**3,371,400**

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 2021***	***31 March 2020***
29 March 2018	29 March 2022	–	3,360,300	3,371,400
Total			**3,360,300**	**3,371,400**

(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 share 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 2021		*31 March 2020*	
	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	844,594	6.4	422,297
Vested during the year	6.4	422,297	6.4	422,297
As at 31 March	**6.4**	**1,266,891**	**6.4**	**844,594**

19. CAPITAL AND RESERVES *(CONTINUED)*

19.3. 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 2021***	***31 March 2020***
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 (graded vesting 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 2020 and 31 March 2021, the share-based payment expense recognised within employee benefits was as follows:

In thousands of euros	***2021***	***2020***
LOI equity instruments	2,470	2,243
LOG equity instruments	7,478	1,720
LimeLife instruments	1,207	2,493
Social charges	1,240	512
Total (note 24)	**12,395**	**6,968**

As at 31 March 2021, an amount of €500,000 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 as follows:

In thousands of euros	***2021***	***2020***
LOI equity instruments	2,050	2,458
LOG equity instruments	9,660	1,188
LimeLife instruments	469	1,675
Total	**12,179**	**5,321**

19. CAPITAL AND RESERVES *(CONTINUED)*

19.4. Distributable reserves

On 31 March 2021, the distributable reserves of L'Occitane International S.A. amounted to €758,631,786 (€704,501,388 as at 31 March 2020).

19.5. Dividend per share

On 29 June 2020, the Annual Shareholder's Meeting approved the distribution of €32,618,000 in dividends, namely €0.02228 per share (excluding 15,232,370 treasury shares), which were paid on 23 October 2020.

19.6. Additional paid in capital

Additional paid in capital includes:

- The additional paid in capital recognised in the individual Company 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.

19.7. Currency translation differences

Over the period ended 31 March 2021, currency translation differences are mainly composed of currency translation differences from subsidiaries with a functional currency in USD, RUB and BRL, mainly on goodwill and some non-current assets.

20. BORROWINGS

Borrowings can be analysed as follows:

In thousands of euros	***31 March 2021***	***31 March 2020***
FY2021 Revolving facility	36,814	–
FY2021 PGE Bank borrowing (COVID)	50,203	–
FY2021 Affiliates borrowing (COVID)	996	–
FY2020 NEU CP facility	135,000	105,000
FY2019 Term loan	275,007	275,008
FY2019 Long-term loan	17,598	20,114
FY2015 Revolving facility	–	64,797
FY2012 bank borrowing	4,286	5,000
Other bank borrowings	2,197	5,130
Bank overdraft	13	–
Total	**522,114**	**475,049**
(Deduct) current portion:		
— FY2021 Revolving facility	(36,814)	–
— FY2021 PGE Bank borrowing (COVID)	(50,203)	–
— FY2021 Affiliates borrowing (COVID)	(544)	–
— FY2020 NEU CP facility	(135,000)	(105,000)
— FY2019 Term loan	(275,007)	(8)
— FY2019 Long-term loan	(1,999)	(2,519)
— FY2015 Revolving facility	–	(185)
— FY2012 bank borrowing	(715)	(714)
— Other bank borrowings	(2,197)	(5,130)
— Bank overdraft	(13)	–
Total current portion	**(502,492)**	**(113,556)**
Total non-current portion	**19,622**	**361,493**

20. BORROWINGS *(CONTINUED)*

20.1. Maturity of non-current borrowings

For the years ended 31 March 2021 and 2020, 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
FY2021 Affiliates borrowings (COVID)	–	452	–	452
FY2019 Long-term loan	2,015	6,163	7,421	15,599
FY2012 bank borrowing	714	2,143	714	3,571
Maturity at 31 March 2021	**2,729**	**8,758**	**8,135**	**19,622**
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
Maturity at 31 March 2020	**342,322**	**8,247**	**10,924**	**361,493**

20.2. Credit facility agreements

FY2021 Revolving Credit Facility

On 31 March 2021, and to refinance both the FY2015 Revolving Credit Facility and the FY2021 Revolving Facility (COVID-19), the Company signed an unsecured multi-currency revolving facility agreement for an amount of €600 million with a five-year maturity and an option to extend for two additional years. An amount of €36,808,781 had been drawn as at 31 March 2021.

The FY2021 Revolving Credit Facility includes a repricing option. The interest rates depend on the above-described leverage ratio calculated annually based on the consolidated financial statements.

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 2.5	Euribor/Libor + Margin
Ratio between 2.0 and 2.5	Euribor/Libor + Margin — 0.25
Ratio between 1.5 and 2.0	Euribor/Libor + Margin — 0.45
Ratio between 1.0 and 1.5	Euribor/Libor + Margin — 0.55
Ratio between 0.5 and 1.0	Euribor/Libor + Margin — 0.65
Ratio lower than 0.5	Euribor/Libor + Margin — 0.75

During the year ended 31 March 2021, the interest rate was based on Euribor/Libor + Margin — 0.55.

The margin is increased by 15 bps if the Revolving Credit Facility is drawn in USD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. BORROWINGS *(CONTINUED)*

20.2. Credit facility agreements *(continued)*

FY2021 Revolving Credit Facility (continued)

A bonus of 1 bp can be obtained for each of 4 CSR (corporate social responsibility) KPIs:

— Traceability of plants used in the products;

— Use of renewable electricity;

— Direct Suppliers CSR rating;

— B-Corp certification.

The FY2021 Revolving Credit Facility 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, amortisation and impairment and before net movements in provisions (excluding the impact of IFRS 16)

The leverage ratio must be lower than 2.5 (and can be temporarily extended to 3.0 twice in the event of a business combination). The covenant is respected for the fiscal year ended 31 March 2021.

The directly attributable transaction costs related to the issuance of this FY2021 Revolving Credit Facility Agreement amounted to €2,548,561. As this financing is a term loan, the fees were capitalised as a deferred charge and amortised over the term of the loan.

20. BORROWINGS *(CONTINUED)*

20.2. Credit facility agreements *(continued)*

FY2021 Revolving Facility (COVID-19)

To address the impact of the COVID-19 crisis on its operations, on 31 May 2020, the Company signed a revolving facility agreement for an amount of €203 million with a one-year initial maturity, and an extension option for up to six months (December 2021). No amount was drawn during the fiscal year ended 31 March 2021. The FY2021 Revolving Facility was replaced by the FY2021 Revolving Credit Facility.

The FY2021 Revolving Facility Agreement was not subject to any financial covenant.

The FY2021 Revolving Facility included a repricing option. The interest rate was based on Euribor plus a margin rate due on February, May and November.

The directly attributable transaction costs related to the issuance of this FY2021 Revolving Facility and the six months extension option amounted to €684,000. 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 amortised over the term of the facility.

Due to the reimbursement of the FY2021 Revolving Facility, those remaining deferred charges were fully amortised in the consolidated income statement for the fiscal year ended 31 March 2021.

FY2021 PGE Bank Borrowing (COVID-19)

To address the impact of the COVID-19 crisis impact on its operations, on 12 June 2020, Laboratoire M&L signed a new term loan, 90% guaranteed by the French State ("Prêt Garanti par l'Etat", PGE), for an amount of €50 million with a one-year initial maturity, and an extension option for up to a five years (June 2026). The full amount was drawn as at 31 March 2021.

The FY2021 PGE Bank Borrowing was not subject to any financial covenant.

The FY2021 PGE Bank Borrowing included a repricing option if the extension option was activated.

The interest rates was nil. There was only a 0.50% bullet payment for the cost of the guarantee associated.

The FY2021 PGE Bank borrowing (COVID-19) will be entirely paid back on 16 June 2021 as agreed with the Borrowers, in the FY2021 Revolving Credit Facility refinancing.

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 €300,000,000.

Multiple short-term marketable debt instruments were drawn during the year ended 31 March 2021 for a total amount of €752,000,000, over which €722,000,000 were reimbursed during the year.

As at 31 March 2021, the balance amounts to €135,000,000 for a weighted average rate of -0.18% for initial maturities comprising between 14 and 351 days.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. BORROWINGS *(CONTINUED)*

20.2. Credit facility agreements *(continued)*

FY2019 Term Loan

On 31 January 2019, the Company signed a Term Loan Agreement for an amount of €300,000,000 with a three year maturity related to the ELEMIS acquisition. The outstanding amount as at 31 March 2021 is €275,000,000 (€ 275,000,000 as at 31 March 2020).

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, amortisation 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 2021.

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 March 2021, the interest rate was based on Euribor + Margin — 0.15.

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.

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 repaid quarterly and three repayments were made in September 2020, in December 2020 and in March 2021, for amounts of €493,483, €494,680 and €495,879 respectively. In September 2020, there were also an additional repayment of €491,098 originally due in March 2020 and €492,289 normally due in June 2020, which were postponed due to the Covid-19 crisis.

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.

20. BORROWINGS *(CONTINUED)*

20.2. Credit facility agreements *(continued)*

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. The FY2015 Revolving Facility was replaced by the FY2021 Revolving Credit Facility.

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, amortisation 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 2021.

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 2021, the interest rate was based on Euribor/Libor + Margin — 0.50.

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 was no evidence that some or all the facility would be drawn down, the fees were capitalised as a deferred charge and amortised over the term of the facility.

Due to the reimbursement of the FY2015 Revolving Facility, those remaining deferred charges were fully amortised in the consolidated income statement for the fiscal year ended 31 March 2021.

The FY2015 Revolving Facility was replaced by the FY2021 Revolving Credit Facility.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. BORROWINGS *(CONTINUED)*

20.2. Credit facility agreements *(continued)*

FY2012 bank borrowing

On 20 June 2011, the Group signed a bank borrowing agreement for an amount of €10.0 million with a 15-year maturity. The borrowing can only be drawn by Laboratoires M&L (formerly known as L'Occitane S.A.).

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

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

20.3. Borrowing facilities

The Group has the following undrawn borrowing facilities:

31 March *In thousands of euros*	***2021***	***2020***
Floating rate:		
— Expiring within one year	15,080	302
— Expiring beyond one year	428,192	230,387
Fixed rate:		
— Expiring within one year	–	–
— Expiring beyond one year	–	–
Total	**443,272**	**230,689**

20.4. Changes in borrowing cash flows

The Group recognised the changes arising from cash flows and non-cash changes:

In thousands of euros	***31 March 2020***	**Cash flows** Proceeds	**Repayments**	***31 March 2021***
FY2021 Revolving facility	–	36,821	–	36,821
FY2021 PGE bank borrowing (COVID)	–	50,203	–	50,203
FY2021 Affiliates borrowing (COVID)	–	1,010	–	1,010
FY2020 NEU CP Facility	105,000	135,000	(105,000)	135,000
FY2019 Term loan	275,000	–	–	275,000
FY2019 Long term loan	19,037	–	(2,516)	16,521
FY2015 Revolving facility	64,430	–	(64,803)	(373)
FY2012 bank borrowing	4,286	–	(714)	3,572
Other bank borrowings	5,129	6,715	(9,651)	2,193
Total	**472,882**	**229,749**	**(182,684)**	**519,947**

21. OTHER CURRENT AND NON-CURRENT LIABILITIES

Other current and non-current liabilities include the following:

31 March *In thousands of euros*	***2021***	***2020***
Retirement indemnities	13,146	12,168
Long term employment benefits	976	891
Provisions for dismantling and restoring	7,746	8,377
Grants to a foundation	75	–
Other	1,313	1,477
Total non current liabilities	**23,256**	**22,913**
Grants to a foundation	166	66
Deferred revenue[(a)]	17,083	18,023
Provisions for dismantling and restoring	1,749	486
Right to return goods	1,359	2,034
Total current liabilities	**20,357**	**20,609**

(a) Deferred revenue relates 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.

21. OTHER CURRENT AND NON-CURRENT LIABILITIES *(CONTINUED)*

21.1. 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 "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*	***2021***	***2020***
Present value of unfunded obligations	13,146	12,168
Liability in the balance sheet	**13,146**	**12,168**

Movements in the defined benefit obligation over the year are as follows:

31 March *In thousands of euros*	***2021***	***2020***
Beginning of the year	12,168	11,528
Current service cost	1,279	1,679
Past service cost	1,105	(412)
Interest cost	126	135
Actuarial (gains)/losses	(1,399)	(600)
Exchange differences	16	(107)
Benefits paid	(149)	(55)
End of year	**13,146**	**12,168**

The amounts recognised in the income statement are as follows:

31 March *In thousands of euros*	***2021***	***2020***
Current service cost	1,279	1,679
Past service cost	–	(412)
Interest cost	126	135
Total included in employee benefit expenses (note 24)	**1,405**	**1,402**

21. OTHER CURRENT AND NON-CURRENT LIABILITIES *(CONTINUED)*

21.1. Provision for retirement benefits *(continued)*

Main assumptions

The principal actuarial assumptions used were as follows:

31 March *In %*	***2021***	***2020***
Discount rate	0.70	1.40
Inflation rate	1.70	1.70
Future salary increases	2.50	2.50
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 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 €435,000 in the defined-benefit obligation.

21.2. Provision for dismantling and restoring costs

As at 31 March 2021, 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 2020***	**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 2021***
Provisions recorded over the lease term	3,051	1,194	–	(44)	–	(278)	(79)	3,844
Provisions recorded at inception	5,812	101	–	–	–	–	(262)	5,651
Total	**8,863**	**1,295**	**-**	**(44)**	**-**	**(278)**	**(341)**	**9,495**

22. 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*	***2021***	***2020***
Current and past due within 3 months	156,259	144,761
Past due from 3 to 6 months	1,639	733
Past due from 6 to 12 months	2,555	497
Past due over 12 months	1,205	3
Trade payables	**161,658**	**145,994**

23. PROVISIONS

As at 31 March 2021 provisions can be analysed as follows:

		Charged/(credited) to the statement of income					
In thousands of euros	***31 March 2020***	**Additional provisions**	**Unused amounts reversed**	**Used during the year**	**Deconsolidation of L'Occitane Inc.**	**Exchange differences**	***31 March 2021***
Employee-related disputes[a]	983	324	(97)	(91)	(83)	(74)	962
Commercial claims[b]	188	636	–	(394)	–	41	471
Tax risks	354	9	(4)	(75)	–	(40)	244
Total	**1,525**	**969**	**(101)**	**(560)**	**(83)**	**(73)**	**1,677**

(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.

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.

24. EXPENSES BY NATURE

24.1. Breakdown of expenses by nature

Expenses by nature include the following amounts:

31 March *In thousands of euros*	***2021***	***2020***
Employee benefit expenses[(a)]	371,992	445,466
Rent and occupancy[(b)]	89,229	116,119
Raw materials and consumables used	208,968	194,219
Change in inventories of finished goods and work in progress	(18,495)	10,987
Advertising costs[(c)]	167,182	167,399
Auditor's remuneration[(d)]	1,798	1,712
Professional fees[(e)]	160,115	155,811
Depreciation, amortisation and impairment (note 24.3)	190,701	200,810
Transportation expenses	76,060	68,232
Other expenses	58,309	95,563
Total cost of sales, distribution expenses, marketing expenses, research and development expenses and general and administrative expenses	**1,305,859**	**1,456,318**

(a) Employee benefits include wages, salaries, bonuses, share-based payment, social security, post-employment benefits and temporary staff expenses. Due to the COVID-19 crisis, several subsidiaries received grants or subsidies from local governments for a total amount of €20,991,000 that was recorded as a decrease in employee benefit expenses.

(b) The rent and occupancy amount as at 31 March 2021 mainly includes variable lease payments based on sales for €60,376,000, rent and occupancy costs relating to short-term leases for €5,356,000 and low-value leases for €2,100,000. This amount also includes €10,491,000 of rent concessions recorded as negative variable rents (Note 2.1).

(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 €1,452,000 (€1,380,000 for the financial year ended 31 March 2020) and audit related services for €346,000 (€332,000 for the financial year ended 31 March 2020).

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

24.2. Workforce and employee benefits

Employee benefits include the following amounts:

31 March *In thousands of euros*	***2021***	***2020***
Wages, salaries and bonus	295,106	360,384
Share-based payment (Note 19.3)	12,395	6,968
Social security	62,058	75,600
Post employment benefits (Note 21.1)	1,405	1,402
Other	1,031	1,112
Total employee benefits	**371,995**	**445,466**
Workforce (full time equivalent)	**8,733**	**9,347**

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.

24. EXPENSES BY NATURE *(CONTINUED)*

24.3. Breakdown of depreciation, amortisation and impairment

Depreciation, amortisation and impairment include the following:

In thousands of euros	*31 March 2021*	*31 March 2020*
Depreciation of property, plant and equipment (Note 7.3)	51,120	56,506
Impairment of property, plant and equipment (Note 7.4)	519	491
Impairment reversal of property, plant and equipment (Note 7.4)	(946)	(1,854)
Depreciation of right-of-use assets (Note 8.1)	113,954	130,156
Impairment of right-of-use assets (Note 8.1)	9,602	1,317
Amortisation of intangible assets (Note 10)	16,452	14,194
Depreciation, amortisation and impairment	**190,701**	**200,810**

25. OTHER GAINS/(LOSSES), NET

Other gains/(losses), net are detailed as follows:

31 March *In thousands of euros*	*2021*	*2020*
Profit/(loss) on sale of assets (Note 31.1)	(1,719)	(1,464)
Government grants	1,115	1,252
Excess of the fair value of acquired net assets over the cost of an acquisition	494	–
Other items	(15)	(291)
Other gains/(losses), net	**(125)**	**(503)**

Government grants corresponds to grants on research and development costs and on employee profit-sharing schemes.

26. RESTRUCTURING EXPENSES

The restructuring expenses break down as follows:

31 March *In thousands of euros*	*2021*
Employee termination benefits of the global restructuring plan	(10,907)
Fees in connection with the Chapter 11 case of L'Occitane Inc.	(2,336)
Other gains/(losses), net	**(13,243)**

The employee termination benefits relate to the restructuring plan for approximately 10% of the corporate headcount within L'Occitane subsidiaries.

27. FINANCE INCOME AND FINANCE COSTS

Finance income and finance costs break down as follows:

31 March *In thousands of euros*	***2021***	***2020***
Interest on cash and cash equivalents	2,847	2,614
Finance income	**2,847**	**2,614**
Interest expense	(7,707)	(8,774)
Interest and finance expenses paid/payable for lease liabilities (Note 8.2)	(11,533)	(14,032)
Unwinding of discount on other financial assets (Note 6.3)	(1,946)	(120)
Impairment of financial assets	–	(1,855)
Finance costs	**(21,186)**	**(24,781)**
Finance costs, net	**(18,339)**	**(22,167)**

Interest expense relates to bank borrowings, current accounts with non-controlling interests and related parties (excluding financing from parent) and bank overdrafts.

28. FOREIGN CURRENCY GAINS/(LOSSES)

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

31 March *In thousands of euros*	***2021***	***2020***
Foreign exchange differences	(1,560)	(6,203)
Fair value gains/(losses) on derivatives (Note 17)	(1,401)	1,647
Foreign currency gains/(losses)	**(2,961)**	**(4,556)**

Foreign exchange differences mainly correspond to:

- Unrealised net foreign exchange gains: €2,557,000 (net losses amounting to €5,517,000 for the year ended 31 March 2020);
- Realised net foreign exchange losses: €5,517,000 (net gains amounting to €961,000 for the year ended 31 March 2020).

29. INCOME TAX EXPENSE

29.1. Income tax expense

Income tax expense breaks down as follows:

31 March *In thousands of euros*	***2021***	***2020***
Current income tax	(44,227)	(37,943)
Deferred income tax	2,328	(7,357)
Total tax income expense	**(41,899)**	**(45,300)**

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*	***2021***	***2020***
Profit before tax and share of profit/(loss) from joint ventures accounted for using the equity method	203,071	160,540
Income tax calculated at corporate tax rate *(Luxembourg tax rate of 24.94% as at 31 March 2021 and 2020)*	(50,646)	(40,039)
Effect of different tax rates in foreign countries	19,228	9,965
Changes in tax rates	(79)	(518)
Effect of unrecognized tax assets	(2,819)	(6,428)
Expenses not deductible for taxation purposes	(5,072)	(6,389)
Provision for tax risks	–	(274)
Effect of unremitted tax earnings	(2,509)	(1,520)
Minimum tax payments	(2)	(97)
Income tax expense	**(41,899)**	**(45,300)**

29. INCOME TAX EXPENSE *(CONTINUED)*

29.2. 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 2021 and 2020 break down as follows:

In thousands of euros	*2021*	*2020*
ASSETS		
Intercompany margin in inventory	22,893	23,883
Excess tax basis over carrying amount of PP&E	9,170	13,913
Tax losses carried forward	16,704	18,377
Lease liabilities	6,627	7,840
Employee benefits	5,144	4,323
Promotional goods expensed	2,962	3,337
Inventory valuation	3,406	2,554
Loyalty programmes	2,491	2,219
New tax regulation	265	562
Other temporary differences	5,710	5,093
Total assets	**75,372**	**82,101**
To be recovered after more than 12 months	*35,449*	*43,004*
To be recovered within 12 months	*39,923*	*39,097*
LIABILITIES		
Identified trademarks in business combinations	(40,856)	(31,699)
Goodwill tax amortization	(13,521)	(8,736)
Income tax on unremitted earnings (Note 29.4)	(7,836)	(6,678)
Derivative financial instruments	-	(358)
Other temporary differences	(91)	(130)
Total liabilities	**(62,304)**	**(47,601)**
To be recovered after more than 12 months	*(34,477)*	*(40,565)*
To be recovered within 12 months	*(27,827)*	*(7,036)*
Deferred income tax, net	**13,068**	**34,500**
Deferred income tax assets	*65,854*	*76,521*
Deferred income tax liabilities	*(52,786)*	*(42,021)*

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 2021, the Group had tax losses of €129,426,000 to be carried over, generating a potential deferred income tax asset of €32,344,000. On 31 March 2020, these figures were €129,623,000 and €33,009,000 respectively.

The deferred income tax assets that were not recognised at 31 March 2021, amount to €15,640,000 (€14,632,000 at 31 March 2020).

29. INCOME TAX EXPENSE *(CONTINUED)*

29.3. 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*	***2021***	***2020***
At the beginning of the year	**34,500**	**42,485**
(Charged)/credited to income (Note 29.1)	2,328	(7,357)
(Charged)/credited to equity (Note 29.5)	(171)	(155)
Deconsolidation of L'Occitane Inc.	(13,133)	–
Other[(a)]	(10,738)	–
Exchange differences	282	(473)
At the end of the year	**13,068**	**34,500**

(a) The tax value of the ELEMIS intangible assets that are deductible from the taxable result in the United States were adjusted during the year ended 31 March 2021. This adjustment resulted in additional deferred tax liabilities for the trademark for an amount of €10,738,000. The goodwill related to ELEMIS was accordingly modified to take into account this adjustment.

29.4. 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 €7,836,000 at 31 March 2021 and €6,678,000 at 31 March 2020.

29.5. Income tax on components of other comprehensive income

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	31 March 2021			***31 March 2020***		
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 17)	596	–	596	(7)	–	(7)
Actuarial gains/(losses) on defined-benefit obligation (Note 21.1)	404	(171)	233	600	(155)	445
Currency translation differences	(36,846)	–	(36,846)	5,319	–	5,319
Other comprehensive income	**(35,846)**	**(171)**	**(36,017)**	**5,912**	**(155)**	**5,757**

30. EARNINGS PER SHARE

The Group applies the rules governing earnings per share as described in Note 2.30 above.

30.1. 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 19.2).

31 March	***2021***	***2020***
Profit for the year attributable to equity holders of the Company *(in thousands of euros)*	**154,579**	**116,288**
Weighted average number of ordinary shares in issue[(a)]	1,466,677,921	1,461,732,521
Basic earnings per share *(in € per share)*	**0.105**	**0.080**

(a) Treasury shares are deducted from total shares in issue for the purposes of calculating earnings per share.

30.2. 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.

	2021	***2020***
Profit for the year attributable to equity holders of the Company *(in thousands of euros)*	**154,579**	**116,288**
Weighted average number of ordinary shares in issue[(a)]	1,466,677,921	1,461,732,521
Adjustment for share options	1,167,450	200,170
Adjustment for free shares	2,933,794	2,577,186
Weighted average number of ordinary shares for diluted earnings per share in issue	1,470,779,165	1,464,509,877
Diluted earnings per share *(in € per share)*	**0.105**	**0.079**

(a) Treasury shares are deducted from total shares in issue for the purposes of calculating earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. SUPPLEMENTAL DISCLOSURE ON CASH FLOW INFORMATION

31.1. Proceeds from sale of assets

In the consolidated statement of cash flows, proceeds from the sale of assets comprise the following:

31 March *In thousands of euros*	*2021* **Intangible assets**	**Property, plant and equipment**	**Right-of-use assets**	**Total**	*2020* **Intangible assets**	**Property, plant and equipment**	**Right-of-use assets**	**Total**
Disposals — Cost	1,177	22,343	1,651	25,171	1,629	49,607	2,069	53,305
Disposals — Accumulated depreciation and amortisation	(945)	(20,135)	(250)	(21,330)	(576)	(46,595)	(1,848)	(49,019)
Net book value (Note 7 and 10)	**232**	**2,208**	**1,401**	**3,841**	**1,053**	**3,012**	**221**	**4,286**
Profit/(loss) on sale of assets (Note 25)	(210)	(1,264)	(245)	(1,719)	740	(1,348)	(856)	(1,464)
Proceeds from sale of assets	**22**	**944**	**1,156**	**2,122**	**1,793**	**1,664**	**(635)**	**2,822**

Profit/(loss) on the sale of assets is presented within "Other gains/(losses), net" in the consolidated statement of income (Note 25).

31.2. 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*	***2021***	***2020***
Employee-related disputes	*(23)*	136	35
Commercial claims	*(23)*	242	212
Tax risks	*(23)*	(70)	(1,072)
Dismantling and restoring	*(21.2)*	1,251	1,574
Retirement benefits	*(21.1)*	1,256	1,347
Impairment of financial assets	*(25)*	–	1,855
Other	–	63	(207)
Net movement in provisions		**2,878**	**3,744**

31.3. Other non-cash items

The Group has granted share-based payments as described in Note 19.3.

31. SUPPLEMENTAL DISCLOSURE ON CASH FLOW INFORMATION *(CONTINUED)*

31.4. 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.

31.5. 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.

32. CONTINGENCIES

32.1. 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.

32.2. 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 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. COMMITMENTS

33.1. 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*	***2021***	***2020***
Property, plant and equipment	1,241	2,499
Intangible assets	83	67
Raw materials	2,299	3,940
Total	**3,623**	**6,506**

The amounts as at 31 March 2021 and 31 March 2020 mainly relate to the plants in France.

33.2. Other commitments

31 March *In thousands of euros*	***2021***	***2020***
Pledge over property (land and buildings)	21,884	25,114
Total	**21,884**	**25,114**

Through its incubator L'Occitane Innovation Lab, the Group has committed to invest up to €20,000,000 in an investment fund named Truffle Capital (maturity of 5 years with renewal option of 2 years).

34. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are described below.

34.1. 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 2021 *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	472	1	209	–	–	–	682
Yves Blouin[(b)]	96	15	56	–	–	–	167
Thomas Levilion	382	77	190	–	418	–	1,067
Séan Harrington[(c)]	480	–	681	–	–	–	1,161
Karl Guénard	115	30	53	–	86	–	284
Non-executive director							
Martial Lopez	–	–	–	19	–	–	19
Independent Non-executive directors							
Mark Broadley	–	–	–	50	–	–	50
Pierre Milet	–	–	–	28	–	–	28
Valérie Bernis	–	–	–	28	–	–	28
Jackson Ng	–	–	–	43	–	–	43
Total	**1,545**	**123**	**1,439**	**168**	**504**	**772**	**4,551**

(a) Reinold Geiger is the Chairman and Chief Executive Officer.

(b) Yves Blouin was appointed as an executive director and Group Managing Director on 14 January 2021.

(c) Séan Harrington was appointed as an executive Director on 30 September 2020

34. TRANSACTIONS WITH RELATED PARTIES *(CONTINUED)*

34.1. Key management compensation *(continued)*

Director's emoluments (continued)

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
Silvain Desjonquères[(b)]	469	74	76	–	227	–	846
Thomas Levilion	375	81	68	–	341	–	865
Karl Guénard	112	27	53	–	66	–	258
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**	**634**	**772**	**3,389**

(a) Reinold Geiger is the Chairman and Chief Executive Officer.

(b) Silvain Desjonquères was appointed as an executive director on 26 September 2018 and resigned on 14 January 2021.

There is no defined benefit obligation for directors.

34. TRANSACTIONS WITH RELATED PARTIES *(CONTINUED)*

34.1. Key management compensation *(continued)*

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.

Five highest paid individuals

The five highest paid individuals are as follows:

31 March *In thousands of euros*	***2021***	***2020***
Salaries and other benefits in kind	1,582	1,389
Employer's contribution to a retirement benefit scheme	141	156
Bonus	1,773	474
Directors' fees	–	–
Share-based payment	969	913
Services	773	1,239
Total	**5,238**	**4,171**

Fees for the three directors are included in the 31 March 2021 and 2020 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*	***2021***	***2020***
Nil to €700,000	–	–
€700,000 to €800,000	–	1
€800,000 to €900,000	–	4
€900,000 to €1,000,000	1	–
over €1,000,000	4	–
Total	**5**	**5**

Senior management's emoluments expensed during the year

The emoluments of members of senior management (excluding termination benefits) are as follows:

31 March *In thousands of euros*	***2021***	***2020***
Salaries and other benefits in kind	2,680	3,603
Employer's contribution to a retirement benefit scheme	262	313
Bonus	1,230	886
Directors's fees	–	–
Share-based payment	1,858	1,936
Total	**6,030**	**6,738**

There is no defined benefit obligation for senior management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. TRANSACTIONS WITH RELATED PARTIES *(CONTINUED)*

34.1. Key management compensation *(continued)*

Senior management's emoluments expensed during the year (continued)

The emoluments of members of senior management (excluding termination benefits) are analysed according to the following bands:

31 March *Number of individuals*	***2021***	***2020***
Nil to €200,000	1	–
€200,000 to €300,000	–	1
€300,000 to €400,000	1	–
€400,000 to €500,000	1	5
over €500,000	7	6
Total	**10**	**12**

34.2. Sales of products and services

31 March *In thousands of euros*	***2021***	***2020***
Sales of goods and services		
— Sales of L'Occitane products to Les Minimes[(a)]	34	65
— Sales of L'Occitane products to L'Occitane Middle East	9,619	–
— Sales of L'Occitane products to Capsum	24	–
— Sales of L'Occitane products to L'Occitane Inc.	2,767	–
— Management fees to parent[(b)]	271	244
— Sales of services to LOG Investments	359	307
— Sales of services to Pierre Hermé SAS[(c)]	508	2,195
Total sales of products	**13,582**	**2,811**
Receivable to related parties in connection with the above sales of products		
— Receivables from Les Minimes[(a)]	–	6
— Receivables from LOG Investments	36	26
— Receivables from Pierre Hermé SAS[(c)]	–	494
— Receivables from L'Occitane Middle East	3,283	–
— Receivables from L'Occitane Inc.	2,966	–
— Receivables from LOG	271	–
Total receivables	**6,556**	**526**

(a) *In the normal course of business, the Group sells L'Occitane products to Les Minimes SAS, which is owned by the parent company (74.3%) and by Mr. Reinold Geiger (25.7%).*

(b) *Management fees invoiced by the Company to the parent company amounted to €271,000 (€244,000 for the financial year ended 31 March 2020).*

(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 certain operating expenses to Pierre Hermé SAS.*

34. TRANSACTIONS WITH RELATED PARTIES *(CONTINUED)*

34.3. Purchases of goods and services

31 March *In thousands of euros*	***2021***	***2020***
Purchases		
— Services from Directors[(a)]	4	–
— Services from Les Minimes[(b)]	1	16
— Goods and services from Pierre Hermé[(c)]	1,027	3,546
— Goods from Capsum	4,281	3,546
— Goods from L'Occitane Inc.	422	3,546
Total purchases	**5,735**	**3,562**
Payables to related parties in connection with the above services		
— Services from Les Minimes[(b)]	–	6
— Goods and services from Pierre Hermé[(c)]	156	188
— Goods from L'Occitane Middle East	7	188
— Goods from Capsum	435	188
— Goods from L'Occitane Inc.	311	188
Total payables	**909**	**194**

(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, 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 (74.3%), by Mr. Reinold Geiger (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 pastries from Pierre Hermé SAS for takeaway sales.*

34.4. Borrowings from related parties/loans to related parties

31 March *In thousands of euros*	***2021***	***2020***
Loans to related parties		
— Receivables from 86 Café & Retail[(a)]	–	645
— Receivables from L'Occitane Inc. (Note 6)	19,942	–
Total loans to related parties	**19,942**	**645**

86 Café & Retail is a subsidiary since 1 August 2020. The loan granted by the Group to this company is considered as an intercompany loan.

Transactions with other related parties

L'Occitane International acquired the shares of 86 Café Retail from L'Occitane Groupe S.A. for an amount of €10,000.

34.5. Formation of joint ventures/Acquisition of additional interests in a subsidiary

There were no transactions 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 2021 and 31 March 2020.

34.6. Commitments and contingencies

The Group has not guaranteed any loans to any key management personnel.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. COMPANY LEVEL INFORMATION

35.1. Company balance sheet

ASSETS *In thousands of euros*	***31 March 2021***	***31 March 2020***
Property, plant and equipment	980	1,545
Right-of-use assets	11,616	12,668
Intangible assets	26,585	31,280
Investments in subsidiaries	1,247,047	1,226,516
Other non-current receivables due from subsidiaries	4,090	4,090
Other non-current receivables	9,974	10,484
Non-current assets	**1,300,292**	**1,286,583**
Inventories	19,069	21,455
Trade receivables due from subsidiaries	69,622	86,900
Trade receivables	14,365	13,397
Current income tax assets	–	1,751
Other current assets due from subsidiaries	10,484	175,265
Other current assets	11,427	9,946
Derivative financial instruments	72	604
Cash and cash equivalents	344,338	113,134
Current assets	**469,377**	**422,452**
TOTAL ASSETS	**1,769,669**	**1,709,035**

EQUITY AND LIABILITIES *In thousands of euros*	***31 March 2021***	***31 March 2020***
Share capital	44,309	44,309
Additional paid-in capital	342,851	342,851
Retained earnings	738,881	683,453
Total equity	**1,126,041**	**1,070,613**
Borrowings	–	339,613
Lease liabilities	9,202	10,812
Deferred income tax liabilities	2,094	1,638
Other financial liabilities	18,671	17,978
Other non-current liabilities	–	180
Non-current liabilities	**29,967**	**370,221**
Trade payables due to subsidiaries	83,573	92,569
Trade payables	16,036	19,840
Social and tax liabilities	20,040	4,825
Borrowings	487,466	145,837
Lease liabilities	2,744	2,614
Other current liabilities due to subsidiaries	2,559	2,062
Derivative financial instruments	713	208
Provisions	530	246
Current liabilities	**613,661**	**268,201**
TOTAL EQUITY AND LIABILITIES	**1,769,669**	**1,709,035**

35. COMPANY LEVEL INFORMATION *(CONTINUED)*

35.2. Company statement of changes in equity

In thousands of euros	Share capital	Additional paid-in capital	Retained earnings	Total
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**
1 April 2020	**44,309**	**342,851**	**683,453**	**1,070,613**
Profit for the year	–	–	68,259	68,259
Dividend declared	–	–	(32,618)	(32,618)
Employee share option: value of employee services	–	–	18,171	18,171
Transactions with ELEMIS non-controlling interests	–	–	1,253	1,253
Cash flow hedges fair value gain/(loss), net of tax	–	–	363	363
31 March 2021	**44,309**	**342,851**	**738,881**	**1,126,041**

36. POST BALANCE SHEET EVENTS

The COVID-19 crisis and the corresponding restrictive measures, such as travel bans, partial lockdowns, and store closures in some of the Group’s key markets continue to affect business operations notably in Europe. Given the unpredictability of the future development of COVID-19, the impact on the Group in the fiscal year ended 31 March 2021 is not indicative of the impact on its future financial information. The Group will continue to follow the applicable health and hygiene measures and closely monitor the situation. The estimated financial effects, if any, will be reflected in the Group’s future financial statements.

As at 10 May 2021 the Group acquired securities of Carbios for a total consideration paid of €10,000,000.

On 16 June 2021, the FY2021 PGE bank borrowing was reimbursed for an amount of €50.1 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. LIST OF SUBSIDIARIES AND ASSOCIATES

List of subsidiaries and associates

			% of interest		Method of consolidation	
			31 March		31 March	
Subsidiaries		**City – Country**	***2021***	***2020***	***2021***	***2020***
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.a.r.l.	**	Manosque – France	100.0	100.0	Global	Global
Café Retail 86	*	Paris – France	100.0	–	Global	–
L'Occitane Inc.	*	New York – USA	100.0	100.0	Equity	Global
L'Occitane (Far East) Limited	*	Hong Kong	100.0	100.0	Global	Global
L'Occitane Singapore Pte. Limited	**	Singapore	100.0	100.0	Global	Global
L'Occitane Japon K.K.	***	Tokyo –Japan	100.0	100.0	Global	Global
Melvita Japon K.K.	**	Tokyo –Japan	100.0	100.0	Global	Global
L'Occitane Do Brasil	**	Jundjai – Brazil	100.0	100.0	Global	Global
Espaço Do Banho	**	Sao Paulo – Brazil	100.0	100.0	Global	Global
L'Occitane Ltd.	*	London – UK	100.0	100.0	Global	Global
L'Occitane GmbH	*	Villach – Austria	70.0	70.0	Global	Global
L'Occitane GmbH	*	Dusseldorf – Germany	100.0	100.0	Global	Global
L'Occitane Italia S.r.l.	*	Milan – Italy	100.0	100.0	Global	Global
L'Occitane Australia Pty Ltd	**	Sydney – Australia	100.0	100.0	Global	Global
L'Occitane (Suisse) S.A.	*	Geneva – Switzerland	100.0	100.0	Global	Global
L'Occitane Espana S.L	*	Madrid – Spain	100.0	100.0	Global	Global
L'Occitane Central Europe s.r.o.	*	Prague – Czech Rep.	100.0	100.0	Global	Global
L'Occitane (Taiwan) Limited	**	Taipei – Taiwan	100.0	100.0	Global	Global
L'Occitane Belgium Sprl	*	Antwerpen – Belgium	100.0	100.0	Global	Global
L'Occitane Trading (Shanghai) Co. Limited	**	Shanghai – China	100.0	100.0	Global	Global
L'Occitane (Korea) Limited	**	Seoul – Korea	100.0	100.0	Global	Global
L'Occitane Airport Venture LLC	**	Dallas – USA	65.0	65.0	Global	Global
L'Occitane Mexico S.A. de CV	*	Mexico City – Mexico	99.9	99.9	Global	Global
L'Occitane (China) Limited	**	Hong Kong	100.0	100.0	Global	Global
L'Occitane Macau Limited	**	Macau	100.0	100.0	Global	Global
L'Occitane Rus LLC (Russia)	*	Moscow – Russia	100.0	100.0	Global	Global
Verveina SAS	**	Manosque – France	100.0	100.0	Global	Global
L'Occitane Americas Export & Travel Retail Inc	*	Miami – USA	100.0	100.0	Global	Global
L'Occitane Thailand Ltd.	**	Bangkok – Thailand	100.0	100.0	Global	Global
L'Occitane Ventures (Thailand) Ltd.	**	Bangkok – Thailand	100.0	100.0	Global	Global
L'Occitane Polska Sp.z.o.o	*	Warsaw – Poland	100.0	100.0	Global	Global
L'Occitane Canada Corp	*	Toronto – Canada	100.0	100.0	Global	Global
L'Occitane India Private Limited	**	New Delhi – India	51.0	51.0	Global	Global
L'Occitane Nederland B.V.	*	Amsterdam, The Netherlands	100.0	100.0	Global	Global
L'Occitane Malaysia SDN	**	Kuala Lumpur – Malaysia	100.0	100.0	Global	Global
L'Occitane Ireland Ltd	*	Dublin – Ireland	100.0	100.0	Global	Global
Symbiose Cosmetics France SAS	*	Paris – France	100.0	100.0	Global	Global
Symbiose Cosmetics Korea	*	Seoul – Korea	100.0	100.0	Global	Global
L'Occitane Nordic AB	*	Stockholm – Sweden	100.0	80.0	Global	Global
L'Occitane South Africa	*	Johannesburg – South Africa	100.0	75.0	Global	Global
L'Occitane International GMBH	*	Dusseldorf – Germany	100.0	100.0	Global	Global

37. LIST OF SUBSIDIARIES AND ASSOCIATES *(CONTINUED)*

List of subsidiaries and associates *(continued)*

Subsidiaries		City – Country	% of interest 31 March 2021	% of interest 31 March 2020	Method of consolidation 31 March 2021	Method of consolidation 31 March 2020
L'Occitane Portugal Unipessoal LDA	*	Lisbon – Portugal	100.0	100.0	Global	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	***	São Paulo – Brazil	100.0	100.0	Global	Global
LimeLife Co-Invest Sarl (Lux)	**	Luxembourg–Luxembourg	58.6	59.2	Global	Global
Limelife USA LLC	**	New York – USA	58.6	59.2	Global	Global
LimeLife Canada	**	Toronto – Canada	58.6	59.2	Global	Global
LimeLife Brasil Comercio De Cosmeticos e Produtos De Perfumaria LTDA	**	Sao Paulo – Brazil	58.6	59.2	Global	Global
LimeLife Servicos de Cobranca Ltda	**	Sao Paulo – Brazil	58.6	59.2	Global	Global
LimeLife Gesta de sistema de franquia Eireli	**	Sao Paulo – Brazil	58.6	59.2	Global	Global
LimeLife France SAS	**	Paris – France	58.6	59.2	Global	Global
LimeLife by Alcone UK Ltd	**	London – UK	58.6	59.2	Global	Global
LimeLife Deutschland GMBH	**	Berlin – Germany	58.6	59.2	Global	Global
LimeLife Italia S.P.A.	**	Milan – Italy	58.6	59.2	Global	Global
LimeLife by Alcone Espana S.L.	**	Madrid – Spain	58.6	59.2	Global	Global
Limelife Australia	**	Sydney – Australia	58.6	59.2	Global	Global
Limelife Ireland (branch of UK)	**	Dublin – Ireland	58.6	59.2	Global	Global
Limelife international Sarl	**	Plan les Ouates – Switzerland	–	59.9	–	Global
Limelife Japan	**	Tokyo – Japan	0.6	59.2	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	90.9	Global	Global
ELEMIS Ltd USA	**	Coral Gables – US	90.9	90.9	Global	Global
Elemis SPS LLC	**	Wilmington – US	90.9	90.9	Global	Global
ELEMIS Ltd UK	**	Bristol – UK	90.9	90.9	Global	Global
Elemis Spa Ltd (UK)	**	Bristol – UK	90.9	90.9	Global	Global
Elemis Asia Pacific Limited	**	Hong Kong – China	90.9	90.9	Global	Global
Duolab International SARL	*	Plan les Ouates – Switzerland	100.0	100.0	Global	Global
Duolab UK Limited	**	London – UK	100.0	100.0	Global	Global
Capsum SA	*	Marseille – France	27.7	–	Equity	–
Capsum Inc.	*	Texas – USA	27.7	–	Equity	–
L'Occitane Middle East	*	Dubai – UAE	51.0	–	Equity	–

* *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

37. 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.a.r.l.	**	Manosque – France	1994	EUR 3,097,000	Distribution
L'Occitane Inc.	*	New York – USA	1995	USD 1	Distribution
L'Occitane (Far East) Limited	*	Hong Kong	1992	HKD 8,000,000	Holding & Distribution
L'Occitane Singapore Pte. Limited	**	Singapore	1997	SGD 100,000	Distribution
L'Occitane Japon K.K.	***	Tokyo –Japan	1998	JPY 100,000,000	Distribution
Melvita Japon K.K.	**	Tokyo – Japan	2010	JPY 50,000,000	Distribution
L'Occitane Do Brasil	**	Jundjai – Brazil	1999	BRL 8,700,000	Distribution
Espaço Do Banho	**	Sao Paulo – Brazil	1996	BRL 3,800,000	Distribution
L'Occitane Ltd.	*	London – UK	1996	GBP 1,398,510.75	Distribution
L'Occitane GmbH	*	Villach – Austria	2000	EUR 70,000	Distribution
L'Occitane GmbH	*	Dusseldorf – Germany	2004	EUR 25,000	Distribution
L'Occitane Italia S.r.l.	*	Milan – Italy	2001	EUR 80,000	Distribution
L'Occitane Australia Pty Ltd	**	Sydney – Australia	2000	AUD 5,000,000	Distribution
L'Occitane (Suisse) S.A.	*	Geneva – Switzerland	2002	CHF100,000	Distribution
L'Occitane Espana S.L	*	Madrid – Spain	2003	EUR 6,459,650.10	Distribution
L'Occitane Central Europe s.r.o.	*	Prague – Czech Rep.	2004	CZK 9,361,000	Distribution
L'Occitane (Taiwan) Limited	**	Taipei – Taiwan	2005	TWD 28,500,000	Distribution
L'Occitane Belgium Sprl	*	Antwerpen – Belgium	2005	EUR 20,000	Distribution
L'Occitane Trading (Shanghai) Co. Limited	**	Shanghai – China	2005	USD 1,400,000	Distribution
L'Occitane (Korea) Limited	**	Seoul – Korea	2005	KRW 2,505,000,000	Distribution
L'Occitane Airport Venture LLC	**	Dallas – USA	2006	USD 10,000	Distribution
L'Occitane Mexico S.A. de CV	*	Mexico City – Mexico	2006	MXP 28,250,000	Distribution
L'Occitane (China) Limited	**	Hong Kong	2006	HKD 10,000	Distribution
L'Occitane Macau Limited	**	Macau	2007	MOP 25,000	Distribution
L'Occitane Rus LLC (Russia)	*	Moscow – Russia	2006	RUB 10,000	Distribution
Verveina SAS	**	Manosque – France	2008	EUR 37,000	Dormant
L'Occitane Americas Export & Travel Retail Inc	*	Miami – USA	2008	USD 1,000	Distribution
L'Occitane Thailand Ltd.	**	Bangkok – Thailand	2008	THB 20,000,000	Distribution
L'Occitane Ventures (Thailand) Ltd.	**	Bangkok – Thailand	2012	THB 451,700	Distribution
L'Occitane Polska Sp.z.o.o	*	Warsaw – Poland	2009	PLN 3,754,000	Distribution
L'Occitane Canada Corp	*	Toronto – Canada	2009	CAD 6,000,000	Distribution
L'Occitane India Private Limited	**	New Delhi – India	2009	INR 17,500,000	Distribution
L'Occitane Nederland B.V.	*	Amsterdam, the Netherlands	2010	EUR 200,000	Distribution
L'Occitane Malaysia SDN	**	Kuala Lumpur – Malaysia	2011	MYR 2	Distribution
L'Occitane Ireland Ltd	*	Dublin – Ireland	2012	EUR 100	Distribution
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

37. 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	***	São Paulo – Brazil	2017	BRL 1,000,000	Production
LimeLife Co-Invest Sarl (Lux)	**	Luxembourg – Luxembourg	2018	USD 42,229,729	Holding
Limelife USA LLC	**	New York – USA	2017	USD 5,830,313	Distribution
LimeLife Canada	**	Toronto – Canada	2017	CAD 529,310	Distribution
LimeLife Brasil Comercio De Cosmeticos e Produtos De Perfumaria LTDA	**	Sao Paulo – Brazil	2017	BRL 11,279,388	Distribution
LimeLife Servicos de Cobranca Ltda	**	Sao Paulo – Brazil	2018	BRL 1,000	Distribution
LimeLife Gesta de sistema de franquia Eireli	**	Sao Paulo – Brazil	2018	BRL 111,000	Distribution
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
ELEMIS SPS LLC	**	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
Capsum S.A.	*	Marseille – France	2008	EUR 556,940	Production, Distribution
Caspum Inc.	*	Texas – USA	2015	USD 22,194,186	Production
L'Occitane Middle East	*	Dubaï – UAE	2020	USD 27,000	Distribution

* *Directly held by the Company*

** *Indirectly held by the Company*

*** *Both directly and indirectly held by the Company*

**** *No more directly or indirectly held by the Company*

The main changes in the list of subsidiaries and associates are disclosed in Note 6.

Disclaimer: some information presented in the tables has been rounded to the nearest whole number or the nearest decimal point. 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	***2021***	***2020***	***2019***	***2018***	***2017***
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
Net sales	**1,537,845**	1,644,083	1,426,874	1,319,366	1,323,177
Gross profit	**1,277,134**	1,341,231	1,186,973	1,098,398	1,102,426
Gross profit margin	**83.0%**	81.6%	83.2%	83.3%	83.3%
Operating profit	**220,235**	187,263	150,747	140,987	168,312
Operating profit margin	**14.3%**	11.4%	10.6%	10.7%	12.7%
Profit for the year	**157,036**	115,240	117,569	96,506	132,354
attributable to:					
equity owners of the Company	**154,579**	116,288	118,186	96,313	131,910
non-controlling interests	**2,457**	(1,048)	(617)	193	444
Total assets	**2,496,880**	2,408,359	1,964,011	1,302,489	1,243,362
Total liabilities	**1,218,002**	1,233,024	879,779	363,688	323,017
Equity attributable to the equity owners					
of the Company	**1,200,179**	1,098,480	1,017,768	930,973	919,880
Non-controlling interests	**78,699**	76,855	66,464	7,828	465

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