Groupe L'OCCITANE

L'OCCITANE INTERNATIONAL S.A.

(Incorporated under the laws of Luxembourg with limited liability)

Stock code : 973

FY2022

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

SOL de Janeiro

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

Contents

Corporate Information

Executive Directors

Reinold Geiger
(Chairman)
André Hoffmann
(Vice-Chairman and Chief Executive Officer)
Karl Guénard
(Company Secretary)
Séan Harrington
(Chief Executive Officer of ELEMIS)

Non-Executive Director

Thomas Levilion

Independent Non-Executive Directors

Valérie Bernis
Charles Mark Broadley
Betty Liu
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)*
Valérie Bernis
Jackson Chik Sum Ng

Remuneration Committee

Jackson Chik Sum Ng *(Chairman)*
Charles Mark Broadley
André Hoffmann

Nomination Committee

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

Sustainability Committee

Charles Mark Broadley *(Chairman)*
Valérie Bernis
Thomas Levilion

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

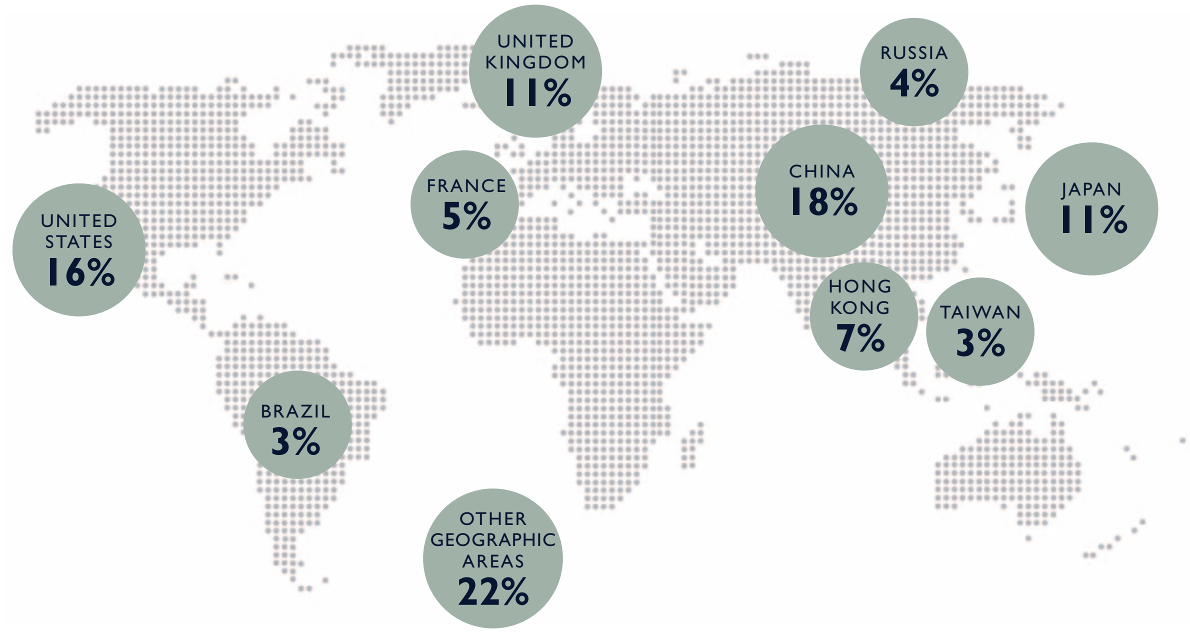
49, Boulevard Prince Henri
L-1724 Luxembourg

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

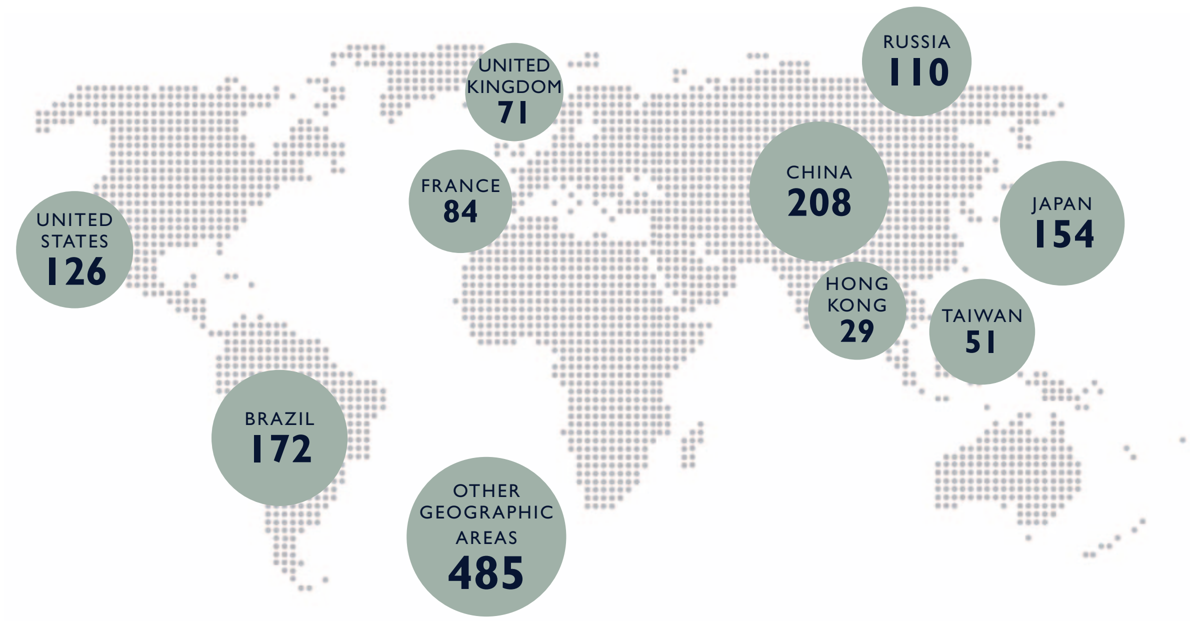
Financial Highlights

OUR ACTIVITY WORLDWIDE



** Net sales (%) by geographic area*

OUR STORES WORLDWIDE



** 3,068 retail locations and*
1,490 stores operated directly by the group

KEY FINANCIAL HIGHLIGHTS

For the year ended 31 March	***2022***	*2021 Restated*
Net sales *(€ million)*	**1,781.4**	1,537.8
Operating profit *(€ million)*	**310.7**	216.8
Profit for the year *(€ million)*	**241.9**	153.6
Gross profit margin	**82.2%**	83.0%
Operating profit margin	**17.4%**	14.1%
Net profit margin	**13.6%**	10.0%
Net operating profit after tax *(€ million)* (NOPAT) (1)	**253.8**	168.0
Capital employed *(€ million)* (2)	**1,975.4**	1,667.2
Return on capital employed (ROCE) (3)	**12.8%**	10.1%
Return on equity (ROE) (4)	**19.1%**	12.7%
Current ratio (times) (5)	**1.1**	0.9
Gearing ratio (6)	**34.0%**	32.8%
Average inventory turnover days (7)	**265**	282
Turnover days of trade receivables (8)	**34**	32
Turnover days of trade payables (9)	**213**	215
Total number of own stores (10)	**1,490**	1,523
Profit attributable to equity owners *(€ million)*	**242.0**	151.2
Basic earnings per share *(€)*	**0.165**	0.103

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 Chairman

Reinold Geiger

27 June 2022

It is my great privilege to announce a record year at L'Occitane, so soon after the challenges thrown up by the global pandemic. We delivered a mid-teens level of sales growth and a 17.4% operating margin, the highest level since our listing. This incredible result and our rosy future prospects provided the Board with the confidence to boost FY2022's dividend payout ratio from 35% to 40%, enabling us to reward our shareholders with a dividend per share that is 78.6% higher than it was in FY2021.

Firmness of purpose and a decisive strategy, together with the unparalleled efforts of my colleagues and global team, contributed to this fantastic outcome. We saw a broad-based improvement in the performance of our core L'OCCITANE en Provence brand, supported by our iconic bestsellers and exciting new products through highly targeted media and marketing investments in our most strategic channels and markets. Our longstanding omni-channel strategy continued to deliver both online and offline as we leveraged a permanent shift in consumer behaviour that has led to a higher online sales mix, one of the contributing factors to our expanded profitability.

Meanwhile, we welcomed the addition of two new brands into our portfolio during the year — Sol de Janeiro and Grown Alchemist — further accelerating our transformation into a global, multi-brand group. With entrepreneurship as one of the Group's core values, I always find it exhilarating and inspiring to discover promising founder-led brands that have unique stories and high-quality products. Already, through a digital-first global expansion strategy, we have reaped the first fruits from growing ELEMIS, expanding its worldwide footprint from its initial legacy markets in the U.K. and the U.S. to over a dozen markets, all the while keeping an impressive level of profitability. Through our partnership with ELEMIS, we have developed a proven playbook for helping our new members, Sol de Janeiro and Grown Alchemist, blossom into international brands and become new sources of profitable growth.

We are proud to be a business that balances purpose and profit. Our sustainability strategy continues to inform our business decisions, anchored by our three priorities of contributing to a carbon net-zero, nature-positive, and fair and inclusive world. Sustainability is now embedded in our management's annual incentive system to ensure we progress in a unified and meaningful manner. We have also made significant strides to achieve B-Corp certification by 2023.

At the same time, we completed a planned management transition. In September 2021, I stepped down as Chief Executive Officer to make way for my business partner and dear friend of more than 26 years, André Hoffmann, whom, I have absolutely no doubt, will continue to lead the Group from strength to strength. Furthermore, as of 30 June 2022, the Group's long-time Chief Financial Officer, Thomas Levilion embarked on his well-deserved retirement, having contributed invaluably to the Group throughout his tenure. On behalf of the Board, I would like to express our sincere gratitude to Thomas and it is my pleasure to welcome Christian-Matthias Klever as our new CFO. I am confident that he will be an equally strong contributor to the Group's future success.

The dream to become a worldwide leader in natural cosmetics has become reality. Despite some pitfalls that remain with the macroeconomic environment, our targeted investments will continue to support the much-improved sales momentum of our core brand, L'OCCITANE en Provence, and accelerate the development of our smaller brands. We expect to surpass the €2 billion sales milestone in the new fiscal year and continue our path to deliver sustainable growth and healthy profitability for you, our shareholders. I thank you for your support.

Strong Global Presence

Charlotte,
North Carolina, United States

Atré Ueno,
Tokyo, Japan

Nuremberg,
Germany

Opéra,
Paris, France
(Erborian)

Harrods,
London, United Kingdom
(ELEMIS)

Lille,
France

ION Orchard,
Singapore

Yorkdale,
Toronto, Canada

Buchanan Street, Glasgow
Scotland, United Kingdom

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

Hankyu Umeda,
Osaka, Japan
(Melvita)

Management Discussion & Analysis

Management Discussion & Analysis

Summary:

	Reported [1] FY2022 € million or %	Management [2] FY2022 € million or %	Management Restated [3] FY2021 € million or %
Net sales	1,781.4	1,810.0	1,550.9
Operating profit	310.7	307.8	228.5
Profit for the year	241.9	n/a	n/a
Gross profit margin	82.2%	82.8%	83.1%
Operating profit margin	17.4%	17.0%	14.7%
Net profit margin	13.6%	n/a	n/a
Net cash inflow from operations [3]	326.0	n/a	n/a

(1) *Reported FY2022 — sales and operating expenses of L'Occitane, Inc. in April to August 2021 were not consolidated but instead treated as associate under the equity method, due to the Chapter 11 proceedings.*

(2) *Management FY2022 — assuming L'Occitane, Inc. remained part of the Group and its results in April to August 2021 were consolidated into the Group's results, and the net effects of deconsolidation and reconsolidation were then removed. One-off items — impairment for 86 Champs café and change in valuation and share of loss of Good Glamm Group were also excluded for proper comparison. The management believes that this management version provides a truer view of the operational performance in FY2022 and is thus more comparable to the management operating profit in FY2021.*

(3) *Management Restated 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, and the net effects of deconsolidation and reconsolidation were then removed. Restructuring expenses and share of loss of Good Glamm Group were also excluded. The management believes that this management version provides a truer view of the operational performance in FY2021.*

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 €1,781.4 million in FY2022, representing an increase of 15.8% at reported rates as compared to FY2021.

Note that during the period from February 2021 to August 2021, L'Occitane, Inc., a subsidiary of the Group in the US, was under Chapter 11 proceedings of the US Bankruptcy Code. In accordance with IFRS, its results during that period were deconsolidated. However, for proper comparison, its sales during the Chapter 11 proceedings from February 2021 to March 2021 totaling €13.0 million in FY2021, and from April 2021 to August 2021, totaling €28.6 million in FY2022, 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 €1,810.0 million in FY2022, representing a growth of 16.7% at reported rates, 14.6% at constant rates or 13.0% on a like-for-like basis (excluding Sol de Janeiro's sales from January to March 2022).

In FY2022, the business environment continued to improve as countries in Europe and the Americas began to lift the COVID-19 related restrictive measures. Retail channels saw a strong rebound in footfall while online channels remained dynamic. Travel retail, spas and cruise ship businesses also benefited from the comeback of local and international travelers. However, towards the end of FY2022, the macroeconomic conditions turned challenging, with a resurgence in COVID-19 outbreaks in many key markets and the geo-political situation in Ukraine and Russia.

China, US, UK and Hong Kong were the key contributors to the Overall Growth in FY2022, with growth rates of 16.8%, 13.5%, 21.4% and 24.0% respectively. Other geographic areas together posted a growth of 16.1%.

The Company's total number of retail locations decreased from 3,088 as at 31 March 2021 to 3,068 as at 31 March 2022, a decrease of 20 or 0.6%. The number of own retail stores decreased from 1,523 as at 31 March 2021 to 1,490 as at 31 March 2022, representing a net decrease of 33 or 2.2%. The Company further closed underperforming stores during FY2022, including 21 shops in the US. At the end of March 2022, the breakdown of the 1,523 own stores by brand and change over last year were as follows: L'Occitane en Provence (1,354; -35), L'Occitane au Brésil (65; +1), Melvita (39; -11), Erborian (14; -1) and ELEMIS (18; +13). The number of non-own stores increased by 13 or 0.8%.

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 in FY2021 and in April to August 2021 in FY2022:

	FY2022		FY2021		Growth at reported rates	Growth at constant rates
	€ '000	*%*	*€ '000*	*%*	*%*	*%*
L'Occitane en Provence	1,389,174	76.8	1,207,549	77.9	15.0	13.2
ELEMIS	226,317	12.5	158,910	10.2	42.4	37.4
LimeLife	70,733	3.9	102,155	6.6	(30.8)	(31.3)
Sol de Janeiro	26,081	1.4	–	–	n/a	n/a
Others [1]	97,679	5.4	82,269	5.3	18.7	19.0
Total [2]	**1,809,984**	**100.0**	**1,550,883**	**100.0**	**16.7**	**14.6**

(1) *Others include the brands Melvita, Erborian, and L'Occitane au Brésil.*
(2) *Excluding Sol de Janeiro which was consolidated since 1 January 2022, the like-for-like sales growth in FY2022 was 13.0%.*

L'OCCITANE en Provence accounted for 76.8% of the Group's total sales. Sales momentum of the brand rebounded strongly in Europe and the Americas following the removal of restrictive measures related to COVID-19. Retail business contributed most to overall growth as stores reopened and footfall normalised. Yet online channels continued to grow in FY2022 despite comparing with an exceptional FY2021. Travel retail saw significant improvement, particularly in Asia. China, Hong Kong, the US and other geographic areas were the key contributors to the brand's overall growth in FY2022.

ELEMIS accounted for 12.5% of the Group's total sales in FY2022, an increase of 2.3 points as compared to FY2021. ELEMIS posted an exceptional growth of 37.4% at constant rates. The spa wholesale and cruise ship businesses rebounded strongly as travel restrictions loosened. Online channels continued to grow, thanks to the successful omni-channel business model and strengthened collaborations with digital partners. The US contributed most to the brand's overall growth in FY2022, followed by the UK and China. ELEMIS has 18 own retail stores in our key strategic markets.

The Group began to consolidate Sol de Janeiro in January 2022 and it contributed €26.1 million, or 11.0% to overall growth in FY2022. In local currency, Sol de Janeiro delivered 46.7% growth in the fourth quarter of FY2022.

LimeLife posted a sales decline of 31.3% at constant rates in FY2022, after a successful FY2021. In addition to the high base last year, the brand faced difficulties in recruiting and retaining beauty guides as the US economy returned to normal and employment conditions improved.

The other brands together finished FY2022 with 19.0% growth at constant rates, with key contributions from the continuous success of Erborian and the strong rebound of L'OCCITANE au Brésil. Both retail and wholesale channels benefited from the removal of restrictive measures.

Performance by Geographic Area

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

	FY2022		FY2021		Growth at reported rates	Growth at constant rates	Contribution to Overall Growth at constant rates
	€ '000	*%*	*€ '000*	*%*	*%*	*%*	*%*
Japan	206,034	11.4	215,273	13.9	(4.3)	0.4	0.4
Hong Kong [(1)]	118,884	6.6	94,589	6.1	25.7	24.0	10.0
China	327,994	18.1	263,642	17.0	24.4	16.8	19.4
Taiwan	51,530	2.8	47,464	3.1	8.6	2 .8	0.6
France	96,011	5.3	86,688	5.6	10.8	10.8	4.1
United Kingdom	197,461	10.9	154,444	10.0	27.9	21.4	14.6
United States [(3)]	296,816	16.4	258,552	16.6	14.8	13.5	15.3
Brazil	48,261	2.7	34,453	2.2	40.1	37.0	5.6
Russia	62,586	3.5	50,966	3.3	22.8	24.8	5.6
Other geographic areas [(2)]	404,407	22.3	344,812	22.2	17.3	16.1	24.4
Total	**1,809,984**	**100.0**	**1,550,883**	**100.0**	**16.7**	**14.6**	**100.0**

(1) *Includes sales in Macau and to distributors and travel retail customers in Asia.*
(2) *Includes sales from Luxembourg.*
(3) *Includes sales during the Chapter 11 proceedings from April 2021 to August 2021, totaling €28.6 million in FY2022 and from February 2021 to March 2021, totaling €13.0 million in FY2021, for proper comparison.*

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 FY2022 compared to the same period last year:

	Own Retail Stores				% contribution to Overall Growth [1] [2]			
	31 March 2022	Net openings YTD 31 March 2022	31 March 2021	Net openings YTD 31 March 2021	Non-comparable Stores	Comparable Stores	Total Stores	Same Store Sales Growth
Japan [3]	154	(3)	157	(6)	0.0	0.5	0.6	0.7
Hong Kong [4]	29	(4)	33	(2)	(0.4)	(0.1)	(0.5)	(1.2)
China	208	10	198	(5)	(1.9)	3.5	1.5	6.1
Taiwan	51	(2)	53	(2)	(0.6)	0.6	0.0	4.0
France [5]	84	(1)	85	(2)	1.5	(0.2)	1.2	(1.3)
United Kingdom [6]	71	1	70	(2)	1.3	2.4	3.7	8.7
United States	126	(21)	147	(25)	(1.3)	11.1	9.8	25.0
Brazil [7]	172	(4)	176	(23)	1.5	2.6	4.1	23.6
Russia [8]	110	(2)	112	–	0.3	2.4	2.7	17.1
Other geographic areas [9]	485	(7)	492	(18)	1.5	6.4	7.9	8.0
Total [10]	**1,490**	**(33)**	**1,523**	**(85)**	**1.9**	**29.2**	**31.1**	**8.3**

(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 31 Melvita stores as at 31 March 2021 and 26 Melvita and 2 ELEMIS stores as at 31 March 2022.*
(4) *Includes 2 L'Occitane stores in Macau and 8 Melvita and 3 ELEMIS stores in Hong Kong as at 31 March 2021, and 2 L'Occitane stores in Macau and 4 Melvita and 3 ELEMIS stores in Hong Kong as at 31 March 2022.*
(5) *Includes 5 Melvita and 2 Erborian stores as at 31 March 2021 and 4 Melvita and 2 Erborian stores as at 31 March 2022.*
(6) *Includes 1 ELEMIS store as at 31 March 2022.*
(7) *Includes 64 and 65 L'Occitane au Brésil stores as at 31 March 2021 and 31 March 2022 respectively.*
(8) *Includes 11 Erborian stores as at 31 March 2021 and 11 Erborian and 1 ELEMIS stores as at 31 March 2022.*
(9) *Include 6 Melvita, 2 ELEMIS and 2 Erborian stores as at 31 March 2021 and 5 Melvita, 9 ELEMIS and 1 Erborian stores as at 31 March 2022.*
(10) *Include 50 Melvita, 64 L'Occitane au Brésil, 5 ELEMIS and 15 Erborian stores as at 31 March 2021 and 39 Melvita, 65 L'Occitane au Brésil, 18 ELEMIS and 14 Erborian stores as at 31 March 2022.*

Japan

Japan's net sales for FY2022 were €206.0 million, a decrease of 4.3% as compared to FY2021. At constant exchange rates, the growth was 0.4%. Retail traffic rebounded strongly in the first quarter of FY2022, but turned sluggish afterwards when restrictive measures and states of emergency orders were implemented. L'Occitane en Provence posted a low single-digit growth in FY2022, mainly contributed by an increase in retail sales. Melvita saw a low single-digit decline, due partly to low traffic and partly to trading with fewer stores. A net of 3 stores were closed during FY2022, comprising a closure of 5 Melvita stores and an opening of 2 ELEMIS stores.

Hong Kong

Hong Kong's net sales for FY2022 were €118.9 million, an increase of 25.7% as compared to FY2021. At constant exchange rates, the growth was 24.0%. The strong growth was mainly contributed by travel retail sales to clients in the Greater China region as well as the development of web partners business in Hong Kong. Travel retail sales in FY2022 posted a mid-teens growth as compared to FY2020 (i.e. pre-COVID-19 two years ago). Meanwhile, in Hong Kong's domestic retail market, footfall in shopping malls improved significantly as COVID-19 cases remained low in the first three quarters of FY2022. However, the resurgence of COVID-19 in the fourth quarter of FY2022 prompted new rounds of restrictive measures, which caused traffic to vanish almost entirely. Retail sales in Hong Kong ended FY2022 with a low single-digit decline.

Management Discussion & Analysis

China

China's net sales for FY2022 were €328.0 million, an increase of 24.4% as compared to FY2021. At constant exchange rates, the growth was 16.8%, contributing most to the Group's Overall Growth. Online channels were particularly dynamic and ended the year with double-digit growth. L'Occitane en Provence recorded growth in all channels with strong contribution from web partners and marketplace. In addition to rolling out with an exclusive wholesale chain partner as planned, ELEMIS opened two own stores in prestigious malls in Shanghai and Nanjing during the year. Overall sales momentum remained strong throughout the year until lockdowns and restrictive measures were taken by the government in major cities in March 2022, which impacted retail footfall and hampered product deliveries.

Taiwan

Taiwan's net sales for FY2022 were €51.5 million, an increase of 8.6% at reported rates. At constant exchange rates, the growth was 2.8%. Despite facing sporadic semi-lockdowns, sales momentum continued from a strong FY2021 which grew 15.5% at constant exchange rates. Retail traffic was sluggish, yet the decrease in sales was compensated by the dynamic growth in web partners and own e-commerce.

France

France's net sales for FY2022 were €96.0 million, an increase of 10.8% as compared to FY2021. Sales rebounded from a low base in FY2021 which was impacted by COVID-19 measures. L'Occitane en Provence posted high single-digit growth in FY2022, mainly benefited from the reopening of retail shops. Erborian accelerated its growth to mid-double-digit, with major contribution from wholesale channels.

United Kingdom

The United Kingdom's net sales for FY2022 were €197.5 million, an increase of 27.9% as compared to FY2021. At constant exchange rates, the growth was 21.4%. ELEMIS saw accelerated growth upon the removal of restrictive measures in FY2022, with strong recovery in spa wholesale and continued development in web partnerships. Retail sales of L'Occitane en Provence rebounded sharply during the year, while online channels normalised.

United States

The United States' net sales for FY2022 were €296.8 million, an increase of 14.8% as compared to FY2021. At constant exchange rates, the increase was 13.5%. In accordance with IFRS requirements, the sales during the Chapter 11 proceedings from April to August 2021 were not consolidated, reducing the reported net sales for FY2022 to €254.8 million. Both L'Occitane en Provence and ELEMIS benefited from the removal of restrictive measures. Retail sales of L'Occitane en Provence rebounded strongly, while online channels normalised. ELEMIS posted encouraging growth in all channels, with major contribution from wholesale and cruise ship businesses. LimeLife, on the other hand, was impacted negatively by the reopening of the economy. It became more difficult to recruit and retain beauty guides as the job market resumed to normal. Lastly, Sol de Janeiro joined the Group in January 2022 and contributed €26.1 million to the country's sales.

Brazil

Brazil's net sales for FY2022 were €48.3 million, an increase of 40.1% as compared to FY2021. At constant exchange rates, the increase was 37.0%. Both L'Occitane en Provence and L'Occitane au Brésil rebounded strongly in retail channels, which were hampered by the restrictive measures in FY2021. Compared to FY2020 (i.e. pre-COVID-19 two years ago), net sales grew 15.3% in local currency.

Russia

Russia's net sales for FY2022 were €62.6 million, an increase of 22.8% as compared to FY2021. At constant exchange rates, it achieved growth of 24.8%, with contribution from all brands. Both L'Occitane en Provence and Erborian posted double-digit growth, due mainly to reopening of retail shops. ELEMIS posted mid double-digit growth, with rapid expansion in online and wholesale channels. Since the Ukraine-Russia conflict broke out in the fourth quarter of FY2022, the Group suspended investments and expansion plans, and subsequently suspended operations of its own retail stores and own e-commerce.

Other geographic areas

Other geographic areas' net sales for FY2022 were €404.4 million, an increase of 16.1% at constant exchange rates. Countries with strong positive contribution were Korea, Mexico, Spain and Canada. Travel retail and distribution sales in Europe and the Americas also rebounded strongly.

Management Discussion & Analysis

PROFITABILITY ANALYSIS

Cost of Sales and Gross Profit

The reported cost of sales increased by 22.0%, or €57.2 million, to €317.9 million in FY2022. The gross profit margin decreased 0.8 points to 82.2% as compared to FY2021. The decrease is attributable to the following factors:

- deconsolidation of US subsidiary during the Chapter 11 proceedings for 0.6 points;
- unfavourable channel mix from higher sell-in proportion and unfavourable brand mix from ELEMIS and Sol de Janeiro, which have more sell-in businesses, for a total of 0.5 points; and
- higher freight and duties for 0.4 points, partly due to inventory rebuild and partly due to higher shipping costs.

The decrease in gross profit margin was partly offset by:

- improvement in production efficiency from higher volumes which led to lower average fixed costs absorption for 0.6 points; and
- price increase for 0.1 points.

Distribution Expenses

The reported distribution expenses increased by 4.8%, or €32.2 million, to €698.4 million in FY2022. As a percentage to net sales, distribution expenses decreased by 4.1 points to 39.2%. This improvement is attributable to a combination of:

- higher leverage from retail and other brick-and-mortar channels for 5.3 points;
- favourable brand and channel mix, mainly from the lower share of LimeLife in overall sales, as LimeLife has a high ratio of distribution expenses for 0.9 points;
- more efficient retail network as a result of the network rationalisation for 0.6 points; and
- positive effect from US deconsolidation for 0.4 points.

This improvement was partly offset by:

- one-off COVID subsidies from governments and rent concessions last year for 2.1 points;
- one-off impairment on 86 Champs café for 0.9 points; and
- increase in warehousing offset by various other gains for 0.1 points.

Marketing Expenses

The reported marketing expenses increased by 31.4%, or €67.1 million, to €280.8 million in FY2022. As a percentage of net sales, marketing expenses increased by 1.9 points to 15.8%. The increase is attributable to:

- strategic investments in the Osmanthus fragrance line and hair care category in China through live streaming, social media, celebrity campaigns and video production for 0.9 points;
- re-investment in L'Occitane en Provence (other than China) and acceleration plan of Erborian for 0.5 points;
- brand mix for 0.5 points, mainly driven by ELEMIS which has a higher marketing ratio;
- ELEMIS's re-investment after drastic cuts during COVID-19 last year and investments in new markets in Asia for 0.4 points;
- FX, staff, COVID-19 subsidies last year and others for 0.2 points; and
- initial inclusion of Sol de Janeiro for 0.2 points.

This increase was partly offset by higher sales leverage for 0.8 points.

Research & Development Expenses

The reported research and development ("**R&D**") expenses increased by 8.8%, or €1.5 million, to €18.9 million in FY2022. As a percentage to net sales, R&D expenses remained the same at 1.1%.

Management Discussion & Analysis

General and Administrative Expenses

The reported general and administrative expenses increased by 17.0%, or €25.2 million, to €173.0 million in FY2022. As a percentage of net sales, general and administrative expenses increased by 0.1 points to 9.7%. The increase is attributable to:

- one-off COVID-19 grants and furloughs from governments last year for 0.4 points;
- increase in long-term incentive and bonus provisions for 0.3 points corresponding to the strong financial achievements this year as compared to bonus cuts under the uncertain COVID-19 environment last year;
- one-off items, mostly Sol de Janeiro's acquisition costs, for 0.2 points;
- IT investment, FX and others for 0.2 points; and
- various restructuring projects for 0.2 points.

The deterioration was mostly offset by higher sales leverage for 1.2 points.

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

Details of the €13.6 million net losses from associates and joint ventures accounted for using the equity method in FY2022 are shown below:

- loss of €8.9 million incurred by L'Occitane, Inc. during the deconsolidation between April and August 2021
- loss of €5.0 million by Good Glamm Group (previously known as MyGlamm)
- loss of €0.4 million by CAPSUM and partly offset by gain of €0.7 million by L'Occitane Middle East

OTHER OPERATING INCOMES

Details of the €39.1 million other operating incomes in FY2022 are shown below:

- capital gain of €25.1 million from an increase in valuation of the investment in Good Glamm Group which is now accounted as an associate using the equity method
- gain from the reconsolidation of L'Occitane, Inc. for €12.9 million
- government grants on R&D for €1.0 million
- others for €0.1 million

OTHER OPERATING LOSSES

Details of the €7.1 million other operating losses in FY2022 are shown below:

- share of €4.9 million calculated losses arising from dilution of shareholding percentage in Good Glamm Group
- restructuring costs of €1.5 million, mainly relating to Chapter 11 proceedings
- loss on sale of assets for €0.6 million
- other items for €0.1 million

OPERATING PROFIT

Reported operating profit increased by 43.3%, or €93.9 million, to €310.7 million. The reported operating profit margin improved by 3.3 points of net sales to 17.4%. The outstanding result is explained by the factors below:

- leverage of fixed costs and channel distribution costs primarily from retail on higher sales for 7.4 points;
- increase in valuation of the investment in Good Glamm Group for 1.1 points; and
- restructuring costs last year and effects of Chapter 11 proceedings for 0.6 points.

The improvement was partly offset by the following:

- COVID-19 subsidies received from government last year for 2.5 points;
- increase in L'Occitane en Provence's marketing investment in China and other key countries and ELEMIS's investments for 1.7 points;
- one-off impairment for 86 Champs café for 0.9 points;
- higher incentive as a result of outstanding profits for 0.3 points; and
- higher warehousing and related costs, rounding and other factors for 0.4 points.

The following table presents the Group's management operating profit and the reconciliation to reported operating profit for FY2022 and FY2021.

	FY2022		FY2021	
	€ M	*% to sales*	*€ M*	*% to sales*
Reported Net sales	**1,781.4**		**1,537.8**	
Net Sales	**1,810.0**		**1,550.9**	
Cost of sales	(311.6)	-17.2%	(261.6)	-16.9%
Gross profit	**1,498.4**	**82.8%**	**1,289.3**	**83.1%**
Distribution expenses	(702.9)	-38.8%	(675.7)	-43.6%
Marketing expenses	(286.1)	-15.8%	(216.2)	-13.9%
Research & development expenses	(18.9)	-1.0%	(17.4)	-1.1%
General and administrative expenses	(182.9)	-10.1%	(151.0)	-9.7%
Share of profit/(losses) from joint venture accounted for using the equity method	0.3	0.0%	(0.1)	0.0%
Other operating income/(loss)	(0.0)	0.0%	(0.4)	0.0%
Management operating profit (1)	**307.8**	**17.0%**	**228.5**	**14.7%**
Chapter 11: net effects of deconsolidation/reconsolidation	3.3		8.6	
Restructuring expenses	–		(16.9)	
Good Glamm Group's valuation and share of profit/(losses)	15.1		(3.4)	
Impairment of 86 Champs café	(15.5)		–	
Reported operating profit	**310.7**	**17.4%**	**216.8**	**14.1%**

(1) *Management operating profit FY2022 — assuming L'Occitane, Inc. remained part of the Group and its results in April to August 2021 were consolidated into the Group's results, and the net effects of deconsolidation and reconsolidation were then removed. One-off items — impairment for 86 Champs café and Good Glamm Group's change in valuation are also excluded for proper comparison. The management believes that this management version provides a truer view of the operational performance in FY2022 and is thus more comparable to the management operating profit in FY2021.*
Management operating profit 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, and the net effects of deconsolidation and reconsolidation were then removed. Restructuring expenses were also excluded. The management believes that this management version provides a truer view of the operational performance in FY2021.

Management Discussion & Analysis

Finance Costs, Net

Net finance costs were €14.5 million in FY2022, which consisted of interest incomes on cash and cash equivalents of €1.9 million and the following expense items:

- IFRS 16 lease liabilities related interests and finance expenses of €8.9 million;
- Interest expenses related to bank borrowings, revolving facilities and external financing of €3.6 million; and
- unwinding discount on certain financial liabilities and amortisation of related fees with a total of €3.9 million.

As compared to FY2021, net finance costs decreased by €3.8 million, which was explained by lower net interest expenses, lower IFRS 16 related interest expenses and partly offset by higher other finance expenses.

Foreign Currency Gains/Losses

Net foreign currency losses amounted to €0.3 million in FY2022 (FY2021: net losses of €3.0 million) and were comprised of €0.1 million realised gains, €0.1 million unrealised losses and €0.3 million losses related to IFRS 16.

Income tax Expense

The effective tax rate decreased from 21.4% in FY2021 to 18.2% in FY2022, a decrease of 3.2 points. The decrease is due primarily to the following favourable factors:

- favourable country mix effect for 2.4 points;
- beneficial impact on deferred tax assets as a result of higher inventory for 1.6 points; and
- favourable changes in tax rates, essentially in France for 0.3 points.

And partly offset by unfavourable one-off effects for a net 1.1 points.

PROFIT FOR THE YEAR

For the aforementioned reasons, net profit for FY2022 was a record €241.9 million, an increase of 57.5% or €88.3 million as compared to restated €153.6 million for FY2021. Basic and diluted earnings per share in FY2022 were €0.165 and €0.164 respectively (FY2021: basic €0.103 and diluted €0.103), an increase of 59.7% and 59.8% respectively. The numbers of basic and diluted shares used in the calculations of earnings per share in FY2022 were 1,470,135,821 and 1,473,153,053 respectively (FY2021: basic 1,466,677,921 and diluted 1,470,779,165).

BALANCE SHEET AND CASH-FLOW REVIEW

Liquidity and Capital Resources

As at 31 March 2022, the Group had cash and cash equivalents of €360.9 million as compared to €421.2 million as at 31 March 2021. The decrease was mainly explained by net cash outflow for investment in Sol de Janeiro. As at 31 March 2022, total borrowings, including term loans, revolving facilities, bank borrowings, finance lease liabilities, and current accounts with minority shareholders and related parties, amounted to €670.9 million. As at 31 March 2022, the aggregate amount of undrawn borrowing facilities was €268.2 million.

SUMMARISED CASH-FLOW STATEMENT

For the year ended 31 March	**2022**	**2021**
	€ '000	*€ '000*
Profit before tax, adjusted for non-cash items	475,361	421,201
Changes in working capital	(98,814)	36,316
Income tax paid	(50,523)	(28,006)
Net cash inflow from operating activities	326,024	429,511
Net cash outflow for capital expenditures	(37,998)	(27,838)
Free cash flow (1)	**288,026**	**401,673**
Net cash (outflow) from investment in new ventures and financial assets	(327,801)	(50,585)
Net cash (outflow) from financing activities	(17,340)	(97,177)
Effect of exchange rate changes	(3,202)	963
Net increase/(decrease) in cash, cash equivalents and bank balances	**(60,317)**	**254,874**

(1) *Free cash flow generated for FY2022 was €288.0 million, as compared to €401.7 million in FY2021. If excluding the IFRS 16 non-cash items, free cash flow generated for FY2022 and FY2021 would be €174.1 and €278.1 respectively. The decrease was due to higher working capital required for accelerated sales growth, higher tax paid as a result of record profits and normalised capital expenditures in FY2022.*

Management Discussion & Analysis

CAPITAL EXPENDITURES

Net cash used in capital expenditures was €38.0 million in FY2022, as compared to €27.8 million in FY2021, representing an increase of €10.2 million. The increase was mainly in retail stores related capital expenditures. The capital expenditures for FY2022 were primarily related to:

- leasehold improvements and other tangible assets, related to new and revamped stores of L'Occitane en Provence and wholesale clients of ELEMIS for €16.2 million;
- investments in various IT equipment and software for €13.6 million; and
- replacement of machinery and equipment of the factory, office and warehousing facilities for a total of €8.2 million.

INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND FINANCIAL ASSETS

Net cash outflow from investment in subsidiaries, associates and financial assets was €327.8 million in FY2022, as compared to €50.6 million in last year. The outflow this year was mainly for the acquisition of the new brand Sol de Janeiro and an investment in Carbios, a French biochemical company specialising in plastic recycling.

FINANCING ACTIVITIES

Financing activities in FY2022 ended with a net cash outflow of €17.3 million (FY2021: outflow of €97.2 million). Net cash outflow during the year mainly reflected the following:

- principal components of lease payments of €108.5 million under IFRS 16;
- payment of dividend for €54.1 million; and
- net payment relating to acquisition of treasury shares and settlement of share options for €4.5 million.

This was partly offset by the following cash inflow:

- net bank borrowing for €148.8 million; and
- transactions with non-controlling interests for €1.0 million.

INVENTORIES

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

	FY2022	FY2021
Average inventory turnover days (1)	265	282

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

Inventory net value was €263.2 million as at 31 March 2022, an increase of 32.3%, or €64.3 million as compared to 31 March 2021. The increase in inventory net value was due mainly to the strong growth of L'Occitane en Provence, first inclusion of Sol de Janeiro and rapid expansion of ELEMIS.

Average inventory turnover, however, decreased by 17 days in FY2022, as a result of strong growth in sales and thus increase in cost of sales as compared to last year. The decrease in inventory turnover days by 17 days was attributable to the following:

- decrease in finished goods and mini products and pouches of comparable brands for -24 days;
- reduction in raw materials and work in progress for -4 days; and
- increase in inventory provision for -3 days.

which was partly offset by:

- initial inclusion of Sol de Janeiro for +7 days (with cost of sales for 3 months only); and
- unfavourable FX impact for +7 days.

TRADE RECEIVABLES

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

	FY2022	FY2021
Turnover days of trade receivables (1)	34	32

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

Turnover days of trade receivables increased by 2 days to 34 days for FY2022 as compared to FY2021. The increase was a net result of higher sell-in sales from ELEMIS, first inclusion of Sol de Janeiro, unfavourable FX impact and partly offset by lower turnover days from sell-out channels.

TRADE PAYABLES

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

	FY2022	FY2021
Turnover days of trade payables (1)	213	215

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

The decrease in turnover days of trade payables by -2 days in FY2022 was a net impact of lower turnover days in accruals and trade payable for -7 days and partly offset by FX impacts for +5 days.

Management Discussion & Analysis

BALANCE SHEET RATIOS

Return on capital employed in FY2022 was 12.8%, an increase of 2.7 points as compared to FY2021, as a result of an increase in net operating profit after tax by 51.0% accompanied by an increase of 18.5% in capital employed. The increase in capital employed was mainly due to the goodwill from acquisition of Sol de Janeiro.

The capital and reserves attributable to the equity owners increased by €77.2 million in FY2022, being a net result of comprehensive income for the year, dividend distribution and increase in other reserves. Return on equity ratio in FY2022 further improved by 6.4 points to 19.1%, compared to 12.7% in FY2021.

The Group's gearing ratio increased slightly from 32.8% in FY2021 to 34.0% in FY2022. If the impacts of IFRS 16 were excluded, gearing ratio in FY2022 would be 27.2%.

	Reported FY2022	***Restated FY2021***
Profitability		
EBITDA [1]	488,269	404,576
Net operating profit after tax (NOPAT) [2]	253,782	168,046
Capital employed [3]	1,975,448	1,667,162
Return on capital employed (ROCE) [4]	12.8%	10.1%
Return on equity (ROE) [5]	19.1%	12.7%
Liquidity		
Current ratio (times) [6]	1.1	0.9
Quick ratio (times) [7]	0.8	0.7
Capital adequacy		
Gearing ratio [8]	34.0%	32.8%
Debt to equity ratio [9]	50.3%	31.1%

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

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 2022, the Company had foreign exchange derivatives net assets of €0.7 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 2022 were primarily sale of Chinese yuan for an equivalent amount of €52.0 million, US dollar for €29.8 million, Hong Kong dollar for €23.9 million, Japanese yen for €13.9 million, Great British pound for €9.2 million, Russian ruble for €8.6 million, Mexican peso for €4.6 million and Thai baht for €2.7 million.

DIVIDENDS

At the Board meeting held on 28 June 2021, the Board recommended a gross dividend distribution of €0.03687 per share for a total amount of €54.1 million or 35.0% of the net profit attributable to the equity owners of the Company. The amount of the final dividend was based on 1,467,388,221 shares in issue as at 28 June 2021 excluding 9,576,670 treasury shares. The shareholders of the Company (the "**Shareholders**") approved this dividend at a meeting held on 29 September 2021. The dividend was duly paid on 22 October 2021.

Due to the outstanding results in all financial aspects in FY2022, the Board is pleased to propose an increase in payout ratio from 35% to 40%, and recommends a final dividend of €0.06585 per share (the "**Final Dividend**"), approximately 178.6% of the dividend paid in FY2021. The total amount of the Final Dividend is €96.8 million.

The Final Dividend is based on 1,470,135,821 shares in issue as at 27 June 2022 excluding 6,829,070 treasury shares.

EVENTS SUBSEQUENT TO THE END OF FINANCIAL YEAR

On 1 April 2022, L'Occitane International S.A. acquired from its majority shareholder, L'Occitane Groupe S.A., 49.24% of equity interests (representing 76.18% of the voting rights) in 14 Groupe S.A. which holds 65% equity interest and voting rights of Grown Alchemist, for a sum of €5,032,000. Grown Alchemist is an Australian brand with cross-category success across skincare, bodycare, haircare and nutricosmetics supplements.

On 19 May 2022, the Group decided to exit from its subsidiary L'Occitane Russia. This subsidiary accounted for 3.5% of the consolidated net sales as of 31 March 2022 and 2.1% of the total assets of the Group as at 31 March 2022. On 3 June 2022, a share purchase agreement was signed between the Group and the four key directors of the subsidiary. Each of the four key directors will hold between 23% and 31% of the total shares formerly held by the Group.

The payment of the shares will be made through four installments between June 2025 and June 2028. The payment of the shares is secured by a pledge agreement signed on 3 June 2022.

There is a call option exercisable for the Group on 1 April 2025, 2026, 2027, 2028 and 2029. The exercise price is based on the fair value.

Based on these agreements, the Group will lose the exclusive control of the Russian entity and will not have any significant influence.

As of 31 March 2022, the test related to the valuation of the assets linked to the Russian subsidiary is consequently performed with regards to the present value of the receivable linked to the sale. This value depends on the capacity of the new entity to generate cash flows. Based on management's judgement, there are no indicators leading to the conclusion that the Group will not be in a position to recover this receivable. On that basis, management concluded that there is no impairment to be recorded in the accounts on the assets of L'Occitane Russia that amount to €33 million as of 31 March 2022. A reasonable change in the main assumptions used by Management will not trigger any material impairment of the assets tested.

At the date of the loss of exclusive control on 3 June 2022, the present value of the receivable of shares (corresponding to the deferred payments to be received from the acquirer of the shares) will approximately amount to €48 million. The present value of the receivable will be calculated with a discount rate of 12.5% that takes into account the risk of the new entity to generate sufficient cash flows in the future.

This amount approximately corresponds to the net assets of L'Occitane Russia at that date (including the currency translation differences previously recorded in other comprehensive income in respect of L'Occitane Russia and the impact of elimination of the intercompany margin). Therefore no significant capital gain or loss is expected.

Management Discussion & Analysis

STRATEGIC REVIEW

In FY2022, the Group delivered a set of outstanding results, with solid sales growth of 16.7% and record profit margins. Sales momentum stood up well throughout the year, even as conditions turned challenging in FY2022 Q4 which saw a return of lockdowns in China — its largest market — and a marked increase in global geopolitical headwinds. Indeed, when compared to pre-pandemic levels two years ago, full-year sales grew 12.4% on a like-for-like basis, a comparable that improved sequentially each quarter. The operating profit reached a record €241.9 million with the operating profit margin expanding to 17.4%, the highest level since the Group's listing.

This excellent outcome truly demonstrates the resilience of the Group's brands and teams, as well as its ability to withstand and overcome market turbulences. The Group's commitment to building trust, sustainable growth and profitability continued to fortify L'OCCITANE en Provence's position in the global premium beauty market. Targeted and disciplined investments within all of its brands began to pay dividends with ELEMIS being a key contributor to the Group's improved operating profitability on the back of a highly successful digital-first global expansion strategy.

At the same time, the Group continued to strengthen the foundation it has laid for delivering sustainable growth and profitability. The addition of Sol de Janeiro to its brand portfolio provided a new source of profitable growth, and along with its most recent acquisition, Grown Alchemist, the Group advanced its transformation into a multi-brand and geographically-balanced group.

Targeted investments propel core brand's growth and world-class profitability

L'OCCITANE en Provence's results improved across the board throughout FY2022, growing 13.2% at constant rates and contributing 70% to the Group's overall growth, with balanced contribution from Asia, Europe and North America. All product categories also saw sales growth, another indication of the core brand's broad-based improvement, with double-digit growth in hand care — its largest category — and fragrances, led by the successful launch of the Osmanthus line.

Highly targeted marketing investments played a big role in this success, with close to half of the Group's annual media and marketing budget being geared towards major campaigns and special projects considered most strategic for the Group. One of the highlights was China, where the Group skillfully implemented well-thought-out campaigns that leveraged celebrities on TMall and JD.com to drive social media buzz and recruit new customers. As a result, L'OCCITANE en Provence outperformed the market during key shopping festivals and remains one of the top-ranked brands in the premium body care and hand care categories in China.

Although L'OCCITANE en Provence increased the level of marketing investments as a percentage of net sales, it proved to be highly efficient. Not only did the core brand see accelerated growth, it also expanded profitability. The better operating sales leverage, together with the gains from restructuring efforts such as closing underperforming stores during the Chapter 11 proceedings in the US, as well as a favourable channel mix effect with a higher proportion of online and offline sell-in sales, resulted in the core brand's world-class operating margin of 19.8%.

Omni-channel strategy drove simultaneous online and offline growth

The Group has long invested in an omni-channel presence to reach customers across all touchpoints online and offline, a strategy that has proved particularly prescient at the start of the pandemic when traffic shifted dramatically towards online channels. More than two years on, the Group's rich omni-channel proposition has encouraged a permanent shift in the shopping behaviour of its customers, a contributing factor behind the expansion of profitability in FY2022.

As a result, despite offline sales in many markets exceeding pre-pandemic levels, the Group's online sales continued to grow in FY2022, accounting for 33.1% of its total overall sales. In addition, the Group expects its online mix to remain at the current high level even as offline traffic further normalises, as its digitally-centric or digitally-native brands, including ELEMIS, LimeLife and Sol de Janeiro grow. Through a well-coordinated and harmonised promotion strategy between all channels, continued online developments will contribute positively and further support the Group's omni-channel strategy.

With some of the Group's major markets continuing to face sporadic lockdowns and restrictions, its omni-channel strategy remains pivotal for engaging with customers remotely while still keeping a human approach to beauty.

Evolving into a geographically-balanced and multi-brand group

In recent years, the Group has accelerated its M&A activity in line with its strategy of building a leading portfolio of premium beauty brands while accelerating its path to become a global, multi-brand group that is more geographically-balanced and appealing to Millennial and Generation Z consumers.

In FY2022, the Group added two new brands to its portfolio — Sol de Janeiro and Grown Alchemist. Founded in the US and inspired by an authentic Brazilian philosophy of self-love and joy, Sol de Janeiro is a fast-growing, award-winning lifestyle skincare brand. In the span of six years since the brand's creation, Sol de Janeiro has gained an impressive following, and its best-selling *Bum Bum Cream* consistently tops rankings in North America. In the final quarter of FY2022, Sol de Janeiro maintained its growth trajectory and recorded close to 47% sales growth as compared to the same period last year. Towards the end of FY2022, the Group acquired majority control in the Australian cosmeceutical, clean skincare brand, Grown Alchemist. Founded in 2008, the brand has rapidly developed a global following with its focus on futuristic anti-aging technology and unique botanical skincare formulas for optimal skin health. With both brands having strong traction in their respective home markets and limited international presence, the Group sees immense growth potential in the years to come.

Management Discussion & Analysis

Led by a digital-first global expansion strategy, sales growth at ELEMIS accelerated robustly in FY2022, driven by the rebound of its spa and wholesale businesses, strong online sales in both the US and the UK, and the return of its maritime and in-flight businesses. ELEMIS is also gearing up for the next phase of development in China, as the exclusivity period with its retail partner comes to an end. Following drastic cost cuts during the pandemic, ELEMIS maintained its lean and agile structure while sensibly resuming marketing investments along with new market roll-outs. Despite these investments during the brand's growth phase, ELEMIS continued to deliver a stellar operating profit margin of 22.8% in FY2022, once again contributing to the Group's expanding operating margins.

The Group's other brands achieved robust growth of 19% in FY2022. Erborian delivered outstanding growth of 43%, while L'OCCITANE au Brésil rebounded strongly and posted 60% growth. LimeLife, however, suffered from a high base, being the Group's fastest-growing brand in FY2021, following the removal of lockdowns and a recovery in the employment market in the US.

Organization well-poised for future growth with completion of management transition

With the Group well-positioned for a sustainable future, it concluded a planned management transition. In September 2021, Mr. André Hoffmann succeeded Mr. Reinold Geiger as the Group's Chief Executive Officer. Mr. Geiger remains the Group's Chairman and Executive Director. Under the new organizational structure, Mr. Hoffmann will continue driving the Group's strategic planning to leverage the strengths of its core business as well as identify new opportunities.

Further, effective from 30 June 2022, Mr. Thomas Levilion will retire from his position as Chief Financial Officer of the Group. The Group would like to sincerely thank Mr. Levilion for his valuable contribution during his tenure and looks forward to his continued guidance as he remains on the Board as a non-executive director. The Group also extends a warm welcome to Mr. Christian-Matthias Klever who will succeed Mr. Levilion. Mr. Klever brings a wealth of experience from the luxury sector and will be a strong addition to the management team.

Long-term sustainability efforts gain recognition

The Group continued to make progress in its sustainability strategy, anchored by its three priorities of contributing to a carbon net-zero, nature-positive and fair and inclusive world. In September 2021, it announced the guiding principles of its biodiversity strategy and vision for a 'nature-positive' world, while also setting an ambitious objective of being B Corp certified by 2023.

The Group's more localised sustainability initiatives are also attracting recognition and awards. In South Korea, an eco-pop-up at the Hyundai Seoul won the MUSE Design Award (Sustainable Living/Green category) and the iF Design Award for its environmentally-conscious design, beating out 6,000 entrants and 11,000 entrants respectively from all around the world.

At the Group level, sustainability progress has been added as one of the metrics used to evaluate and incentivise its employees globally, ensuring an alignment of interests and a balance of purpose and profit. It also established a sustainability committee at the Board level to move forward on its sustainability journey in a unified and more structured way.

OUTLOOK

Looking ahead to FY2023, the global economy is facing many uncertainties. In the first quarter of FY2023, the lockdown of major cities in China has adversely impacted the Group's offline channels in the country, as well as sections of its online business due to warehouse closures.

Other regions are showing a nice rebound as countries reopen, thanks to the strong foundation the Group has laid to deliver sustainable growth and profitability in the mid-to-long term. Having passed the €1 billion sales mark in FY2013, the Group expects to pass the €2 billion sales mark in FY2023 while retaining healthy profitability, despite the current headwinds in the China market and the Group's exit from the Russian market.

With its leadership transition completed and management focused on delivering sustainable and profitable growth, the Group will continue to harness and invest in the inherent strength of its expanding number of brands and accelerate its ongoing transformation to deliver long-term value growth for Shareholders.

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" (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 manual was updated on March 2021 and is available on the Company's website group.loccitane.com. Please select "Governance" under "Investors".

DEVIATIONS FROM THE CG CODE

The Company has complied with all of the applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules throughout FY2022 save as disclosed below:

Code provision C.2.1 (previous 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. On 16 September 2021, Mr. Geiger stepped down from the position of CEO to focus on his other commitments while Mr. André Joseph Hoffmann ("Mr. Hoffmann"), the vice-chairman of the Group, was appointed as the CEO of the Group. Mr. Geiger continues to be the Chairman of the Board and an executive Director. After the appointment of Mr. Hoffmann as the new CEO of the Group, the Company complied with the code provision C.2.1 of the CG Code.

Code provision C.6.3 (previous 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 2022 (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 fourth committees:

— the Audit Committee

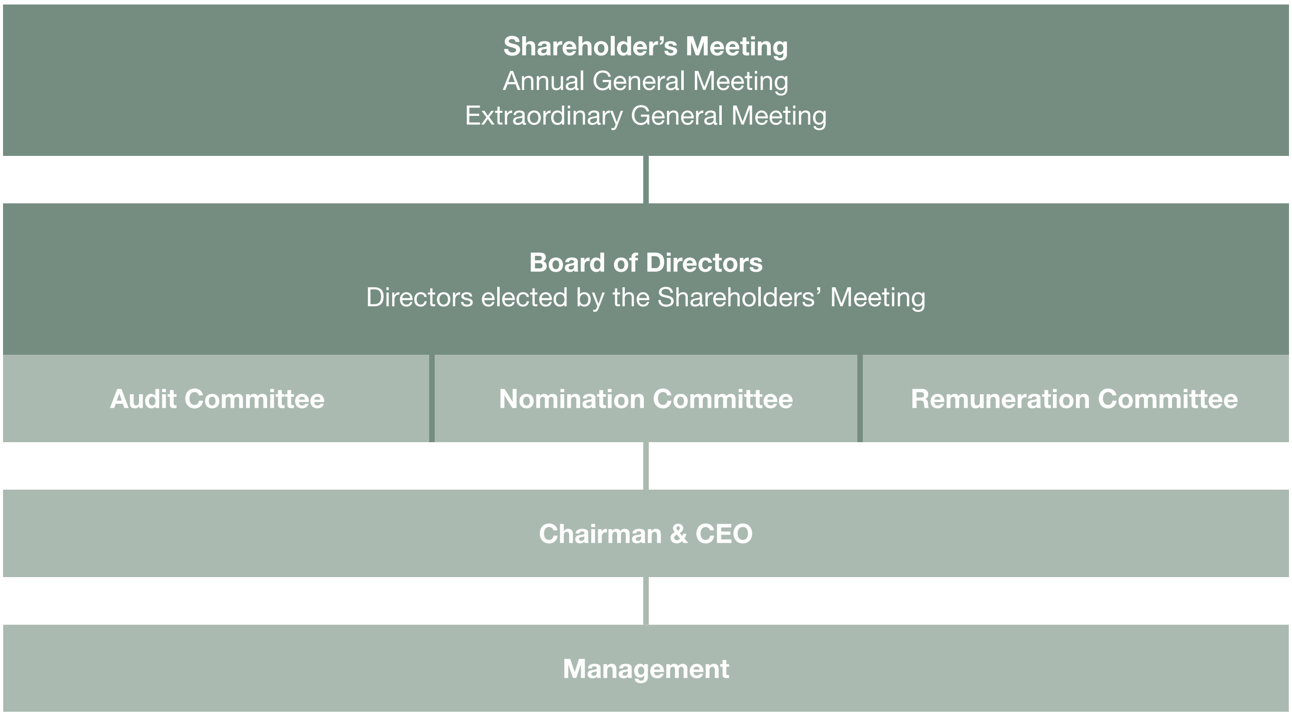
— the Nomination Committee

— the Remuneration Committee

— the Sustainability Committee

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

CORPORATE GOVERNANCE STRUCTURE



Composition of the Board

The Board currently consists of nine Directors, comprising four 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 55 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 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.

Corporate Governance Report

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 FY2022:

		Attendance:					
Name	**Category**	**Board Meeting**	**Audit Committee Meeting**	**Nomination Committee Meeting**	**Remuneration Committee Meeting**	**Sustainability Committee Meeting**	**General Meetings**
		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	Meetings Attended/ Eligible to Attend
Reinold Geiger	ED	16/17					2/2
André Hoffmann	ED	17/17		4/4			2/2
Yves Blouin	ED	16/17			2/2		1/2
Thomas Levilion	ED	16/17				1/1	2/2
Karl Guénard	ED	17/17					2/2
Séan Harrington	ED	17/17					0/2
Martial Lopez (1)	NED	8/9	2/2				0/1
Valérie Bernis	INED	16/17	0/0	4/4		1/1	2/2
Mark Broadley	INED	17/17	4/4		2/2	1/1	2/2
Pierre Milet (2)	INED	9/11			1/1		1/1
Jackson Ng	INED	17/17	4/4	4/4	1/1		2/2
Betty Liu (3)	INED	0/0					0/1

Notes:

(1) Mr. Martial Lopez resigned as a NED on 29 September 2021.

(2) Mr. Pierre Milet resigned as an INED on 9 November 2021.

(3) Ms. Betty Liu was appointed as an INED on 1 March 2022.

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 FY2022, 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. Mr. Martial Lopez as NED did not offer himself for re-election and retired at the last annual general meeting of the Company (the "FY2021 AGM") held on 29 September 2021.

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 FY2022 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, remuneration and sustainability 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.

A Sustainability Committee was established by resolutions of the Board on 27 July 2021 on a voluntary basis and it is authorized to act in accordance with its terms of reference dated October 2021.

During FY2022, 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 INED's members, Mr. Mark Broadley (Chairman), Mr. Jackson Ng and Mrs. Valérie Bernis (since 29 November 2021).

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 FY2022:

i. Review of the report from the auditor on the audit of the final results of the Group for FY2021;

ii. Review of the draft financial statements of the Group for FY2021;

iii. Review of the draft results announcement and annual report of the Group for FY2021;

iv. Review of the audit fees payable to the external auditor for FY2021;

Corporate Governance Report

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 2021;

vii. Review of the financial statements for the period ended 31 December 2021;

viii. Review of the internal control system including the internal audit results analysis and the internal audit plan for 2021-2022, 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.

Four Nomination Committee meetings were held during FY2022:

The first one was concerning the proposal of re-election of Mr. Reinold Geiger, Mr. André Hoffmann, Mr. Karl Guénard and Mr. Yves Blouin as EDs at the FY2021 AGM. In addition, it was held also for the proposed nomination of Mr. Pierre Milet as a member of the Audit Committee to replace Mr. Martial Lopez after the FY2021 AGM.

The second one was concerning the proposal of nomination of Mr. André Hoffmann as Chief Executive Officer in replacement of Mr. Reinold Geiger and the proposal of nomination of Mrs. Valérie Bernis, Mr. Mark Broadley and Mr. Thomas Levilion as first members of the Sustainability Committee.

Following the resignation of Mr. Pierre Milet, a third Nomination Committee meeting was held during FY2022 to propose the nomination of Mrs. Valérie Bernis as a member of the Audit Committee and Mr. Jackson Ng as the chairman of the Remuneration Committee.

The fourth Nomination Committee meeting was held during FY2022 for the proposed appointment of Ms. Betty Liu as an INED.

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 during FY2022, who are Mr. Jackson Ng (Chairman since 29 November 2021), Mr. Mark Broadley, and Mr. Yves Blouin. Mr. Yves Blouin was 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 FY2022:

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 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 two 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 FY2022 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 FY2022 was approximately €4,846,000.

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 FY2022. Further, none of the Directors has waived any remuneration during the same period.

Sustainability Committee

The Sustainability Committee was established by resolutions of the Board on 27 July 2021 on a voluntary basis and it is authorized to act in accordance with these terms of reference whereas the Company's articles of association (the "Articles of Association") and the applicable laws, regulations and the Listing Rules shall prevail as far as applicable.

The Sustainability Committee is mainly responsible for assisting the Board overseeing, reviewing, and making recommendations to the Board on the Company's sustainability strategies, policies and performance. It reviews and challenges the Company's sustainability roadmap and progress on all subjects related to environmental, social and corporate governance (hereafter called "ESG") including in particular climate, biodiversity, packaging, diversity and inclusion and social matter. The responsibilities of the Sustainability Committee shall be updated, modified or amended on a regular basis by the Board.

The Sustainability Committee has three members since 26 October 2021, who are Mr. Mark Broadley (Chairman), Mrs. Valérie Bernis, and Mr. Thomas Levilion. Mr. Thomas Levilion is an ED, and the other two members are INEDs.

There was one meeting of the Sustainability Committee held during the Review Period.

AUDITOR'S REMUNERATION

The fees in relation to the audit and related services for FY2022 provided by PricewaterhouseCoopers, the external auditor of the Company, amounted to approximately €1,677,400 and €707,537 respectively. There were no non-audit services provided by the auditor during the year.

	€'000
Annual audit and interim review services	1,677
Audit related services	708
TOTAL	2,385

Corporate Governance Report

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.

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 FY2022, the internal control deviations were addressed effectively and action plans implemented to reduce the risks. The Audit Committee was satisfied that appropriate actions were undertaken and the overall risk management and internal control systems have functioned effectively as intended.

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

DIVIDEND POLICY

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

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

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

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

INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS

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

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

On 29 September 2021, the Company passed special resolutions to amend the Articles of Association at the FY2021 AGM. For details of the amendments, please refer to the circular of the Company data 30 July 2021.

Saved as disclosed above, no significant changes have been made to the Company's constitutional documents during the year under review.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

Procedure for Shareholders to convene a General Meeting

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

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

Procedure for Shareholders to make enquiries to the Board

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

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

Procedure for Shareholders to put forward proposals at General Meetings

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

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

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

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

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

Procedure for election to the office of Director upon Shareholder proposal

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

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

In accordance with Article 10.1 of the Articles of Association, 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

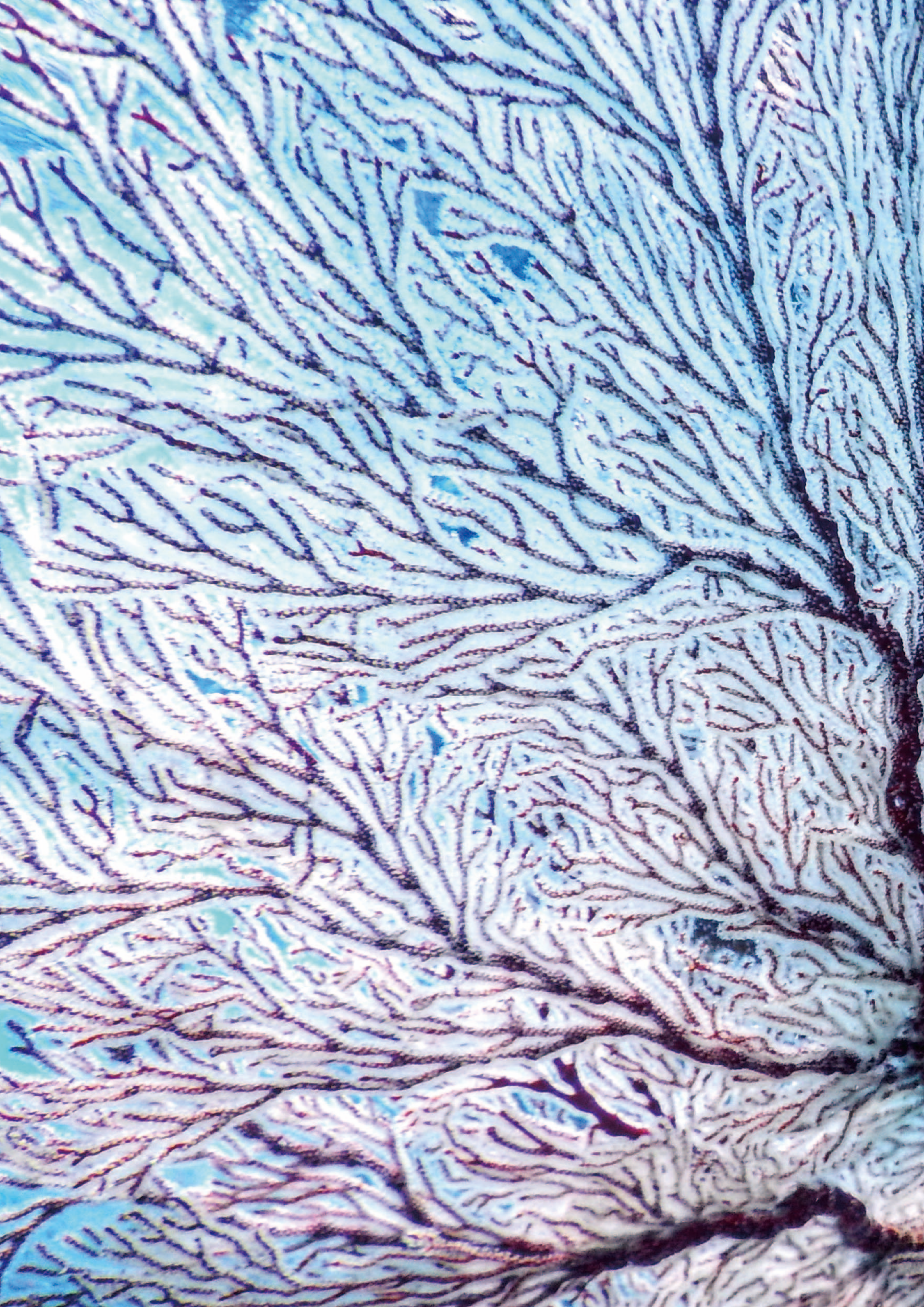
To answer to its ambition, the Group has developed a sustainable policy and since the financial year ended 31 March 2011, the Group has been establishing an annual ESG report. This report with philanthropy and sustainable sourcing reports are accessible on the website of the Company on the following 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.

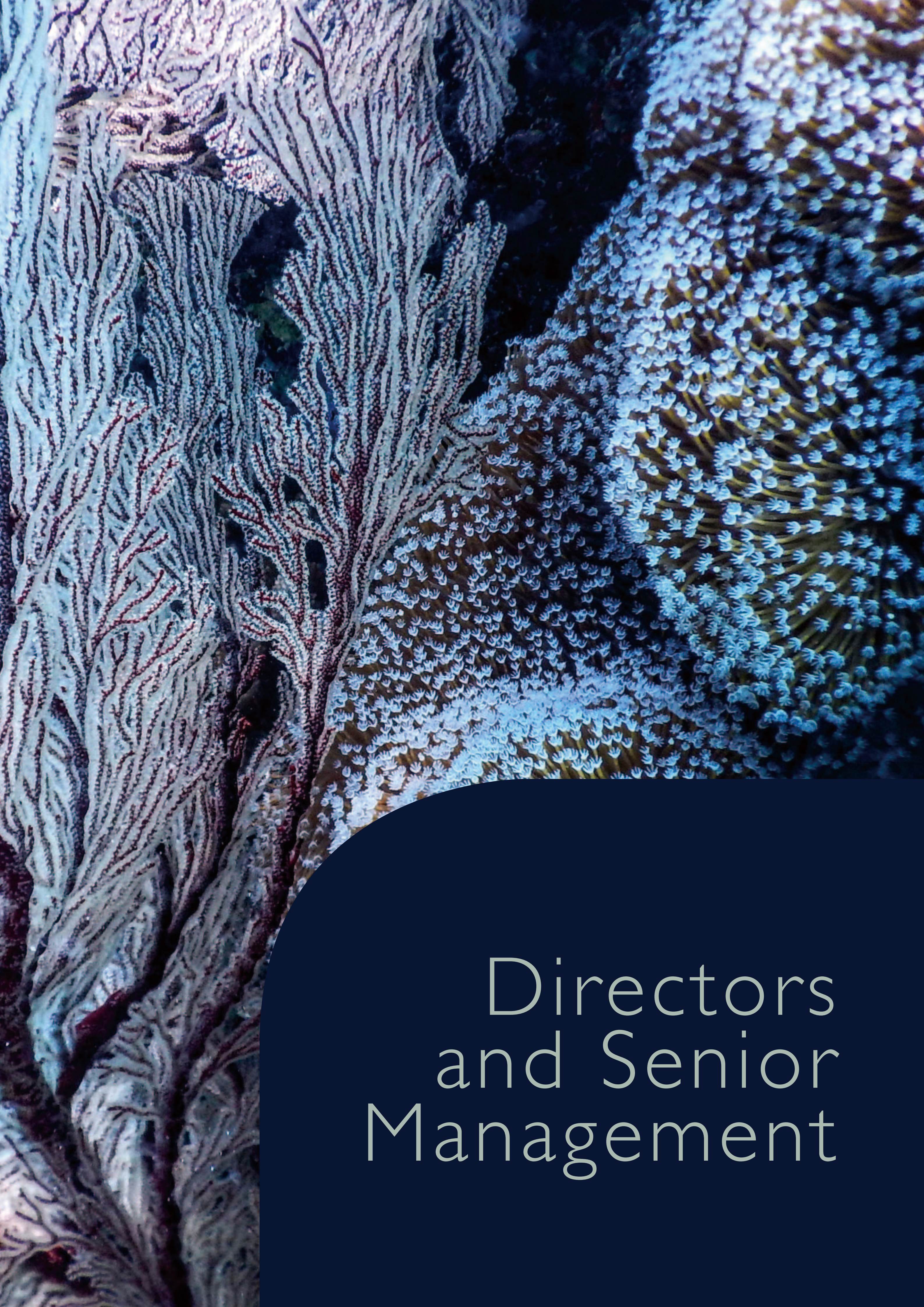
Registered Office

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





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	74	Executive Director and Chairman
André Hoffmann	66	Executive Director, Vice-Chairman and Chief Executive Officer
Karl Guénard	55	Executive Director and Company Secretary
Séan Harrington	56	Executive Director
Thomas Levilion	62	Non-Executive Director
Valérie Bernis	63	Independent Non-Executive Director
Charles Mark Broadley	58	Independent Non-Executive Director
Betty Liu	49	Independent Non-Executive Director
Jackson Chik Sum Ng	61	Independent Non-Executive Director

Reinold Geiger
Executive Director and Chairman

Mr. Reinold Geiger was appointed as an executive Director with effect from 22 December 2000 and is the Company's Chairman. 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.

André Hoffmann
Executive Director, Vice-Chairman and Chief Executive Officer

Mr. André Hoffmann was appointed as an executive Director with effect from 2 May 2001, as Vice-Chairman with effect from 19 April 2016, and further as Chief Executive Officer with effect from 16 September 2021 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.

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

Thomas Levilion
Non-Executive Director

Mr. Thomas Levilion was re-designated as non-executive Director on 1 July 2022. Prior to this, he was an executive Director and was the Group Deputy General Manager, Finance and Administration. He was primarily responsible for the Group's finance functions worldwide. Mr. Levilion joined the Group in March 2008 and was the managing director ("administrateur délégué") of the Company. Furthermore, he was 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.

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.

Betty Liu
Independent Non-Executive Director

Ms. Betty Liu was appointed as an independent non-executive Director with effect from 1 March 2022. She is the Chairman, President and Chief Executive Officer of D and Z Media Acquisition Corp., a special purpose acquisition company listed on the New York Stock Exchange (NYSE: DNZ). Ms. Liu also serves as a member of the advisory committee of Black Spade Acquisition Co., a special purpose acquisition company listed on the New York Stock Exchange (NYSE: BSAQ). From 2018 to 2020, Ms. Liu was the Executive Vice Chairman of the New York Stock Exchange and Chief Experience Officer for Intercontinental Exchange (NYSE: ICE). Through her role at the New York Stock Exchange, Ms. Liu was actively involved in numerous initial public offerings, including media and technology leaders such as Uber, Pinterest and Tencent Music Entertainment. Prior to her role at the New York Stock Exchange, Ms. Liu served as the Founder and CEO of Radiate, an online, subscription-based, ed-tech content company for millennial managers and executives, from 2016 to 2018. She scaled the ed-tech platform from concept to more than 20,000 monthly active professional subscribers in less than 2 years. From 2007 to 2018, Ms. Liu served as a leading anchor and editor-at-large for Bloomberg Television and Bloomberg Radio in New York City. Before joining Bloomberg, Ms. Liu was an anchor for CNBC Asia based in Hong Kong from 2005 to 2007, serving as part of the leadership group which helped build CNBC Asia into a market-leading news network within the region. Prior to 2004, Ms. Liu was the Atlanta Bureau Chief for the Financial Times and served as the Taiwan Bureau Chief for Dow Jones Newswires. In 1997, she received a Dow Jones Newswires Award for her coverage of the Asian financial crisis. Ms. Liu earned a Bachelor of Arts from the University of Pennsylvania in 1995.

Jackson Chik Sum Ng
Independent Non-Executive Director

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

Directors and Senior Management

SENIOR MANAGEMENT

Alain Buzzacaro

Mr. Alain Buzzacaro, aged 52, 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 49, 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 37, 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, South America President & Business Development Executive (Americas).

Nicolas Geiger

Mr. Nicolas Geiger, aged 41, is the South America President & Business Development Executive (Americas). Mr. Nicolas Geiger joined the Group in 2011 as Marketing and Retail Director in Brazil, was promoted to Managing Director of Brazil in 2014 and subsequently became the President of L'Occitane Japan. 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 53, 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.

Marie Grasset

Mrs. Marie Grasset, aged 38, is the Human Resources Director for L'Occitane en Provence, L'Occitane au Brésil, Melvita and Erborian. Mrs. Grasset joined the Group in March 2018, as Human Resources Director for the headquarters and STREAM Business Unit, and assumed her current role in June 2021. Mrs. Grasset started her career in Corporate HR within LVMH Group in 2008 in Paris. Mrs. Grasset was then offered to implement the HR function in a watch brand, Hublot, in Switzerland, newly acquired by the LVMH Group. Mrs. Grasset then joined an independent high-jewellery brand, de Grisogono, as global Human Resources Director. Mrs. Grasset holds a master's degree from Political Sciences Institute in Lille, France.

Marcin Jerzy Jasiak

Mr. Marcin Jerzy Jasiak, aged 55, 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.

Junko Kijima

Ms. Junko Kijima, aged 44, is the President of L'Occitane Japan. She joined the Group in 2013 as Marketing Manager for Melvita Japan. After being promoted to Melvita Brand Director, she was appointed Marketing Director for the L'OCCITANE en Provence brand in 2019. She has over 20 years of brand marketing experience including the first 11 years of her career in Procter and Gamble Japan, where she managed a wide variation of FMCG brands including baby care, pet care, men's grooming, and hair care. Ms. Kijima holds a bachelor's degree in Economics from Keio University, Tokyo, Japan and also holds qualification and professional experience in English to Japanese translation and communication.

Directors and Senior Management

Lina Ly-Dutron

Ms. Lina Ly-Dutron, aged 50, 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.

Yann Tanini

Mr. Yann Tanini, aged 44, 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 43, 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.

Marie Videau

Mrs. Marie Videau, aged 50, is the Group's General Manager for Research & Development. Mrs. Videau joined the Group in October 2020. Previously at CHANEL, she acquired 17 years of experience in cosmetics both in research, development & innovation and in marketing research & consumer insights. She started her career as a senior researcher in the French National Institute for Agronomical Research and the Pasteur Institute developing 10 years of deep knowledge in molecular genetics and parasitology. Mrs. Videau holds a PhD in biology, a master's degree in engineering from AgroParisTech and an executive MBA from HEC Paris.

Heela Yang

Ms. Heela Yang, aged 52, is the Co-Founder & CEO of Sol de Janeiro. Ms. Yang launched Sol de Janeiro in the summer of 2015 with just three products and has led the brand to become a global lifestyle body care phenomenon in just six years. Prior to Sol de Janeiro, Ms. Yang built an extensive track record of success at leading global brands such as Lancôme (L'Oréal) and Clinique (Estée Lauder Companies). As Director of Marketing and Head of Global Skincare Strategy at Clinique, she managed over $300 million of skincare product lines as well as led the global strategy for Clinique's skincare category, sold in 135 countries with revenues over $1 billion. After Clinique, Ms. Yang led entrepreneurial ventures including investing, consulting, and developing proprietary brands in the cosmetics industry in the US, Asia and Brazil. Heela began her career as an analyst at Goldman Sachs Investment Banking with a focus on the retail industry. She is a graduate of Harvard College, Yale Graduate School and Harvard Business School.

Directors' Report

"The Directors submit their report together with the audited financial statements of the Group for FY2022."

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 around 1,500 owned stores, and is present in 90 countries. Through its seven brands — L'OCCITANE en Provence, Melvita, Erborian, L'OCCITANE au Brésil, LimeLife by Alcone, ELEMIS and Sol de Janeiro — 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 FY2022 by operating segments is set out in note 5 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the Management Discussion & Analysis on pages 12 to 33 of this Annual Report. Description of possible risks and uncertainties that the Group may be facing can be found in the Chairman's Statement on pages 6 to 7 of this Annual Report. Also, the financial risk management objectives and policies of the Group can be found in Note 3 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 2022 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 25 to 28 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 59 and in the ESG report available on the Group's corporate website in due course.

RESULTS AND DIVIDENDS

The results of the Group for FY2022 are set out in the Consolidated Statements of Income on page 83 of this Annual Report.

The Board recommends a final dividend of €0.06585 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 28 September 2022. The record date to determine which Shareholders will be eligible to attend and vote at the forthcoming AGM will be on 28 September 2022. The register of members of the Company will be closed from Friday, 23 September 2022 to Wednesday, 28 September 2022, 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, 22 September 2022.

Subject to the Shareholders approving the recommended final dividend at the forthcoming AGM, such dividend will be payable on Friday, 21 October 2022 to Shareholders whose names appear on the register of members on Tuesday, 11 October 2022. To determine eligibility for the final dividend, the register of members will be closed from Thursday, 6 October 2022 to Tuesday, 11 October 2022, 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, 5 October 2022.

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 212 of this Annual Report.

DISTRIBUTABLE RESERVES

As at 31 March 2022, 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 29 September 2021 amounted to approximately €839,965,536.

DONATIONS

Charitable and other donations made by the Group during FY2022 amounted to around €2,014,000, 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.

Directors' Report

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During FY2022, the Company repurchased a total of 4,420,250 shares on the Hong Kong Stock Exchange with an aggregate amount of HK$124,163,225.99, which were subsequently transferred to treasury. In addition, a total of 7,878,150 shares held in treasury were transferred out of treasury during FY2022 pursuant to the employees' free share and share option plans of the Company. The Company held 6,829,070 shares in treasury on 31 March 2022. Save as disclosed above, neither the Company nor its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during FY2022.

Details of shares repurchased during FY2022 are set out as follows:

Month of repurchases	Number of shares purchased	Price paid per share Highest (HK$)	Price paid per share Lowest (HK$)	Aggregate consideration paid (HK$)
September 2021	2,646,000	27.00	24.80	67,966,605.39
December 2021	1,774,250	32.25	29.20	56,196,620.60

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 2022 are set out in note 37 to the consolidated financial statements.

DIRECTORS

The Directors during FY2022 and up to the date of this Annual Report were:

Executive Directors

Mr. Reinold Geiger
(appointed as Chairman and Chief Executive Officer on 22 December 2000 and resigned as Chief Executive Officer on 16 September 2021)
Mr. André Hoffmann
(appointed on 2 May 2001, further appointed as Vice-Chairman on 19 April 2016 and appointed as Chief Executive Officer on 16 September 2021)
Mr. Yves Blouin
(appointed on 14 January 2021 and resigned on 25 May 2022)
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 Directors

Mr. Martial Lopez
(appointed on 22 December 2000, designated as Non-Executive Director on 30 September 2009 and retired on 29 September 2021)
Mr. Thomas Levilion
(appointed on 30 September 2008 as Executive Director and re-designated as Non-Executive Director on 1 July 2022)

Independent Non-executive Directors

Mrs. Valérie Bernis
(appointed on 28 November 2012)
Mr. Charles Mark Broadley
(appointed on 30 September 2008)
Ms. Betty Liu
(appointed on 1 March 2022)
Mr. Pierre Milet
(appointed on 29 January 2013 and resigned on 9 November 2021)
Mr. Jackson Chik Sum Ng
(appointed on 25 January 2010)

In accordance with code provision B.2.2 (previous 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 is set out in the "Directors and Senior Management" section on pages 52 to 58 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' Report

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 2022, 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	1,075,565,211 (long position)	72.82%
André Hoffmann	Beneficial interest	2,495,250 (long position)	0.17%
Thomas Levilion	Beneficial interest	413,000 (long position)	0.03%
Karl Guénard	Beneficial interest	263,900 (long position)	0.02%
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 75.77% of the entire issued share capital of LOG (being beneficial owner of 9,996,053 shares, having deemed interest in 1,628,931 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 6,829,070 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 6,829,070 shares that are held in treasury and do not have voting rights whilst they are held in treasury.

(b) Interests in the shares of the associated corporations

Long Position in the shares of LOG

Name of Director	Capacity and Nature of Interest	Number of Shares/ Underlying Shares Held or Controlled	Approximate % of Shareholding (Note 2)
Reinold Geiger	Beneficial interest and deemed interest	11,625,237 (Note 1)	75.77%
André Hoffmann	Beneficial interest and deemed interest	2,578,286	16.81%
Yves Blouin	Beneficial interest	15,900	0.10%
Karl Guénard	Beneficial interest	6,220	0.04%
Thomas Levilion	Beneficial interest	5,500	0.04%
Séan Harrington	Beneficial interest	4,200	0.03%
Valérie Bernis	Beneficial interest	400	0.00%
Charles Mark Broadley	Beneficial interest	400	0.00%
Jackson Chik Sum Ng	Beneficial interest	400	0.00%

Notes:

(1) Comprised of 253 shares held by Mr. Reinold Geiger, 9,996,053 shares held by CIME and 1,628,931 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 1,628,931 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 2022, 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.

Directors' Report

INTERESTS IN THE SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS

As at 31 March 2022, 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	1,074,416,461 (long position) (Note 1)	72.74%
Cime S.C.A.	Interest in controlled corporation and deemed interest	1,074,416,461 (long position) (Note 1)	72.74%
Société d'Investissements CIME S.A.	Interest in controlled corporation and deemed interest	1,074,416,461 (long position) (Note 1)	72.74%
LOG	Interest in controlled corporation and deemed interest	1,074,416,461 (long position) (Note 1)	72.74%
ACATIS Investment Kapitalverwaltungsgesellschaft mbH	Executor or administrator	103,373,750 (long position) (Note 2)	6.99%

Notes:

(1) *Each of Cime Management Sarl (indirectly) and Cime S.C.A. (directly) has 100% interest in shareholding of CIME and CIME has an interest in approximately 75.77% of the total issued share capital of LOG (being beneficial owner of 9,996,053 shares and having deemed interest in 1,628,931 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 6,829,070 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 6,829,070 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 2022, 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 2022 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 2022, 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, excluding treasury 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 1 year 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.

Directors' Report

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 2022 were as follows. No share options were granted under the Share Option Plan 2020 during this period.

	Number of share options								
Name/Category of Participant	As of 01/04/2021	Granted during the period	Cancelled or forfeited during the period	Exercised during the period	As of 31/03/2022	Date of grant	Exercise period (Note 1)	Exercise price per share (HK$)	Price immediately preceding the date of grant (Note 2) (HK$)
Directors									
Thomas Levilion	91,000	–	–	(91,000)	–	24-Feb-15	24/02/2019–23/02/2023	19.22	19.22
	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)	–	04-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)	1,277,000	–	–	(600,100)	676,900				
Others									
Employees	1,163,750	–	(55,000)	(1,108,750)	–	04-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
	1,613,650	–	(33,200)	(1,157,550)	422,900	23-Mar-16	23/03/2020–22/03/2024	14.36	14.00
	3,834,750	–	–	(2,445,100)	1,389,650	10-Feb-17	10/02/2021–10/02/2025	15.16	15.03
	4,476,200	–	(183,100)	(85,950)	4,207,150	29-Mar-18	29/03/2022–29/03/2026	14.50	14.50
Sub-total (Note 3)	11,235,350	–	(271,300)	(4,944,350)	6,019,700				
Total	12,512,350	–	(271,300)	(5,544,450)	6,696,600				

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 €772,000 was included in the consolidated statements of comprehensive income for the year ended 31 March 2022 (year ended 31 March 2021: €4,520,000). 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 authorised the adoption of a free share plan (the "Free Share Plan 2010"), which expired and was terminated on 29 September 2013 and replaced by another free share plan (the "Free Share Plan 2013") which was adopted on 25 September 2013. This Free Share Plan 2013 expired on 24 September 2016 and was replaced by another free share plan (the "Free Share Plan 2016") which was adopted on 28 September 2016. The Free Share Plan 2016 was replaced by another free share plan (the "Free Share Plan 2018) which was adopted on 26 September 2018. In addition, the Shareholders approved the adoption of a new free share plan (the "Free Share Plan 2021") at the annual general meeting of the Company on 29 September 2021. Upon the approval of the Free Share Plan 2021 in September 2021, no further free shares would be granted under the Free Share Plan 2018. The purpose of the Free Share Plan 2021 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 2021 (the "Free Shares"), which will motivate the relevant Employees to optimise their performance, effectiveness and efficiency for the benefit of the Group and attract and retain or otherwise maintain ongoing business relationships with those Employees whose contributions are or will be beneficial to the long-term growth of the Group.

The maximum number of Free Shares that may be granted under the Free Share Plan 2021 shall not exceed 7,343,852 shares, being 0.5% of the Company's issued share capital (excluding shares held in treasury) as at 29 September 2021.

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.

Directors' Report

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 were vested on 29 March 2022.

None of the Free Shares had been granted under the Free Share Plan 2018 and the Free Share Plan 2021 as at 31 March 2022.

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 2022, the Company was in compliance with the conditions of the Waiver.

The Company holds as at 31 March 2022, 6,829,070 ordinary shares as treasury shares, and the total number of ordinary shares in issue (excluding shares held as treasury shares) is 1,470,135,821.

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 FY2022, 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 2022 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 2022, the Company has not entered into any other equity-linked agreement.

CONNECTED TRANSACTION

On 23 December 2021, the Company, LOC SOL Holdings Inc (the "Parent Subsidiary") and First Octave LLC (the "Connected Shareholder"), among others, entered into a Stockholders' Agreement, pursuant to which, among others, (i) the Parent Subsidiary granted a Put Option to each First Octave LLC and Marc Capra (the "Rollover Participant") to require Parent Subsidiary to acquire the 17.14% equity interests of LOC SOL Owners Inc (the "Intermediate Holding Company") owned by such Rollover Participant (the "Optioned Interests"); and (ii) Parent Subsidiary has been granted a Call Option by each Rollover Participant, pursuant to which the Parent Subsidiary may require such Rollover Participants to sell to Parent Subsidiary all of the Optioned Interests.

Following completion of the acquisition, Intermediate Holding Company has become an indirect subsidiary of the Company, and the Connected Shareholder and its ultimate beneficial owner have become connected persons of the Company at the subsidiary level. Accordingly, each of the Put Option granted to the Connected Shareholder and the Call Option granted by the Connected Shareholder under the Stockholders' Agreement is treated as a connected transaction pursuant to Rule 14A.24(2)(a) of the Listing Rules. Since each of the Put Option granted to the Connected Shareholder and the Call Option granted by the Connected Shareholder constitutes a connected transaction at the subsidiary level, each of the Put Option and the Call Option is subject to the applicable reporting and announcement requirements pursuant to Rule 14A.101 of the Listing Rules.

The Options were granted to further align the interests of the Rollover Participants with that of the Group, and as an additional incentive to the Rollover Participants to grow the financial and operational performance of Sol de Janeiro together with the Group.

For more details, please refer to the related announcement of the Company on 23 December 2021.

Directors' Report

BANK LOANS AND OTHER BORROWINGS

Details of the Group's bank loans and other borrowings as at 31 March 2022 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.

DIRECTORS' 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 have complied with 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 note 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 2022, the Group had 9,042 employees (31 March 2021: 8,733 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
27 June 2022

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 2022, 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 2022;
- 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 2022, the Group has net sales of €1,781 million.

As described in the note 2.23 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 66.9% of the total revenue. The revenue is recognized when the Group sells a product to the customer at the store.

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

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

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 obtained an understanding 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 the number and the fair value of award credits recognized in deferred revenue.

For wholesalers and distributors sales, our procedures included:

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

(b) Confirmation of a sample of 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	How our audit addressed the key audit matter
Revenue recognition (continued) Customer loyalty programs are used by the Group to provide customers with incentives to buy their products. Each time a customer buys goods, or performs another qualifying act, the Group grants the customer award credits. The Group accounts for award credits as a separately identifiable component of the sales transactions, as deferred revenue. The Group then recognizes revenue in respect of the award credits in the periods which awards credits are redeemed. We focused on this area due to the risk arising from the volume of award credits generated in different locations and from the management estimates about the total number of award credits expected to be redeemed.	
Assessment of impairment on non-current assets and goodwill As at 31 March 2022, the Group had goodwill of €990.5 million, intangible assets of €487.4 million (including trademarks for €434.9 million), right-of-use assets of €264.9 million and leasehold improvements for €43.0 million in property, plant and equipment as at 31 March 2022. Management performed an annual review of the cash generating units (CGU) to which goodwill and other non-current assets are allocated to assess that their carrying value does not exceed its recoverable amount. The recoverable amount is determined based on expected future cash flow projections taking into account the COVID-19 pandemic.	(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 obtained an understanding of 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 the note 4 to the consolidated financial statements.

How our audit addressed the key audit matter

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

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

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

(h) We compared the projected cash flows of previous business plan 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

Acquisition of Sol de Janeiro

As disclosed in note 6.1.1 to the consolidated financial statements, the Group acquired on 23 December 2021, 82.86% of the shares of Sol de Janeiro and its subsidiaries for a total purchase price of €378.7 million resulting in the recognition of a provisional goodwill of €202.6 million and trademark of €156.7 million.

This transaction falls under the scope of IFRS 3 business combinations. When recognising the assets and liabilities, a purchase price allocation was performed where identifiable assets and liabilities of Sol de Janeiro were measured at fair value. In this respect management engaged a third party (management expert) to assist in a process to identify and determine the fair value of the trademark.

In addition, the share purchase agreement includes an option for the non-controlling shareholders to sell at defined dates the remaining shares not initially sold. This resulted in the recognition of a put option to the non-controlling shareholders and a remuneration liability for post-combination services. As mentioned in Notes 4.4 and 6.

3 of the consolidated financial statements, the estimation is based on the formula mainly using the prospective EBIT for the determination of the exercise price. The value is discounted reflecting the current market assessments of the time value and the risk specific to the liabilities.

We considered the acquisition of Sol de Janeiro to be a key matter as this required significant management judgment in determining (i) the fair value of assets acquired and of liabilities assumed; and (ii) the fair value of the financial liability relating to the put option.

How our audit addressed the key audit matter

We reviewed the share purchase agreement and other legal documentation related to the acquisition to obtain an understanding of the transaction and to confirm the acquisition date and the consideration transferred.

Regarding acquisition accounting, our procedures included:

(a) We reviewed the control analysis performed by Group Management over Sol de Janeiro;

(b) We assessed the accuracy of the allocation of goodwill and trademark to their respective CGU;

(c) We tested the carrying value of assets and liabilities of Sol de Janeiro at the acquisition date;

(d) We assessed the methodology used by management expert and the procedures applied in determining the fair value of the net identifiable assets acquired, including the trademark with the support of our valuation experts;

For the determination of the fair value of the put option, our procedures included:

(a) We assessed the accounting treatment and methodology used by Management including the part related to the remuneration of post-acquisition service conditions;

(b) We assessed the consistency of EBIT projections with management's assumptions;

(c) We assessed the reasonability of the growth rates used for projected EBIT with the historical growth rates in net sales and historical percentage of EBIT in net sales;

(d) We compared the discount rate used by Management to compute the present value of the option to publicly available data.

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 2022

Represented by

Magalie Cormier

Consolidated Statement of Income

Year ended 31 March *In thousands of euros, except per share data*	*Notes*	***2022***	***2021*** *Restated**
Net sales	(5.2)	**1,781,358**	**1,537,845**
Cost of sales		(317,943)	(260,711)
Gross profit		**1,463,415**	**1,277,134**
% of net sales		*82.2%*	*83.0%*
Distribution expenses	(24)	(698,367)	(666,154)
Marketing expenses	(24)	(280,831)	(213,772)
Research and development expenses	(24)	(18,907)	(17,385)
General and administrative expenses	(24)	(173,001)	(147,837)
Other operating income	(25)	39,124	7,365
Other operating expenses	(25)	(7,079)	(14,980)
Share of profit/(loss) from associates and joint ventures accounted for using the equity method	(11)	(13,640)	(7,535)
Operating profit		**310,714**	**216,836**
Finance income	(27)	1,908	2,847
Finance costs	(27)	(16,430)	(21,186)
Foreign currency gains/(losses)	(28)	(308)	(2,961)
Profit before income tax		**295,884**	**195,536**
Income tax expense	(29)	(53,975)	(41,899)
Profit for the year		**241,909**	**153,637**
Attributable to:			
Equity owners of the Company		242,034	151,180
Non-controlling interests	(12)	(125)	2,457
Total		**241,909**	**153,637**
Earnings per share for profit attributable to equity owners of the Company during the year *(expressed in euros per share)*			
Basic	(30)	0.165	0.103
Diluted	(30)	0.164	0.103
Number of shares used in earnings per share calculation			
Basic	(30)	1,470,135,821	1,466,677,921
Diluted	(30)	1,473,153,053	1,470,779,165

* *See note 2.2 for details regarding the restatement as a result of an error.*

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*	***2022***	***2021*** *Restated**
Profit for the year		**241,909**	**153,637**
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses) on defined benefits obligation	(29.5)	1,834	233
Changes in the fair value of equity investments at fair value through other comprehensive income	(3.3)	(2,047)	(652)
		(213)	**(419)**
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges fair value gains/(losses), net of tax		56	363
Reclassification of currency translation differences relating to the deconsolidation of L'Occitane Inc.	(6.1)	–	(3,029)
Currency translation differences	(29.5)	48,741	(36,846)
Share of other comprehensive income of associates and joint ventures accounted for using the equity method	(11)	1,772	–
		50,569	**(39,512)**
Total comprehensive income for the period income/(loss) for the year		**292,265**	**113,706**
Attributable to:			
— Equity owners of the Company		287,901	113,322
— Non-controlling interests	(12)	4,364	384
Total comprehensive income for the period income/(loss) for the year		**292,265**	**113,706**

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.

The currency translation differences were mainly generated by subsidiaries labelled in USD.

* *See note 2.2 for details regarding the restatement as a result of an error.*

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

Consolidated Balance Sheet

ASSETS *In thousands of euros*	*Notes*	***31 March 2022***	***31 March 2021*** *Restated**
Property, plant and equipment	(7)	128,724	130,347
Right-of-use assets	(8)	264,934	301,271
Goodwill	(9)	990,489	754,843
Intangible assets	(10)	487,355	315,949
Deferred income tax assets	(29.2)	94,005	65,854
Investments accounted for using the equity method	(11)	67,239	62,175
Other non-current assets	(13)	67,778	50,816
Non-current assets		**2,100,524**	**1,681,255**
Inventories	(14)	263,162	198,860
Trade receivables	(15)	199,623	135,338
Other current assets	(16)	82,935	52,798
Derivative financial instruments	(17)	1,931	72
Cash and cash equivalents	(18)	360,899	421,216
Current assets		**908,550**	**808,284**
TOTAL ASSETS		**3,009,074**	**2,489,539**

Consolidated Balance Sheet

EQUITY AND LIABILITIES *In thousands of euros*	Notes	***31 March 2022***	***31 March 2021*** *Restated**
Share capital	(19)	44,309	44,309
Additional paid-in capital	(19)	342,851	342,851
Other reserves		(215,013)	(107,642)
Retained earnings		1,097,881	913,320
Capital and reserves attributable to the equity owners of the Company		**1,270,028**	**1,192,838**
Non-controlling interests	(12)	44,578	78,699
Total equity		**1,314,606**	**1,271,537**
Borrowings	(20)	381,319	19,622
Lease liabilities	(8)	180,510	216,189
Other financial liabilities	(6.3)	171,865	18,671
Other non-current liabilities	(21)	22,952	23,256
Deferred income tax liabilities	(29.2)	96,196	52,786
Non-current liabilities		**852,842**	**330,524**
Trade payables	(22)	209,903	161,658
Social and tax liabilities		104,807	93,539
Current income tax liabilities	(29)	39,477	28,504
Borrowings	(20)	289,611	502,492
Lease liabilities	(8)	93,722	78,538
Derivative financial instruments	(17)	1,208	713
Provisions	(23)	2,139	1,677
Other current liabilities	(21)	100,759	20,357
Current liabilities		**841,626**	**887,478**
TOTAL EQUITY AND LIABILITIES		**3,009,074**	**2,489,539**

* *See note 2.2 for details regarding the restatement as a result of an error.*

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

Consolidated Statement of Changes in Shareholders' Equity

In thousands of euros (except "Number of Shares")	*Notes*	Number of shares	Share capital	Additional paid-in capital	Share Based Payments	Other items	Cumul. Currency Transl. Diff.	Treasury shares	Actuarial gain/(loss)	Excess of consideration paid in transaction with non-controlling interests	Profit for the period	Non-controlling interests	TOTAL EQUITY
		Attributable to equity owners of the Company											
					Other reserves								
Balance at 31 March 2020 Restated*		**1,476,964,891**	**44,309**	**342,851**	**28,299**	**(338)**	**(17,169)**	**(24,376)**	**46**	**(72,391)**	**793,304**	**76,855**	**1,171,390**
Comprehensive income		–	–	–	–	–	–	–	–	–	–	–	–
Profit for the year		–	–	–	–	–	–	–	–	–	151,180	2,457	153,637
Other comprehensive income													
Currency translation differences		–	–	–	–	–	(34,773)	–	–	–	–	(2,073)	(36,846)
Reclassification of currency translation diff. Relating to the deconso of L'Occ. Inc.		–	–	–	–	–	(3,029)	–	–	–	–	–	(3,029)
Actuarial losses on defined benefit obligation		–	–	–	–	–	–	–	233	–	–	–	233
Change in FV of assets recorded at fair value through OCI		–	–	–	–	(652)	–	–	–	–	–	–	(652)
Cash flow hedges fair value (losses), net of tax		–	–	–	–	363	–	–	–	–	–	–	363
Total comprehensive income for the year		**-**	**-**	**-**	**-**	***(289)***	***(37,802)***	**-**	***233***	**-**	***151,180***	***384***	***113,706***
Transactions with owners													
Dividends paid		–	–	–	–	–	–	–	–	–	(32,618)	–	(32,618)
Contribution from the parent		–	–	–	–	3,177	–	–	–	–	–	–	3,177
Distribution of 4 945 400 SO		–	–	–	(7,995)	8,222	–	7,995	–	–	–	–	8,222
Employee share option: value of employee services		–	–	–	7,478	–	–	–	–	–	–	500	7,978
Total distribution by and distribution to the owners of the Company		**-**	**-**	**-**	***2,660***	***8,222***	**-**	***7,995***	**-**	**-**	***(32,618)***	***500***	***(13,241)***
Non-controlling interests recorded as a liabilities		–	–	–	–	–	–	–	–	1,253	319	(319)	1,253
Non-controlling interests in capital increase Elemis		–	–	–	–	–	–	–	–	–	–	–	–
Transactions with non-controlling interests in LimeLife		–	–	–	–	–	–	–	–	–	(84)	84	–
Transactions with non-controlling interests		–	–	–	–	–	–	–	–	–	(1,179)	1,179	–
Deconsolidation of L'Occitane Inc.		–	–	–	–	–	–	–	–	–	–	(1,374)	(1,374)
Transactions with non-controlling interests in South Africa		–	–	–	–	–	–	–	–	(1,590)	–	1,390	(200)
Total transaction with owners		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	***(337)***	***(944)***	***960***	***(321)***
Balance at 31 March 2021 Restated *		**1,476,964,891**	**44,309**	**342,851**	**30,959**	**7,595**	**(54,971)**	**(16,381)**	**279**	**(72,728)**	**910,922**	**78,699**	**1,271,537**

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**	**Other items**	**Cumul. Currency Transl. Diff.**	**Treasury shares**	**Actuarial gain/(loss)**	**Excess of consideration paid in transaction with non-controlling interests**	**Profit for the period**	**Non-controlling interests**	**TOTAL EQUITY**
Balance at 31 March 2021 Restated *		**1,476,964,891**	**44,309**	**342,851**	**30,959**	**7,595**	**(54,971)**	**(16,381)**	**279**	**(72,728)**	**910,922**	**78,699**	**1,271,537**
Comprehensive income													
Profit for the year		–	–	–	–	–	–	–	–	–	242,034	(125)	241,909
Other comprehensive income													
Currency translation differences		–	–	–	–	–	46,024	–	–	–	–	4,490	50,514
Actuarial losses on defined benefit obligation		–	–	–	–	–	–	–	1,834	–	–	–	1,834
Change in FV of assets recorded at fair value through OCI		–	–	–	–	(2,047)	–	–	–	–	–	–	(2,047)
Cash flow hedges fair value (losses), net of tax		–	–	–	–	56	–	–	–	–	–	–	56
Total comprehensive income		**-**	**-**	**-**	**-**	***(1,991)***	***46,024***	**-**	***1,834***	**-**	***242,034***	***4,365***	***292,266***
Transactions with owners													
Dividends paid		–	–	–	–	–	–	–	–	–	(54,141)	–	(54,141)
Contribution from the parent		–	–	–	–	6,798	–	–	–	–	–	–	6,798
Distribution of 7,878,150 stocks options		–	–	–	(14,896)	9,513	–	14,896	–	–	–	–	9,513
Purchase of treasury shares		–	–	–	–	–	–	(13,991)	–	–	–	–	(13,991)
Employee share option: value of employee services		–	–	–	1,384	–	–	–	–	–	–	444	1,828
Total distribution by and distribution to the owners of the Company		**-**	**-**	**-**	***(6,714)***	***9,513***	**-**	***905***	**-**	**-**	***(54,141)***	***444***	***(49,993)***
Acquisition of Sol de Janeiro		–	–	–	–	–	–	–	–	–	–	26,539	26,539
Non-controlling interests recorded as a liabilities		–	–	–	–	–	–	–	–	(78)	(934)	1,012	–
Change in estimates in the valuation of the exercise price of the put options granted to non-controlling interests	(6.3)	–	–	–	–	–	–	–	–	3,064	–	–	3,064
New put options granted to non-controlling interests	(6.3)	–	–	–	–	–	–	–	–	(154,534)	–	–	(154,534)
Acquisition of non-controlling interests of Elemis	(6.1.5)	–	–	–	–	–	–	–	–	(7,701)	–	(68,878)	(76,579)
New non-controlling interests on Symbiose France	(6.1.6)	–	–	–	–	–	–	–	–	853	–	147	1,000
Increase in the percentage on interests in L'Occitane Nordic		–	–	–	–	–	–	–	–	(944)	–	944	–
Reconsolidation of L'Occitane Inc.	(6.2.1)	–	–	–	–	–	–	–	–	–	–	1,310	1,310
Total transaction with owners		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	***(159,340)***	***(934)***	***(38,926)***	***(199,200)***
Balance at 31 March 2022		**1,476,964,891**	**44,309**	**342,851**	**24,245**	**15,117**	**(8,948)**	**(15,476)**	**2,113**	**(232,068)**	**1,097,881**	**44,582**	**1,314,606**

* *See note 2.2 for details regarding the restatement as a result of an error.*

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*	***2022***	***2021*** *restated**
Cash flows from operating activities			
Profit for the year from continuing operations		241,909	153,637
Adjustments to reconcile profit for the year to net cash from operating activities			
Depreciation, amortisation and impairment	(24.3)	177,863	190,701
Tax expenses	(29.1)	53,975	41,899
Share-based payment	(19)	8,626	11,155
Unwinding of discount on lease liabilities	(8.2)	8,857	11,533
Interests (income)/expense	(27)	5,665	6,806
Change in the fair value of derivatives	(17), (28)	(1,308)	1,401
Other losses/(gains) on sale of assets, net	(31.1)	445	1,240
Net movements in provisions	(31.2)	2,620	2,878
Share of (profit)/loss from associates and joint ventures accounted for using the equity method	(11)	13,640	7,535
Other operating (income)/expenses arising from the change in the % of interests in associates and joint ventures	(11)	(20,117)	–
Deconsolidation of L'Occitane Inc.	(6.1)	–	(2,719)
Reconsolidation of L'Occitane Inc.	(6.1)	(12,873)	–
Total of non-cash items		**237,393**	**272,429**
Interests paid	(27)	(3,941)	(4,865)
Income tax paid	(29.1)	(50,523)	(28,006)
Changes in working capital			
Inventories		(20,954)	(10,780)
Trade receivables		(47,451)	(8,403)
Trade payables		(19,120)	35,148
Salaries, wages, related payroll items and other tax liabilities		4,718	25,953
Other assets and liabilities, net		(16,008)	(5,602)
Changes in working capital		**(98,815)**	**36,316**
Net cash inflow/(outflow) from operating activities		**326,023**	**429,511**
Cash flows from investing activities			
Acquisition of subsidiaries and businesses, net of cash acquired	(6.1), (6.2)	(322,356)	173
Investments in associates	(11)	(8,659)	(39,605)
Acquisition of property, plant and equipment	(7)	(31,726)	(22,582)
Acquisition of intangible assets	(10)	(8,796)	(10,353)
Acquisition of financial assets		(17,660)	(4,346)
Proceeds from sale of intangible assets and property, plant and equipment	(31.1)	1,227	2,122
Reconsolidation/(deconsolidation) of L'Occitane Inc.	(6.1)	20,874	(7,743)
Change in deposits and key money paid to lessors		995	2,975
Change in non-current receivables and liabilities		302	936
Net cash inflow/(outflow) from investing activities		**(365,799)**	**(78,423)**

Consolidated Statement of Cash Flows

Year ended 31 March *In thousands of Euros*	Notes	***2022***	***2021*** *restated**
Cash flows from financing activities			
Proceeds from non-controlling interests		1,000	1,997
Dividends paid to equity owners of the Company	(19.5)	(54,141)	(32,618)
Proceeds from the sale of treasury shares	(16.2)	9,513	–
Proceeds from distribution of free shares and stock options	(19.2)	(13,991)	8,222
Principal components of lease payments		(108,536)	(121,843)
Proceeds from borrowings	(20.4)	656,315	229,749
Repayments of borrowings	(20.4)	(507,499)	(182,684)
Net cash inflow/(outflow) from financing activities		**(17,339)**	**(97,177)**
Exchange gains/(losses) on cash, cash equivalents and bank overdrafts	(31.4)	(3,202)	963
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(60,317)**	**254,874**
Cash, cash equivalents and bank overdrafts at beginning of the year		**421,216**	**166,342**
Cash and cash equivalents		*421,216*	*166,342*
Cash, cash equivalents and bank overdrafts at end of the year		**360,899**	**421,216**
Cash and cash equivalents		*360,899*	*421,216*

* *See note 2.2 for details regarding the restatement as a result of an error.*

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

Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

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", "Sol de Janeiro", "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 27 June 2022.

1.2. Main events of the year

Liquidity risk

During the year ended 31 March 2022, the Group continued to reimburse its borrowings:

- In July 2021, the FY2019 Term Loan was reimbursed for an amount of €275 million,
- In June 2021, the FY2021 PGE bank borrowing was reimbursed for an amount of €50.2 million.

The Group's access to liquidity was also preserved and new financings were signed (FY2022 Term loan and the FY2022 Bilateral Cash Pooling Facility). As at March 31, 2022, the total liquidity reserves (cash and cash equivalents net of bank overdrafts and undrawn borrowing facilities) amounted to €629 million.

The Group also prepared a cash projection for the period from April 2022 to March 2023 and showed no liquidity risks.

Other significant events of the year ended 31 March 2022

Sol de Janeiro

On 23 December 2021, the Group acquired 82.86% in Sol de Janeiro, based on a valuation of US$450 million, mainly funded by the Group's cash on hand for an amount of €300 million.

Founded in the US in 2015 as a results-driven premium body care brand with highly efficacious ingredients sustainably sourced from Brazil, Sol de Janeiro is one of the fastest growing premium skincare brands in North America, with cross-category success across body care, fragrance and hair care products. It sells both directly to consumers through its website and through various premium retailers across the globe.

The acquisition is in line with the Group's strategy of building a leading portfolio of premium beauty brands. Sol de Janeiro is a strategic fit for the Group in terms of brand recognition and identity, product quality, management capability, as well as growth, profitability and cash generation prospects. Sol de Janeiro's digital presence and established body care business in the US is complementary to the Group's balanced geographic strategy to build a portfolio of strong brands in all major geographic regions. Meanwhile, Sol de Janeiro is expected to leverage on the Group's international presence to expand into new markets.

The calculation of the provisional goodwill is presented in Note 6.1.1.

1. THE GROUP *(CONTINUED)*

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

Other significant events of the year ended 31 March 2022 (continued)

Acquisition of minority interest of Elemis

On 28 March 2022, the Group repurchased 926 Elemis shares (corresponding to 7.72% of the total issued share capital of LOI Elemis Sarl) for a purchase price of €76.6m from Chasselas Equity S.A. These shares were sold to Chasselas Equity S.A on 6 March 2019. The percentage of interests increased from 90.9% to 98.62% (Note 37).

Chapter 11 proceedings with respect to L'Occitane Inc

During FY2021, 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. In the consolidated statements of income FY21, the net gain from the deconsolidation of L'Occitane Inc. was recorded in the line "Reconsolidation/deconsolidation of L'Occitane Inc." within "Other operating income (Note 25)." 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**

Since 31 August 2021, the Chapter 11 proceedings is ended and the Group gained back exclusive control of L'Occitane Inc. and the entity was re-consolidated (Note 6.1).

The impact of the reconsolidation of L'Occitane Inc. as at 31 August 2021 resulted in a net gain of €12.8m, which corresponds to the difference between the fair value of L'Occitane Inc. (Note 6.1) and the carrying amount of the investment in this associate (Note 11).

From 1 April 2021 to 31 March 2022, the contribution of L'Occitane Inc. is €89.8m for net sales and a loss of €2.5m for the net result.

Investment in Livelihoods Carbon fund

During FY2022, the Group committed to invest in Livelihoods Carbon fund Sicav for a total amount of €5,000,000. Livelihoods was founded in 2008 under the leadership of Danone to restore degraded ecosystems, redevelop local economies and combat climate change. In return, it is expected to receive carbon offsets under the form of dividend in-kind until 2030.The commitment is disclosed in the commitments (Note 33). This investment is in line with the ESG (Environmental, Social and Governance) strategy of the group to reach neutrality for the entire group in 2030.

Notes to the Consolidated Financial Statements

1. THE GROUP *(CONTINUED)*

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

***Other significant events of the year ended 31 March 2022** (continued)*

Crisis in Russia and Ukraine

On 19 May 2022 L'Occitane decided to exit from its subsidiary L'Occitane Russia. This subsidiary accounted for 3.5% of the consolidated net sales as of 31 March 2022 and 2.1% of the total assets of the Group as at 31 March 2022. On 3 June 2022 a share purchase agreement was signed between the Group and the four key directors of the subsidiary. Each of the four key directors will hold between 23% and 31% of the total shares formerly held by the Group.

The payment of the shares will be made through four installments between June 2025 and June 2028. The payment of the shares is secured by a pledge agreement signed on 3 June 2022.

There is a call option exercisable for the Group on 1 April 2025, 2026, 2027, 2028 and 2029. The exercise price is based on the fair value.

Based on these agreements, the Group will lose the exclusive control of the Russian entity and will not have any significant influence.

As of 31 March 2022, the test related to the valuation of the assets linked to the Russian subsidiary is consequently performed with regards to the present value of the receivable linked to the sale. This value depends on the capacity of the new entity to generate cash flows. Based on management's judgement, there are no indicators leading to the conclusion that the Group will not be in a position to recover this receivable. On that basis, Management concluded that there is no impairment to be recorded in the accounts on the assets of L'Occitane Russia that amount to €33 million as of 31 March 2022. A reasonable change in the main assumptions used by Management will not trigger any material impairment of the assets tested.

At the date of the loss of exclusive control on 3 June 2022, the present value of the receivable of shares (corresponding to the deferred payments to be received from the acquirer of the shares) will approximately amount to €48 million. The present value of the receivable will be calculated with a discount rate of 12.5% that takes into account the risk of the new entity to generate sufficient cash flows in the future.

This amount approximately corresponds to the net assets of L'Occitane Russia at that date (including the currency translation differences previously recorded in other comprehensive income in respect of L'Occitane Russia and the impact of elimination of the intercompany margin). Therefore no significant capital gain or loss is expected.

1. THE GROUP *(CONTINUED)*

1.3. Consideration of climate risks

The Group's current exposure to the consequences of change climate is limited. Therefore, at this stage, the impacts of the climate change on the consolidated financial statements are not significant.

The Group took the commitment to contribute to the world carbon neutrality by becoming a Carbon Net zero company by 2030. The first milestone will be to achieve Net Zero emissions on our two French production sites by 2025. The brands are also working on their own neutrality targets. At the meantime, the Group signed its first Sustainability-Linked Loan for €600 million revolving credit with a maturity on 31 March 2026 for which the terms of this financing are indexed on sustainability indicators:

- Preserving and regenerating natural
- Cultivated biodiversity
- Mitigate the climate crisis and supporting the communities in which the Group is involved.

The operating result may be impacted by prices of raw materials, the costs of production, transmission and distribution, and related costs at the end of the product's life.

The long-term effects of these changes are not quantifiable at this stage and the management considers that there are no short term effects.

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.

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

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 2021:

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 initially adopted by the IASB (International Accounting Standards Board) on 28 May 2020 and by the European Union on 12 October 2020. The amendment was extended by one year and permits a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021).

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.

Other new and amended standards

Several other amendments became effective for annual reporting periods beginning on or after 1 January 2021, but do not have a material impact on the consolidated financial statements:

- Interest Rate Benchmark Reform — amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments address issues arising during the reform of benchmark interest rates including the replacement of one benchmark rate with an alternative one,
- Employee benefits — amendment to IAS 19. The amendment address the allocation of personal benefits to periods of service providing details of allocation to be taken into account for the determination of the service delivery charge. The impacts are no material for the Group.

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

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

(c) Change in the presentation of the consolidated statement of income

In the previous consolidated financial statements, the Group presented on separate lines of the consolidated statement of income certain elements such as the impact of the deconsolidation and reconsolidation of L'Occitane Inc., restructuring charges, and other gains losses presented for a net amount. This latter line "Other gains losses" included the following which was not significant: profit/(loss) on sale of assets, government grants, negative goodwill and other items.

The Group has decided to change the presentation of its income statement to simplify the reading of the presentation of the consolidated statement of income and helps investors and other users of financial statements to better understand the financial performance. Therefore, certain non-core operating income and expenses were grouped on two separate lines of the consolidated statement of income.

Notes 2.28 and 25 indicate the nature of items included in other operating income and other operating expenses.

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

2.2. Correction of error in the accounting of an associate

In 2015, the Group invested in Good Glamm Group, a non-listed company, which operates in the distribution of cosmetic products mainly in India. The initial investment amounted to €1,880,000 with a percentage of interest of 11.06% as at 31 March 2016.

Since 2015, the total amount of subscriptions of the capital increases of Good Glamm Group amounted to €17.9m. The percentage of interest increased from 11.06% as at 31 March 2016 to 33.84% as at 31 March 2020 and then decreased to 23.34% as at 31 March 2021 and then to 15.53% as at 31 March 2022.

Since the financial year ended 31 March 2016, this investment was accounted for in the consolidated balance sheet at fair value through other comprehensive income (as per IFRS 9) and no fair value adjustments had been recorded considering that it was not material based on the value of the shares subscribed by other investors together with the uncertainties of the business mode of this recently created company.

When preparing the consolidated financial statements, management has reassessed the accounting treatment of its investment considering the representation of the Group on the board of directors of Good Glamm Group. Due to the capacity of L'Occitane to appoint one director to the board of directors of Good Glamm Group, it has been considered that L'Occitane had the power to participate in the financial and operating policy decisions of Good Glamm Group. In accordance with IAS 28.6, the Group concluded that it has a significant influence on Good Glamm Group.

The consequence of this error is a reclassification of the investment in the consolidated balance sheet from 'Other non-current assets' to 'Investments accounted using the equity method'. Related share of profit from the associate attributable to the Group has been accounted for in the consolidated statement of income in 'Share of profit/(loss) from associates and joint ventures accounted for using equity method'.

According to IAS 8, this correction was applied retrospectively, and the Group corrected this error by restating each of the affected consolidated financial statements line items for the prior periods (including a presentation of the impact on the consolidated balance sheet at the beginning of the preceding comparative period which was 1 April 2020).

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

Consolidated Balance sheet (extract)

In thousands of Euros	**Financial year ended 31 March 2021**			**Financial year ended 1 April 2020**		
	31 March 2021 (Published)	**Increase/ (decrease)**	**31 March 2021 (Restated)**	**1 April 2020 (Published)**	**Increase/ (decrease)**	**1 April 2020 (Restated)**
Investments accounted for using the equity method	53,636	8,539	62,175	0,000	10,535	10,535
Other non-current assets	66,696	(15,880)	50,816	65,331	(14,480)	50,851
Retained earnings	**920,661**	**(7,341)**	**913,320**	**798,238**	**(3,945)**	**794,293**

Notes to the Consolidated Financial Statements

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

2.2. Correction of error in the accounting of an associate *(continued)*

Consolidated statement of income (extract)

In thousands of Euros	Financial year ended 31 March 2021			Financial year ended 31 March 2020		
	31 March 2021 (Published)	Profit increase/ (decrease)	31 March 2021 (Restated)	31 March 2020 (Published)	Profit increase/ (decrease)	31 March 2020 (Restated)
Share of profit/(loss) from associates and joint ventures accounted for using the equity method	(4,136)	(3,399)	(7,535)	–	(2,740)	(2,740)
Operating profit	220,325	(3,399)	216,836	187,263	(2,740)	184,523
Profit for the year	**157,036**	**(3,399)**	**153,637**	**115,240**	**(2,740)**	**112,500**

There is no material impact on the Other Comprehensive Income.

2.3. 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)*

2.3. 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.

Impairment tests are performed each year based on the value in use of each investment. The value in use is estimated using the projected cash flow based on the budget as approved by management at L'Occitane International S.A. level discounted with the WACC as at 31 March 2022. This value in use is compared to the net book value of the shares. If the value in use is lower than the net book value, a depreciation is recorded for the difference.

(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

The Group has written put options over the equity of some of its subsidiaries which permit the holders to put their shares in the subsidiary back to the Group at their fair value on specified dates.

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.

Notes to the Consolidated Financial Statements

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

2.3. Principles of consolidation *(continued)*

(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.

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)*

2.3. 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.

2.4. 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)*

2.4. 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.

2.5. 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 strategic decisions.

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. Five operating segments were 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.

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

2.5. Segment reporting *(continued)*

- **Sol de Janeiro** — the sale of fragrances, skincare, haircare and bodycare from Sol de Janeiro brand. Sales are mainly driven by consumers through its website (sell-out) and through various premium retailers, market places and department stores (sell-in).
- **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.

2.6. 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).

Notes to the Consolidated Financial Statements

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

2.6. Intangible assets *(continued)*

(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, ELEMIS and Sol de Janeiro. 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.

(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.

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

2.6. Intangible assets *(continued)*

(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.

2.7. 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.

Notes to the Consolidated Financial Statements

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

2.8. 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 an initial 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.

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.

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

2.8. Leases *(continued)*

Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100 per cent of lease payments are on the basis of variable payment terms and there is a wide range of sales 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.

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 two categories:

- 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. 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.

Notes to the Consolidated Financial Statements

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

2.9. 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.

2.10. 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.

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

2.12. 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.

2.13. 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".

2.14. 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)*

2.14. 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 25).

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

2.14. 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 25).
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 25).

Notes to the Consolidated Financial Statements

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

2.14. 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 25).

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 2022 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.

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 "General and 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)*

2.15. 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.

Notes to the Consolidated Financial Statements

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

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

(b) Cash flow hedges

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)".

2.16. 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.

2.17. 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)*

2.18. 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.

2.19. 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.

2.20. 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)*

2.21. 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)*

2.21. 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 or hold shares for a specific period of time).

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 are taken into account in the valuation of the option at the grant date and are not updated for the subsequent closings. The number of shares expected to vest is estimated based on the non-market vesting conditions.

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.

Notes to the Consolidated Financial Statements

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

2.21. 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.

2.22. 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.

2.23. 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)*

2.23. 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)*

2.23. 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.

2.24. 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.

2.25. 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.

2.26. Research and development expenses

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

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

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

2.28. Other operating income and other operating expenses

(a) Other operating income

The other operating income notably include the following:

- The impact of the deconsolidation/reconsolidation of subsidiaries;
- The capital gain arising from the change in the percentage of interests in associates and joint ventures;
- The net profit on sale of assets;
- The excess of the fair value of acquired net assets over the cost of an acquisition (negative goodwill).

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

2.28. Other operating income and other operating expenses *(continued)*

(b) ***Other operating expenses***

The other operating expenses notably include the following:

- The dilution loss arising from the change in the percentage of interests in associates and joint ventures;
- The restructuring expenses;
- The net loss on sale of assets.

(c) ***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.

2.29. Foreign currency gains/(losses)

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

- Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the year-end translation of the exchange rates of monetary assets and liabilities denominated in foreign currencies (Note 2.4 (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 2.15 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 2.15 and Note 17).

Notes to the Consolidated Financial Statements

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

2.30. 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.

2.31. Earnings per share

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

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

3. FINANCIAL RISK MANAGEMENT

3.1. Financial risk factors

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

(a) *Market risk*

Foreign exchange risk

The Group conducts its distribution activities worldwide. Sales made by the subsidiaries are denominated in their local currency. The production sites are located in France and a major part of the production and purchasing costs is therefore denominated in EUR for L'Occitane en Provence. For ELEMIS, LimeLife and Sol of Janeiro 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 2022, 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	32,223	17,744	9,436	39,520	29,678	35,626	11,794	4,712	334	923	17,633	199,623
Other current receivables	37,172	510	284	12,376	5,248	6,729	9,430	379	207	622	9,978	82,935
Cash and cash equivalents	162,142	22,883	2,458	32,504	62,313	22,723	3,679	1,071	1,397	5,715	44,014	360,899
Monetary assets	**231,537**	**41,137**	**12,178**	**84,400**	**97,239**	**65,078**	**24,903**	**6,162**	**1,938**	**7,260**	**71,625**	**643,457**
Borrowings	652,056	–	–	–	5,792	–	–	3,997	3,896	–	5,189	670,930
Trade payables	71,409	12,563	3,657	33,889	37,301	30,174	4,476	1,531	702	2,908	11,293	209,903
Social and tax liabilities	47,973	5,613	4,687	12,055	3,981	6,833	6,627	1,256	47	248	15,487	104,807
Monetary liabilities	**771,438**	**18,176**	**8,344**	**45,944**	**47,074**	**37,007**	**11,103**	**6,784**	**4,645**	**3,156**	**31,969**	**985,640**
Gross exposure in the statement of financial position	**(539,901)**	**22,961**	**3,834**	**38,456**	**50,165**	**28,071**	**13,800**	**(622)**	**(2,707)**	**4,104**	**39,656**	**(342,183)**

As at 31 March 2021, 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	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)**

Notes to the Consolidated Financial Statements

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 2022 and 2021, 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	***2022***	***2021***	***2022***	***2021***	***2022***	***2021***
USD	88,569	45,732	27,316	25,543	5,959	(2,041)
JPY	13,679	10,367	20,603	21,527	9,180	5,636
HKD	(6,988)	12,670	(9,793)	10,928	(7,746)	12,282
CNY	26,172	17,659	32,799	26,364	19,611	12,562
GBP	49,032	34,355	23,480	17,622	11,943	(124)

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.

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 2022 and 2021, 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	***2022***	***2021***
Sensitivity of finance costs	1,091	1,970
Sensitivity of finance income	401	375
Sensitivity of the post-tax profit	212	334

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 2022 and 2021 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.

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

Notes to the Consolidated Financial Statements

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 2022 and 2021, 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.

During the full year ended 31 March 2022, the Group continued to reimburse its borrowings:

- In June 2021, the FY2021 PGE bank borrowing was reimbursed for an amount of €50.2 million;

- In July 2021, the FY2019 Term Loan was reimbursed for an amount of €275 million.

There were new bank borrowings:

- In December 2021, a new FY2022 Term Loan was signed for an amount of €300 million;

- In June 2021, a new FY2022 Bilateral Cash Pooling Facility was signed for an amount of €50 million.

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 2022 are as follows:

31 March *In thousands of euros*	***2022***	***2021***
Cash and cash equivalents and bank overdrafts	360,899	421,216
Undrawn borrowing facilities (Note 20.3)	268,177	443,272
Liquidity reserves	**629,076**	**864,488**

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)	289,611	2,749	373,245	5,325	670,930
Trade payables (Note 22)	209,903	–	–	–	209,903
Lease liabilities (Note 8.2)	93,722	65,812	88,800	25,898	274,232
Interests payments on borrowings	3,267	3,099	3,348	70	9,784
Total on 31 March 2022	**596,503**	**71,660**	**465,393**	**31,293**	**1,164,849**
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**

The interest payments on borrowings are based on existing interest rates as at 31 March 2022. The net book value is close to the fair value.

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.2. Capital risk management

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

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

3.3. Fair value estimate

Fair value of financial instruments

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

	31 March 2022		***31 March 2021*** *Restated**	
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)]	33,117	33,117	17,503	17,503
Derivative financial instruments [(a)]	1,931	1,931	72	72
Total assets	**35,048**	**35,048**	**17,575**	**17,575**
Liabilities				
Floating rate	670,930	670,930	522,114	522,114
Total borrowings	**670,930**	**670,930**	**522,114**	**522,114**
Derivative financial instruments [(a)]	1,208	1,208	713	713
Other financial liabilities [(a)]	171,865	171,865	18,671	18,671
Total liabilities	**173,073**	**173,073**	**19,384**	**19,384**

* *See note 2.2 for details regarding the restatement as a result of an error.*

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

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3. Fair value estimate *(continued)*

Fair value measurement hierarchy

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

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

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

	31 March 2022				***31 March 2021*** *restated**			
In thousands of euros	**Level 1**[(a)]	**Level 2**[(b)]	**Level 3**[(c)]	**Total**	**Level 1**[(a)]	**Level 2**[(b)]	**Level 3**[(c)]	**Total**
Assets								
Derivatives at fair value (Note 17)	–	1,931	–	1,931	–	72	–	72
Financial assets at fair value through other comprehensive income (FVOCI) (Note 13)	9,079	24,038	–	33,117	–	17,503	–	17,503
Total assets	**9,079**	**25,969**	**–**	**35,048**	**–**	**17,575**	**–**	**17,575**
Liabilities								
Derivatives at fair value (Note 17)	–	1,208	–	1,208	–	713	–	713
Other financial liabilities	–	–	171,865	171,865	–	–	18,671	18,671
Total liabilities	**–**	**1,208**	**171,865**	**173,073**	**–**	**713**	**18,671**	**19,384**

* *See note 2.2 for details regarding the restatement as a result of an error.*

(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 2022. No changes were made to any of the valuation techniques applied as at 31 March 2022.

Notes to the Consolidated Financial Statements

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3. Fair value estimate *(continued)*

Fair value measurements using financial instruments traded in active markets (level 1)

On 10 May 2021, the Group acquired shares in Carbios S.A. which is specialised in recycling plastic and packaging products for an initial amount of €10,000,000 (less than 3% of the total shares). This investment is measured at fair value through other comprehensive income.

Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability (level 2).

The following table presents the change in level 2 instruments for the period ended 31 March 2022:

In thousands of euros	Balance as at 31 March 2021	Disposals	Acquisitions	Gain/(loss) recognized in other comprehensive income	Balance as at 31 March 2022
Financial assets at fair value through other comprehensive income (FVOCI) (Note 13)					
SCPI FI Commerce (Real estate investment fund)	9,520	–	–	–	9,520
Truffle investment	4,939	–	6,600	(1,126)	10,413
Other investments	3,044	–	1,061	–	4,105
Total assets (level 2)	**17,503**	**–**	**7,661**	**(1,126)**	**24,038**

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

- Real estate investment fund (SCI Fi Commerce) for an amount of €9,520,000,
- Truffle investments funds for an amount of €10,413,000.

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 2022 and 31 March 2021:

In thousands of euros	Balance as at 31 March 2021	Disposals	Acquisitions	Unwinding of discount	Gain/(loss) recognized in other comprehensive income	Balance as at 31 March 2022
Other financial liabilities (Note 6.3)	18,671	–	154,534	1,724	(3,064)	171,865
Total Liabilities (level 3)	**18,671**	**–**	**154,534**	**1,724**	**(3,064)**	**171,865**

The financial assets at fair value through other comprehensive income correspond to other investments representing 14 investments with individual investments of which 12 are lower than €200,000. For all the investments the percentage of voting shares is lower than 20%. Those other investments are held indirectly by L'Occitane Innovation Lab and Fund Empire and the Group elected to measure those investments at fair value through other comprehensive income in accordance with IFRS 9.

3. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3. Fair value estimate *(continued)*

Fair value measurements using significant unobservable inputs (level 3) (continued)

The other financial liabilities correspond to the put options granted by the Group to non-controlling interests:

- Put option on Sol de Janeiro non-controlling interests for €150,463,000,
- Put option on Elemis non-controlling interests for €15,435,000,
- Put on symbiose Cosmetics France non-controlling interest for €4,071,000,
- Put on L'Occitane GmbH non-controlling interests for €1,896,000.

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 2.6, 2.7 and 2.8), 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 2.6), indefinite life of trademarks (Note 2.6), measurement of lease liabilities (Note 2.8), valuation of inventories (Note 2.12), allowance of inventories (Note 2.12), measurement of provisions (Note 2.20), allowance of trade receivables (Note 2.13), revenue recognition (Note 2.23), current and deferred income taxes (Note 2.30), fair value of the derivative instruments (Note 2.15), 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) and the purchase price for L'Occitane Inc. and Sol de Janeiro (note 6.1).

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.

Notes to the Consolidated Financial Statements

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

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 2.9.

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.

The Covid-19 pandemic disrupted production and commercial operations, leading to a decrease in the Group's revenue and profit from recurring operations in the period. Nevertheless, although the effects of the decrease in levels of business travel and tourism will still be felt for some time, the Group believes that its activities will not be significantly affected over the long term.

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

31 March 2022 *in millions of euros*		**Elemis**	**LimeLife**	**Melvita**	**Sol de Janeiro**
Business plan time frame in years		4	5	5	5
Net sales annual growth rate over the plan		27.3%	32.7%	21.0%	60.0%
Budgeted EBITDA over the plan (*)		24.1%	6.8%	10.7%	22.3%
Long term growth rate		2.1%	2.0%	1.4%	2.1%
Post-tax discount rate		8.7%	8.5%	8.2%	8.5%
Carrying amounts	*Goodwill*	538	169	36	253
	Trademark	284	–	14	163
	Other items	67	21	9	(17.6)*
Recoverable value		1,279	255	80	397
Headroom available		390	64	21	219

(*) Mainly composed by the deferred tax assets recognized on the trademark for €36.3m (Note 6.1)

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

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

31 March 2021 *in millions of euros*		Elemis	LimeLife	Melvita
Business plan time frame in years		4	4	5
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
	Other items	64	15	11
Recoverable value		1,202	376	79
Headroom available		381	248	17

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

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.

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
Terminal value	The sustainable long-term cash flow was assumed to be the extrapolation of the estimated cash flow of the: • FY26 plan ELEMIS; • FY27 plans for Melvita,LimeLife and Sol de Janeiro.
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.

Sensitivity analysis

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

	ELEMIS	LimeLife	Melvita	Sol de Janeiro
CAGR	23.4%	30.5%	19.7%	48.7%
% of EBITDA for each year of the business plan decreased by	5.6 points	2.1 points	2.2 points	7.8 points
WACC	11.6%	10.4%	10.4%	11.8%
Long-term growth rate	–1.6%	–0.5%	–1.4%	–2.5%

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 2.8. They are tested for impairment in accordance with the accounting policy presented in Note 2.9.

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

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. Other financial liabilities

The Group has several put options on non-controlling interests resulting from business combinations and other transactions with minority shareholders. The liabilities resulting from the put options are estimated based on the contractual formula mainly using the EBITDA or EBIT (estimated based on the plan for the company without the effects of IFRS 16) for the determination of the price. The value is discounted reflecting the current market assessments of the time value and the risk specific to the liabilities.

For the new put option recorded in FY22 for Sol de Janeiro see Note 6.3.

4.5. Business combinations

The accounting for acquisition during the year included estimated values for acquired assets, liabilities, and, in particular, newly recognised intangible assets. This valuation process was supported by external experts and incorporated assumptions relating to future profit growth rates, EBIT margins and other commercial considerations. Useful economic lives have also been estimated for these new assets. Changes to the estimates formed, including both through the finalisation of provisional values and through prospective changes to useful economic lives of assets, may result in changes to balance sheet and income statement values resulting from the acquisition.

4.6. 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 2.5.

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 2022 *In thousands of euros*	**L'Occitane en Provence**	**ELEMIS**	**LimeLife**	**Sol de Janeiro**	**Other brands**	**Total**
Net sales	**1,360,991**	**226,317**	**70,733**	**26,081**	**97,236**	**1,781,358**
In % of total	*76.4%*	*12.7%*	*4.0%*	*1.5%*	*5.5%*	*100%*
Gross profit	**1,154,563**	**167,507**	**51,325**	**18,176**	**71,844**	**1,463,415**
% of net sales	*84.8%*	*74.0%*	*72.6%*	*69.7%*	*73.9%*	*82.2%*
Distribution expenses	(563,867)	(46,575)	(48,265)	(2,224)	(37,436)	(698,367)
Marketing expenses	(194,463)	(48,764)	(3,654)	(8,101)	(25,849)	(280,831)
Research & development expenses	(14,570)	(1,595)	(577)	(92)	(2,073)	(18,907)
General and administrative expenses	(131,060)	(18,853)	(8,155)	(7,324)	(7,609)	(173,001)
Share of profit/(loss) from associates and joint ventures	(13,640)	–	–	–	–	(13,640)
Other operating income	38,990	4	–	–	130	39,124
Other operating expenses	(6,779)	(206)	–	–	(94)	(7,079)
Operating profit/(loss)	**269,174**	**51,518**	**(9,326)**	**435**	**(1,087)**	**310,714**
% of net sales	*19.8%*	*22.8%*	*(13.2%)*	*1.7%*	*(1.1%)*	*17.4%*

***31 March 2021** Restated** *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%*
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	(7,535)	–	–	–	(7,535)
Other operating income	7,365	–	–	–	7,365
Other operating expense	(11,656)	(1,761)	1	(1,565)	(14,980)
Operating profit/(loss)	**180,990**	**40,808**	**1,818**	**(6,780)**	**216,836**
% of net sales	*15.4%*	*25.7%*	*1.8%*	*(8.2%)*	*14.3%*

* *See note 2.2 for details regarding the restatement as a result of an error.*

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	***2022***		***2021***	
In thousands of euros	**Total**	**In % of total**	**Total**	**In % of total**
China	327,994	*18.4%*	263,642	*17.1%*
United States	251,725	*14.1%*	242,101	*15.7%*
Japan	206,034	*11.6%*	215,273	*14.0%*
United Kingdom	197,461	*11.1%*	154,445	*10.0%*
Hong Kong	118,884	*6.7%*	94,589	*6.2%*
France	96,011	*5.4%*	86,688	*5.6%*
Luxembourg	73,471	*4.1%*	43,633	*2.8%*
Russia	62,586	*3.5%*	50,966	*3.3%*
Taiwan	51,530	*2.9%*	47,464	*3.1%*
Brazil	48,261	*2.7%*	34,452	*2.2%*
Other geographic areas	347,401	*19.5%*	304,592	*19.8%*
Net sales	**1,781,358**	***100.0%***	**1,537,845**	***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					
	2022			***2021***		
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	12,451	50,167	4 44,410	1,685	2,040	2 70,550
Japan	6,002	23,144	399	7,380	23,283	237
China	6,852	6,995	757	5,621	8,267	540
United Kingdom	7,662	22,819	3,652	6,733	23,691	3,271
Hong Kong	5,986	15,270	–	5,369	18,211	–
France	59,920	18,896	16,166	71,870	1 11,156	17,216
Luxembourg	810	9,399	20,087	980	11,616	22,627
Russia	1,667	12,935	337	1,987	13,486	202
Brazil	10,893	16,236	785	9,365	9,362	464
Taiwan	1,034	2,964	110	1,056	2,622	58
Other geographic areas	15,447	86,109	652	18,301	77,537	784
Total	**128,724**	**264,934**	**487,355**	**130,347**	**301,271**	**315,949**

Notes to the Consolidated Financial Statements

6. INFORMATION RELATING TO GROUP STRUCTURE

6.1. For the year ended 31 March 2022

6.1.1 Acquisition of Sol de Janeiro

On 23 December 2021, the Group acquired 82,86% of Sol de Janeiro for a total consideration of €378.7m (see also Note 6.3 for put options granted to the minority shareholders).

Consideration for the acquisition in millions of euros

The breakdown of the consideration was as follows:

Cash paid	330,877
Ordinary shares issued	–
Contingent consideration	–
Percentage of interests	82.86%
Net identifiable assets acquired by the Group	154,799
Provisional goodwill	**202,618**

Assets acquired and liabilities assumed

ASSETS *In thousands of euros*	**Carrying amount — 31 December 2021**	**Fair value adjustment**	**Fair value**
Property, plant and equipment, net	0.9	–	0.9
Intangible assets, net	1.1	156.7	157.8
Deferred income tax assets	2.7	–	2.7
Other non-current receivable	0.3	–	0.3
Non-current assets	**5.0**	**156.7**	**161.7**
Inventories	20.2	–	20.2
Trade receivable	5.9	–	5.9
Other current assets	6.3	–	6.3
Cash and cash equivalents	8.7	–	8.7
Current assets	**41.1**	**–**	**41.1**
Total assets	**46.0**	**156.7**	**202.7**
LIABILITIES *In thousands of euros*			
Deferred income tax liabilities	–	35.3	35.3
Non-current liabilities	**–**	**35.3**	**35.3**
Trade payables	9.3	–	9.3
Social and tax liabilities	0.4	–	0.4
Other current liabilities	3.0	–	3.0
Current liabilities	**12.7**	**–**	**12.7**
Total liabilities	**12.7**	**35.3**	**47.9**
Net identifiable assets acquired	33.3	121.4	154.8
Deduct: non-controlling interests	(5.7)	(20.8)	(26.5)
Add: goodwill	–	–	202.6
Net assets acquired	**27.6**	**100.6**	**330.9**

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

6.1. For the year ended 31 March 2022 *(continued)*

6.1.1 Acquisition of Sol de Janeiro (continued)

Assets acquired and liabilities assumed *(continued)*

The Group recognises non-controlling interests in an acquired entity at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

The goodwill is attributable to a strategic fit for the Group in terms of brand recognition and identify, product quality, management capability, as well as growth, profitability, and cash generation prospects. The acquisition is in line with the Group's strategy to building a leading portfolio of premium beauty brands.

Purchase price allocation and fair value adjustments

When recognised the above assets and liabilities, a purchase price allocation was performed where identifiable assets and liabilities of Sol de Janeiro were measured at fair value as at 31 December 2021.

The fair value adjustments are as follows:

- The fair value of the trademark is estimated based on the royalty method with a net royalty rate of 7.7% and a post-tax discount rate of 10.3%, including a tax amortisation benefit effect;
- Deferred tax liabilities were recognized on the fair value adjustment of the trademark.

As of 31 March 2022, the above fair values had been determined on a provisional basis. The net identifiable assets acquired are based on the net book value of assets and liabilities as at 31 December 2021.

The impact between the acquisition date as at 23 December 2021 and the consolidation as from 31 December 2021 is not material.

Contribution to net sales and profit

The acquired business contributed to the Group's net sales and profit for the period from 31 December 2021 to 31 March 2022 are respectively €26.1m and €2.0m.

If the acquisition had occurred on 1 April 2021, consolidated unaudited pro-forma revenue and profit for the year ended 31 March 2022 would have been €90.5m and €15.5m respectively.

Acquisition-related costs

The acquisition-related costs amounted to €2.9m and were recognised as administrative expenses. The acquisition costs comprise the insurance costs amounted to €0.5m and corresponds to the liabilities guarantee clause covered by the insurer and paid by the Company.

Notes to the Consolidated Financial Statements

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

6.1. For the year ended 31 March 2022 *(continued)*

6.1.2 L'Occitane Inc. Chapter 11 proceedings

Context

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 was to facilitate the negotiation of lease arrangements with lessors. The goal was to reach a consensual plan under which general unsecured creditors (mainly lessors) would agree to accept payment of less than the full amount of the liabilities. There was no plan to liquidate the subsidiary.

The Group owned 100% of L'Occitane Inc. However, based on the legal restrictions applicable to Chapter 11 proceedings, the operational activities of L'Occitane Inc. were managed through motions that must be validated by the Court. Motions granted by the Court to L'Occitane Inc. to operate the business could have been overturned by the same Court. The Group no longer controlled the relevant activities. Consequently, the exclusive control of L'Occitane Inc. was lost as soon as bankruptcy proceedings were filed. L'Occitane Inc. has been deconsolidated at the date of filing of the proceedings with the Court (26 January 2021). Subsequently to the derecognition of the assets and liabilities of L'Occitane Inc. the Group's investment in L'Occitane Inc. was recorded using the equity method.

As of 31 August 2021, the proceedings for Chapter 11 was closed by the Court and this date was considered as the effective date for the reconsolidation of L'Occitane Inc. since the Court does not have any control on L'Occitane Inc. Therefore, at this date, the Group L'Occitane gained back the exclusive control of the subsidiary, which has been consolidated in the consolidated financial statements of the Group.

In the consolidated financial statements, the impact of the operations of L'Occitane Inc. is presented as follows:

- As an investment accounted for using the equity method from 1 April 2021 to 31 August 2021. The net loss in the consolidated financial statements of income amounts to €8.9m and is presented within "Share of profit/(loss) from associates and joint ventures accounted for using the equity method" (Note 11);
- As a subsidiary consolidated through full integration method for the month from September 2021. The net sales and the net profit from September 2021 to March 2022 amounts to €89.7 million and €2.5 million.

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

6.1. For the year ended 31 March 2022 *(continued)*

6.1.2 L'Occitane Inc. Chapter 11 proceedings (continued)

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

As at 31 August 2021, the Group remeasured the fair value of L'Occitane Inc. for an amount of €0 million which includes a creditor current account with the Group for €19,942,000 considered as part of the net debt.

The key underlying hypothesis for the estimation of the nil fair value of L'Occitane Inc. are as follows:

- The enterprise value was estimated in a range of $40.0 million–$44.9 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 2% 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 0.23x–0.27x and the EBIT multiple applicable is estimated in a range of 10.6x–11.6x.
- Net debt was decreased from the enterprise value for an amount of $42.3 million to take into account the intercompany loan, cash, the normalization of the net working capital and the cash-outs related to the finalization of Chapter 11 proceedings (accounts payable to landlords, rejected part of accounts payable to landlords and professional fees).

Notes to the Consolidated Financial Statements

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

6.1. For the year ended 31 March 2022 *(continued)*

6.1.2 L'Occitane Inc. Chapter 11 proceedings (continued)

Reconsolidation of the assets acquired and liabilities assumed of L'Occitane Inc.

The fair value of the investment in L'Occitane Inc. amounting to € 0 million is considered as the acquisition price.

As at 31 August 2021, the following assets and liabilities of L'Occitane Inc. were recognized as a result of the reconsolidation as follows:

ASSETS *In thousands of euros*	**Carrying amount — 31 August 2021**	**Fair value adjustment**	**Provisional fair value**
Property, plant and equipment, net	12.3	–	12.3
Intangible assets, net	0.3	–	0.3
Right-of-use assets	55.3	–	55.3
Deferred income tax assets	14.1	–	14.1
Other non-current receivable	0.6	–	0.6
Non-current assets	**82.5**	**–**	**82.5**
Inventories	16.1	–	16.1
Trade receivable	5.9	–	5.9
Current income taxes	0.9	–	0.9
Other current assets	3.8	–	3.8
Cash and cash equivalents	20.9	–	20.9
Current assets	**47.5**	**–**	**47.5**
Total assets	**130.1**	**–**	**130.1**
LIABILITIES *In thousands of euros*			
Borrowings	–	–	–
Lease liabilities	45.0	–	45.0
Other non-current liabilities	0.3	–	0.3
Non-current liabilities	**45.3**	**–**	**45.3**
Trade payables	50.3	–	50.3
Social and tax liabilities	3.4	–	3.4
Borrowings	19.9	–	19.9
Lease liabilities	12.6	–	12.6
Other current liabilities	3.7	–	3.7
Provisions	0.1	–	0.1
Current liabilities	**90.1**	**–**	**90.1**
Total liabilities	**135.4**	**–**	**135.4**
Net acquired	**(5.3)**	**–**	**(5.3)**
Minority shareholders	1.3	–	1.3
Fair value of L'Occitane	–	–	–
Goodwill	**6.6**	**–**	**6.6**

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

6.1. For the year ended 31 March 2022 *(continued)*

6.1.2 L'Occitane Inc. Chapter 11 proceedings (continued)

Purchase price allocation and fair value adjustments

When recognised the above assets and liabilities, a purchase price allocation was performed where identifiable assets and liabilities of L'Occitane Inc. were measured at fair value as at 31 August 2021.

The fair value adjustments are as follows:

- 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;
- Right-of-use assets were measured at an amount equal to the recognised liability. Due to the renegotiation of the lease terms with the landlords during the Chapter 11 proceedings, the new terms reflect the market terms and no fair value adjustment was necessary;
- The deferred taxes assets were recognised based on the tax planning taking into account 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 August 2021.

The goodwill resulting from this business combination is attributable to future synergies, mainly thanks to the acquisition of a reorganised stores network with renegotiated leases arrangements.

There was no deductible goodwill for tax purposes.

6.1.3 Investment in Carbios

On 10 May 2021, the Group acquired shares in Carbios S.A. which is specialised in recycling plastic and packaging products for an initial amount of €10,000,000 and representing less than 3% of the total shares (Note 3.3).

6.1.4 Investment in L'Occitane Middle East

On 1 October 2021, the Group invested an additional amount of €4,924,138 in L'Occitane Middle East to develop the activity in Dubai. The percentage of interests remained stable at 51%.

Notes to the Consolidated Financial Statements

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

6.1. For the year ended 31 March 2022 *(continued)*

6.1.5 Acquisition of minority interest of Elemis

On 28 March 2022, the Group repurchased 926 Elemis shares (corresponding to 7.72% of the total issued share capital of LOI Elemis Sarl) for a purchase price of €76.6 million from Chasselas Equity S.A. These shares were sold to Chasselas Equity S.A on 6 March 2019. After this acquisition, the percentage of interests increased from 90.9% to 98.62%.

The Group recognised a decrease in non-controlling interests and a decrease in equity attributable to owners of the Group. The effect of this acquisition is summarized as follows:

In thousands of euros	***31 March 2022***
Carrying amount of non-controlling interests acquired	68,878
Consideration paid to non-controlling interests	76,579
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity (attributable to owners of the Group)	**(7,701)**

6.1.6 New minority interest on Symbiose France

On 16 December 2021, the general manager of Symbiose France acquired 2.21% (corresponding to 31 shares) of Symbiose France for a purchase price of €1 million. The percentage of interests decreased from 100% to 97.79%.

The Group recognised an increase in non-controlling interests and an increase in equity attributable to owners of the Group. The effect of this acquisition is summarized as follows:

In thousands of euros	***31 March 2022***
Carrying amount of non-controlling interests sold	147
Consideration received from non-controlling interests	1,000
Excess of consideration received recognised in the transactions with non-controlling interests reserve within equity (attributable to owners of the Group)	**853**

A put option was granted to the minority shareholder and general manager of Symbiose France and amounted to €4,071,000. The put option can be exercised in 2025.

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

6.2. For the year ended 31 March 2021

6.2.1. 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 Group owned 100% of L'Occitane Inc. However, based on the legal restrictions applicable to Chapter 11 proceedings, the operational activities of L'Occitane Inc. were managed through motions that must be validated by the Court. Consequently, the Group no longer controlled the relevant activities. The exclusive control of L'Occitane Inc. was lost as soon as bankruptcy proceedings were filed. L'Occitane Inc. had been therefore deconsolidated at the date of filing of the proceedings with the court.

The Group had been still involved in the management of L'Occitane Inc. and maintained significant influence over the subsidiary:

- The Group was the sole shareholder of L'Occitane Inc.;
- The marketing strategy was defined at Group level;
- The Group was the owner of the trademark and the exclusive supplier of goods;
- The financing of L'Occitane Inc.'s operations was ensured by the Group;
- L'Occitane Inc. still run 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. was recorded using the equity method.

Notes to the Consolidated Financial Statements

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

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

6.2.1. 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 were assessed by management as not significant), the following assets (including goodwill) and liabilities of L'Occitane Inc. had been 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 AVL	1.3
Net assets	**2.4**

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

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

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

6.2.1. 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. were as follows:

- The enterprise value was estimated in a range of $43.3 million–$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 5.6% and 2.5%. The WACC used was 9.5%. The terminal value took 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 was estimated in a range of 0.27x–0.32x and the EBIT multiple applicable was estimated in a range of 10.6x–12.8x.
- Net debt was decreased from the enterprise value for an amount of $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 "Reconsolidation/deconsolidation of L'Occitane Inc." within "Other operating income" (Note 25) in the consolidated statement of income had been 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 included 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 had been 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, were 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 in "Restructuring expenses" within "Other operating expenses" in the consolidated statement of income" (Note 25, 26). External fees corresponding to services rendered after 31 January 2021 were recorded for an amount of €1,025,000 in the share of profit/(loss) from L'Occitane Inc. (Note 11).

Notes to the Consolidated Financial Statements

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

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

6.2.1.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 amounted to a nil amount.

The fair value adjustments were as follows:

- The existing goodwill was 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. did not own any trademarks;
- Customer relationships (Sell-In distribution channel): given that there were no long term exclusive distribution agreements, the fair value was deemed to be insignificant;
- For 25 stores closed when L'Occitane Inc. entered Chapter 11, no right-of-use assets were 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 led 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 was measured according to IFRS 16 and recognised as if lease contracts were new leases as at 31 January 2021.

6.2.2.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 is 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 were nil.

The joint venture agreement required unanimous consent from all parties for the main relevant activities. The Group therefore determined that it had 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's loss was 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.

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

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

6.2.3. 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 operated 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 had been recognised within "Other operating income" (Note 25) in the consolidated statements of income. The new subsidiary generated a loss for the period in an amount of €664,000.

6.2.4. Investment in Capsum

As at 12 January 2021, the Group acquired 26% of Capsum for a total acquisition cost 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 was accounted for using the equity method (Note 11).

6.2.5. 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.

Notes to the Consolidated Financial Statements

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

6.3. Other financial liabilities

The other financial liabilities correspond mainly to put option arrangements. The following put options have been granted by the Group to non-controlling interests:

In thousands of euros	**% of interests of minority shareholders with put options**	**31 March 2021**	**Increase**	**Change in estimates in the valuation of the exercise price**	**Unwinding of discount (note 23)**	**31 March 2022**
Put on Sol de Janeiro non-controlling interests	17.3%	–	150,463	–	–	150,463
Put on ELEMIS non-controlling interests	1.4%	14,143	–	(258)	1,550	15,435
Put on Symbiose France non-controlling interests	2.2%	–	4,071	–	–	4,071
Put on L'Occitane GmbH non-controlling interests	30%	4,528	–	(2,806)	174	1,896
Total other financial liabilities	**–**	**18,671**	**154,534**	**(3,064)**	**1,724**	**171,865**

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 of the main puts options granted to non controlling interests:

in thousands of euros	Present value of the redemption amount		Unobservable inputs	Range of inputs		Relationship of unobservable inputs to value
	31 March 2021	***31 March 2022***		***31 March 2021***	***31 March 2022***	
Put on Sol de Janeiro non-controlling interests	–	150,463	Discount rate	–	1%	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 €8,270,000.
			Annual EBITDA growth rate	–	17%–27%	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 €8,828,000.
Put on Elemis non-controlling interests	14,143	15,435	Discount rate	10.7%	0.7%	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 €305,000.
			Annual EBITDA growth rate	Same unobservable inputs as the ones used in the Elemis business plan and disclosed in note 4.1.		Decreasing the discount rate by 100 basis points and increasing the annual EBITDA growth rate by 100 basis points would increase the fair value by €311,000.

Notes to the Consolidated Financial Statements

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

6.3. Other financial liabilities *(continued)*

in thousands of euros	**Present value of the redemption amount**		**Unobservable inputs**	**Range of inputs**		**Relationship of unobservable inputs to value**
	31 March 2021	***31 March 2022***		***31 March 2021***	***31 March 2022***	
Put on Symbiose Cosmetics non-controlling interests	–	4,071	Discount rate	–	1%	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 €270,000.
			Annual EBITDA growth rate	–	17%–27%	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 €296,000.
Put on L'Occitane GmbH non-controlling interests	4,528	1,896	Discount rate	0.7%	0.7%	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 €92,000.
			Annual EBITDA growth rate	2%–4%	3%–5%	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 €97,000.

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

6.3. Other financial liabilities *(continued)*

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.
Annual EBIT growth factor	Estimated based on the plan for the company without the effects of IFRS 16.
Put option arrangement in Sol de Janeiro	The put option granted to the Sol de Janeiro non controlling interests can be exercised at different periods with an exercise price based on the multiple of the EBIT (between 20x and 17x). Under certain circumstances of departure of the minority shareholder, the multiple is decreased with a minimum of X17. This contingent consideration arrangement in which the payment is decreased if employment terminates for specific reasons corresponds to a remuneration for post-combination services recorded as a social liability and recognised as a remuneration expense over the vesting period of 3 years (Note 24).

Notes to the Consolidated Financial Statements

7. PROPERTY, PLANT AND EQUIPMENT

7.1. Year ended 31 March 2022

As at 31 March 2022, property, plant and equipment can be analysed as follows:

In thousands of euros	Land	Buildings	Machinery and equipment	Other PP& E	Leasehold and improvements related to the stores	Other PP&E related to stores	PP&E in progress	Total
Cost as of 31 March 2021	**3,246**	**59,169**	**67,828**	**105,793**	**127,170**	**32,737**	**5,417**	**401,360**
Additions	35	41	2,737	8,184	13,295	2,982	3,457	30,731
Disposals	–	–	(320)	(4,599)	(17,734)	(5,097)	(124)	(27,874)
Acquisition of subsidiaries	–	–	457	2,627	7,413	2,704	–	13,201
Other movements	–	722	574	(1,757)	3,172	456	(3,353)	(186)
Exchange differences	195	1,094	449	2,892	3,499	1,200	105	9,434
Cost as of 31 March 2022	**3,476**	**61,026**	**71,725**	**113,140**	**136,815**	**34,982**	**5,502**	**426,666**
Accum. Depreciation as of 31 March 2021	–	**(28,129)**	**(44,894)**	**(82,845)**	**(89,889)**	**(25,256)**	**–**	**(271,013)**
Depreciation	–	(3,805)	(6,516)	(13,434)	(16,483)	(5,414)	–	(45,652)
Impairment loss	–	–	–	–	(3,784)	–	–	(3,784)
Reversal of impairment loss	–	–	–	41	1,144	–	–	1,185
Disposals	–	–	275	4,607	16,999	4,965	–	26,846
Acquisition of subsidiaries	–	–	–	–	–	–	–	–
Other movements	–	–	(6)	(1,280)	1,052	(4)	–	(238)
Exchange differences	–	(120)	(196)	(1,259)	(2,880)	(831)	–	(5,286)
Accum. depreciat. as of 31 March 2022	**–**	**(32,054)**	**(51,337)**	**(94,170)**	**(93,841)**	**(26,540)**	**–**	**(297,942)**
Net book value as of 31 March 2022	**3,476**	**28,972**	**20,388**	**18,970**	**4 2,974**	**8,442**	**5,502**	**128,724**

The additions of the period mainly relate to 80 stores openings and refurbishments for €13,295,000.

The disposals of the period mainly relate to 110 store closures.

Excluding non-cash items, total cash additions amount to €31,726,000.

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

7.2. 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.

Notes to the Consolidated Financial Statements

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*	***2022***	***2021***
Cost of goods sold	10,189	11,987
Distribution expenses	29,251	32,656
Marketing expenses	114	108
Research and development expenses	890	904
General and administrative expenses	5,208	5,465
Depreciation expenses	**45,652**	**51,120**

7.4. Impairment tests of property, plant and equipment

31 March *In thousands of euros*	***2022***	***2021***
Accumulated impairment provision as of the beginning of the year	**(3,701)**	**(8,235)**
Impairment provision	(3,784)	(519)
Reversal of impairment provision (used)	125	527
Reversal of impairment provision (unused)	1,060	419
Deconsolidation of L'Occitane Inc.	–	3,943
Acquisition of subsidiaries	(154)	–
Exchange differences	(25)	164
Accumulated impairment provision as of 31 March	**(6,479)**	**(3,701)**

Property, plant and equipment are allocated to the Group's cash-generating units (CGUs) and are tested for impairment as described in Note 2.7.

An impairment loss amounting to €3,784,000 as at 31 March 2022 and €519,000 as at 31 March 2021 has been recorded within "cost of sales" and "distribution expenses" to adjust the carrying amount of certain fixed assets related to the factory and 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 2021	**243,271**	**47,815**	**10,185**	**301,271**
Additions	88,919	6,424	12,995	108,338
Disposals and change in estimated lease term	(92,594)	(1,176)	(767)	(94,537)
Depreciation (Note 24.3)	(73,524)	(16,868)	(5,723)	(96,115)
Reconsolidation of L'Occitane Inc. (Note 6.1)	44,875	8,399	2,004	55,278
Impairment loss net of reversals (note 24.3)	(17,768)	–	–	(17,768)
Exchange differences	6,796	1,607	64	8,467
Net book value as at 31 March 2022	**199,975**	**46,201**	**18,758**	**264,934**

During the year ended 31 March 2022, the additions mainly relate to new stores (€6,665,000) and other effects such as the extension or renewal of contracts or new offices (€101,673,000).

The impairment loss net of reversals is mainly linked to the change in the estimated lease term for the flagship store on the Champs-Elysées, Paris, France. When the Group had entered into the lease agreement, 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 was reasonably certain to exercise that option. Therefore the lease term initially corresponded to the initial term of the lease on the signature date (12 years) taking into account an extension period (12 years). Due to the poor performance of that store, the Group reassessed the lease term for a shorter period.

The key money for the flagship store on the Champs-Elysées is pledged for an amount of €15,599,273 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 2022 *In thousands of euros*	Stores	Offices	Other	Total
Distribution expenses	(73,524)	–	–	(73,524)
General and administrative expenses	–	(16,868)	(5,723)	(22,591)
Depreciation expenses	**(73,524)**	**(16,868)**	**(5,723)**	**(96,115)**

Notes to the Consolidated Financial Statements

8. LEASES *(CONTINUED)*

8.1. Right-of-use assets *(continued)*

Impairment tests for right-of-use assets

Period ended 31 March *In thousands of euros*	***2022***	***2021***
Accumulated impairment as of the beginning of year	**(9,792)**	**(5,764)**
Impairment loss	(19,923)	(10,193)
Reversal of impairment loss (used)	2,155	591
Deconsolidation of L Occitane Inc	–	5,367
Other movement	–	154
Exchange differences	(1)	53
Accumulated impairment provision as of March	**(27,561)**	**(9,792)**

Right-of-use assets are allocated to the Group's cash-generating units (CGUs) and are tested for impairment as described in Note 2.8. Note 4.1 describes the key assumptions used for the value-in-use calculations.

An impairment loss amounting to €6,646,000 as at 31 March 2022 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.

8.2. Lease liabilities

Amounts recognised in the consolidated balance sheet

Maturities of lease liabilities can be analysed as follows:

In thousands of euros	***2022***	***2021***
Within 1 year	93,722	78,538
Between 1 and 2 years	65,812	58,599
Between 2 and 5 years	88,800	80,034
Over 5 years	25,898	77,556
Period ended 31 March	**274,232**	**294,727**

The total cash outflow for leases for the year ended 31 March 2022 was €108,536,000.

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 2022***
Interest expense (included in finance cost)	8,861
Expense related to short-term leases (included in distribution expenses)	5,956
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)	8
Expense related to variable lease payments not included in lease liabilities (included in distribution expenses)	74,119
Total	**88,944**

9. GOODWILL

Goodwill is monitored by management at the level of the trademarks (Note 2.9).

9.1. Change in goodwill and breakdown

Change in goodwill can be analysed as follows:

In thousands of Euros		31 March 2020	Additions	Other	Deconsolidation of L'Ocitane Inc.	Exchange differences	31 March 2021	Additions	Reconsolidation of L'Occitane Inc.	Exchange differences & Other	31 March 2022
Elemis		514,910	–	10,738	–	(1,347)	524,301	–	–	13,355	537,656
Sol de Janeiro		–	–	–	–	–	–	202,618	–	6,260	208,878
LimeLife		121,336	–	–	–	(7,944)	113,392	–	–	6,362	119,754
L'Occitane [(a)]											
of which:	*Russia*	25,385	–	–	–	(609)	24,776	–	–	(695)	24,081
	Japan	21,833	–	–	–	(1,854)	19,979	–	–	(779)	19,200
	Malaysia	9,454	–	–	–	(253)	9,201	–	–	386	9,587
	Norway	4,356	–	–	–	660	5,016	–	–	147	5,163
	United States	6,174	–	–	(5,791)	(383)	–	–	6,620	372	6,992
	Other countries	21,163	–	–	–	(300)	20,863	–	–	1,000	21,863
Melvita		35,931	–	–	–	–	35,931	–	–	–	35,931
Erborian		2,384	–	–	–	–	2,384	–	–	–	2,384
Total cost		**762,926**	**-**	**10,738**	**(5,791)**	**(12,030)**	**755,843**	**202,618**	**6,620**	**26,408**	**991,489**
Accumulated impairment loss		(1,000)	–	–	–	–	(1,000)	–	–	–	(1,000)
Total cost		**761,926**	**-**	**10,738**	**(5,791)**	**(12,030)**	**754,843**	**202,618**	**6,620**	**26,408**	**990,489**

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

9.2. Goodwill impairment testing

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

Notes to the Consolidated Financial Statements

10. INTANGIBLE ASSETS

10.1. Year ended 31 March 2022

Intangible assets include:

- Acquired trademarks with indefinite useful lives (Sol de Janeiro, Elemis, Melvita);
- 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 relation ships	Intangible assets in progress	Other intangible assets	Total
Cost as of 31 March 2021	**56**	**259,155**	**73,321**	**33,191**	**6,102**	**23,456**	**395,281**
Additions	141	27	3,858	–	4,495	275	8,796
Disposals	(446)	(637)	(3,661)	(334)	(1)	–	(5,079)
Acquisition of subsidiaries	–	157,761	41	–	106	148	158,056
Other movements	1,069	–	2,684	–	(5,076)	1,539	216
Exchange differences	(1)	18,538	749	1,710	49	46	21,091
Cost as of 31 March 2022	**819**	**434,844**	**76,992**	**34,567**	**5,675**	**25,464**	**578,361**
Accumulated amortisation and impairment as of 31 March 2021	**(7)**	**(611)**	**3**	**(59,274)**	**(8,586)**	**(10,857)**	**(79,332)**
Amortisation	(183)	–	(8,731)	(3,478)	–	(3,337)	(15,729)
Disposals	446	624	3,476	334	–	–	4,880
Other movements	(603)	–	698	–	–	–	95
Exchange differences	(1)	–	(446)	(453)	–	(20)	(920)
Accumulated amortisation and impairment as of 31 March 2022	**(348)**	**13**	**(5,000)**	**(62,871)**	**(8,586)**	**(14,214)**	**(91,006)**
Net book value as of 31 March 2022	**471**	**434,857**	**71,992**	**(28,304)**	**(2,911)**	**11,250**	**487,355**

Additions mainly concerned:

- Assets in progress for €4,495,000 related mainly to software.
- Software for an amount of €3,858,000.

10. INTANGIBLE ASSETS *(CONTINUED)*

10.2. 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.

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*	***2022***	***2021***
Cost of goods sold	12	13
Distribution expenses	4,775	4,219
Marketing expenses	288	496
Research and development costs	–	13
General and administrative expenses	10,654	11,711
Amortisation expenses	**15,729**	**16,452**

10.4. Impairment tests of intangible assets

Intangible assets are allocated to the Group's cash-generating units (CGUs) as described in Note 2.9 and tested for impairment. Note 4.1 describes the key assumptions used for the value in use calculation.

31 March *In thousands of euros*	***2022***	***2021***
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) for the period from 1 April 2021 to 31 August 2021 as disclosed in Note 6.1.2, 26% in CAPSUM (associate) and 15.53% in Good Glamm Group.

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) FY22**	**Carrying amount FY22**
L'Occitane Inc. (6.1)	USA	100%	Associate	Equity method	(8,920)	–
Good Glamm Group	India	15.53%	Associate	Equity method	(5,019)	24,677
L'Occitane Middle East	Middle East	51%	Joint Venture	Equity method	678	15,890
CAPSUM	Europe/USA	26%	Associate	Equity method	(379)	26,672
Total Investments in associates and joint ventures					**(13,640)**	**67,239**

The carrying amount of equity-accounted investments has changed as follows:

	L'Occitane Middle East	**Capsum**	**Good Glamm Group** *Restated**	**L'Occitane Inc.**
31 March 2021 *Restated**	9,624	28,091	8,539	15,921
Increase in capital	4,924	–	–	–
Capital gain, net of the dilution in the interest (Note 25)	–	–	20,117	–
Profit/(loss) for the period	678	(379)	(5,019)	(8,920)
Currency translation effects	664	–	1,040	68
Reconsolidation (Note 6.1.2)	–	–	–	(7,069)
Change in controlling interests	–	(1,040)	–	–
31 March 2022	**15,890**	**26,672**	**24,677**	**–**

Notes to the Consolidated Financial Statements

11. JOINT VENTURES AND ASSOCIATES *(CONTINUED)*

11.1. Interests in associates and joint ventures *(continued)*

See note 2.2 for details regarding the restatement as a result of an error.

In the €15,921,000, the loans granted by the Group to L'Occitane Inc. are considered to be part of the Group's net investment in that subsidiary.

The share of profit/(loss) from equity-accounted joint ventures is recorded in the line 'share of profit/(loss) from associates and joint ventures accounted for using the equity method' in the consolidated statement of income.

For Good Glamm Group, the dilution loss is calculated by comparing the carrying value of the disposed interest to the L'Occitane's share of the proceeds received for the new shares issued by the associate of joint venture. This dilution loss is recorded in the line 'Other operating expenses' of the consolidated statement of income (Note 25).

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: €664,000 for L'Occitane Middle East, €1,040,000 for Good Glamm Group and €68,000 for L'Occitane Inc.

11.2. Summary balance sheet for associates and joint ventures

In thousands of euros **Reconciliation of carrying amounts**	**L'Occitane Middle East** ***31 March 2022***	**CAPSUM** ***31 March 2022***	**Good Glamm Group** ***31 March 2022***
Net assets	**3,232**	**25,987**	**169,765**
Group's share in %	51%	26%	15.53%
Group's share in thousands of euros	1,648	6,757	26,365
Notional goodwill	14,242	19,915	(1,688)
Carrying amount	**15,890**	**26,672**	**24,677**

11. JOINT VENTURES AND ASSOCIATES *(CONTINUED)*

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

31 March 2022 *In thousands of euros*	**L'Occitane Middle East**	**CAPSUM**	**Good Glamm Group**
Net sales	22,798	38,707	30,273
Cost of sales	(9,356)	(32,643)	(11,606)
Gross profit	**13,442**	**6,064**	**18,667**
Distribution expenses	(2,866)	(2,526)	–
Marketing expenses	(3,690)	–	–
General and administrative expenses	(4,026)	(4,534)	(42,154)
Other gains/(losses), net	(1,004)	(10)	(2,199)
Other financial interests	(164)	–	(2,675)
Income tax expense	–	(454)	–
Profit/(loss) for the period	**1,692**	**(1,460)**	**(28,361)**
Other comprehensive income	–	–	–
Total comprehensive income	**1,692**	**(1,460)**	**(28,361)**

The statement of income of Good Glamm Group is presented by nature. Therefore all the operating expenses were classified in only one line of the above income statement.

11.4. Summary of balance sheet statement for associates and joint ventures

Summarised balance sheet *In thousand of euros*	**L'Occitane Middle East** ***31 March 2022***	**Capsum** ***31 March 2022***	**Good Glamm Group** ***31 March 2022***
Current assets			
Cash and cash equivalents	2,188	812	113,458
Other current assets	10,124	19,550	40,558
Total current assets	**12,312**	**20,362**	**154,016**
Non-current assets	12,505	53,719	68,445
Current liabilities	(8,084)	(25,668)	(14,708)
Non-current liabilities	(13,501)	(22,426)	(37,988)
Net assets	**3,232**	**25,987**	**169,765**

11.5. 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).

Notes to the Consolidated Financial Statements

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 2022			*31 March 2021*	
In thousands of euros	**LimeLife**	**ELEMIS**	**Sol de Janeiro**	**LimeLife**	**ELEMIS**
Current assets	42,237	198,468	385,597	29,466	134,439
Current liabilities	50,168	51,380	354,910	31,967	40,027
Net current assets/(liabilities)	**(7,931)**	**147,088**	**30,687**	**(2,501)**	**94,412**
Non-current assets	131,604	841,968	379,515	118,779	815,089
Non-current liabilities	7,228	54,725	39,367	5,394	48,450
Net non-current assets/(liabilities)	**124,376**	**787,243**	**340,148**	**113,385**	**766,639**
Net assets/(liabilities)	**116,445**	**934,331**	**370,835**	**110,884**	**861,051**
% of interests owned by the Group	58.0%	90.9%	82.9%	58.6%	90.9%
Accumulated non-controlling interests	3,433	12,371	28,307	5,594	73,946

Summary statement of comprehensive income

	31 March 2022			*31 March 2021*	
In thousands of euros	**LimeLife**	**ELEMIS**	**Sol de Janeiro**	**LimeLife**	**ELEMIS**
Revenue	71,103	206,860	25,487	101,535	148,447
Profit/(loss) for the year	**(7,372)**	**44,988**	**1,964**	**(615)**	**30,988**
Other comprehensive income/(expense)	6,797	28,184	11,109	(8,595)	(17,413)
Total comprehensive income/(expense)	**(575)**	**73,172**	**13,073**	**(9,210)**	**13,575**

Other comprehensive income is mainly related to currency translation adjustments on goodwill, trademarks and intangible assets.

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

12. INTERESTS IN OTHER ENTITIES *(CONTINUED)*

Summary statement of cash flows

In thousands of euros	31 March 2022 LimeLife	31 March 2022 ELEMIS	31 March 2022 Sol de Janeiro	31 March 2021 LimeLife	31 March 2021 ELEMIS
Cash flows from operating activities	(13,747)	10,769	(3)	6,224	45,530
Cash flows from investing activities	(368)	(7,993)	8,017	(1,532)	(35,046)
Cash flows from financing activities	18,261	(5,027)	3,285	(3,339)	(4,467)
Net increase/(decrease) in cash and cash equivalents	**4,146**	**(2,251)**	**11,299**	**1,353**	**6,017**

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*	***2022***	***2021*** *Restated**
Deposits	24,800	24,763
Equity investments at fair value through other comprehensive income (FVOCI) (Note 3.3)	33,117	17,503
Tax receivables	7,315	6,848
Other	2,546	1,702
Other non-current assets	**67,778**	**50,816**

* *See note 2.2 for details regarding the restatement as a result of an error.*

14. INVENTORIES

Inventories can be analysed as follows:

31 March *In thousands of euros*	***2022***	***2021***
Raw materials and supplies	37,480	25,037
Finished goods and work in progress	249,304	189,815
Inventories, gross	**286,784**	**214,852**
Less, allowance	(23,622)	(15,992)
Inventories	**263,162**	**198,860**

The increase in inventories mainly relate to the reconsolidation of L'Occitane Inc. (€16,136,000) and the acquisition of Sol de Janeiro (€ 22,312,000).

Notes to the Consolidated Financial Statements

15. TRADE RECEIVABLES

Trade receivables can be analysed as follows:

31 March *In thousands of euros*	***2022***	***2021***
Trade receivables, gross	204,939	139,320
Less, allowance for doubtful accounts	(5,316)	(3,982)
Trade receivables	**199,623**	**135,338**

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*	***2022***	***2021***
Current and past due within 3 months	191,999	133,161
3 to 6 months	7,872	2,321
6 to 12 months	2,337	1,746
Over 12 months	2,731	2,092
Trade receivables, gross	**204,939**	**139,320**

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

31 March *In thousands of euros*	***2022***	***2021***
At beginning of the year	(3,982)	(2,674)
Provision for impairment	(1,891)	(3,410)
Reversal of impairment	1,301	1,707
Reclassification	–	497
Deconsolidation of L'Occitane Inc.	–	8
Acquisition of Sol de Janeiro	(554)	–
Exchange differences	(190)	(110)
At end of the year	**(5,316)**	**(3,982)**

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

15. TRADE RECEIVABLES *(CONTINUED)*

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

31 March *In thousands of euros*	***2022***	***2021***
Within 3 months	1,349	1,060
3 to 6 months	1,343	849
6 to 12 months	725	714
Over 12 months	1,899	1,359
Impaired receivables	**5,316**	**3,982**

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 2022 and 2021 is as follows:

31 March *In thousands of euros*	***2022***	***2021***
Within 3 months	28,907	9,358
3 to 6 months	6,527	1,472
6 to 12 months	1,612	1,032
Over 12 months	833	734
Trade receivables past due but not impaired	**37,879**	**12,596**

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 2022***	***31 March 2021***
Value added tax receivable and other taxes and social items receivable	23,095	16,836
Prepaid expenses [(a)]	21,515	18,907
Income tax receivable	10,844	3,894
Advance payments to suppliers	12,168	10,331
L'Occitane Middle East current account	7,112	–
Other current assets	8,201	2,830
Total other current assets	**82,935**	**52,798**

(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.

Notes to the Consolidated Financial Statements

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 2022***		***31 March 2021***	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Foreign exchange derivatives at fair value through profit and loss	1,931	1,208	72	657
Sub-total derivative financial instruments at fair value through profit and loss	**1,931**	**1,208**	**72**	**657**
Interest rate derivatives at fair value through other comprehensive income	–	–	–	56
Sub-total derivative financial instruments designated as hedging instruments	**–**	**–**	**–**	**56**
Current portion of derivative financial instruments	**1,931**	**1,208**	**72**	**713**

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*	***2022***	***2021***
— within 'foreign currency gains/(losses)' for currency derivatives (Note 28)	1,308	(1,401)
Total change in the fair value of derivatives at fair value through profit and loss: gains/(losses)	**1,308**	**(1,401)**

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.

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*	***2022***	***2021***
Sale of currencies		
CNY	51,971	23,371
USD	29,810	10,376
HKD	23,931	7,147
JPY	13,947	2,819
GBP	9,161	2,799
RUB	8,586	3,249
MXN	4,597	3,573
THB	2,653	2,681
AUD	1,494	470
SGD	799	–
NOK	578	268
CZK	312	77
PLN	256	174
ZAR	204	69
HUF	200	60
SEK	92	111
Purchase of currencies		
CNY	6,056	–
HUF	57	–
MXN	308	–

Notes to the Consolidated Financial Statements

18. CASH AND CASH EQUIVALENTS

The following table presents details of cash and cash equivalents:

31 March *In thousands of euros*	***2022***	***2021***
Cash at bank and on hand	358,230	419,319
Cash equivalents	2,669	1,897
Cash and cash equivalents	**360,899**	**421,216**

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:

	2022	***2021***
Cash in euros	Eonia or Euribor + margin	Eonia or Euribor + margin
Cash in foreign currencies	Local market rate + margin	Local market rate + margin

The effective interest rates on cash equivalents are as follows:

	2022	***2021***
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 2022. 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 31 March 2021	**1,476,964,891**	**44,309**	**342,851**
At 31 March 2022	**1,476,964,891**	**44,309**	**342,851**

19.2. Treasury shares

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.

As at 31 March 2022, the Company holds 6,829,070 shares in treasury and the aggregate price of the purchased shares is deducted from equity as "Treasury shares reserve" for an amount of €15,476,000.

19. CAPITAL AND RESERVES *(CONTINUED)*

19.3. Share-based payment

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

(i) ***Fair value of options granted***

The fair value at grant date is independently determined using an adjusted form of the Black-Scholes model which includes a Monte Carlo simulation model that takes into account the exercise price, the term of the option, the share price at grant date, the expected dividend yield, the risk-free interest rate for the term of the option, and the correlations and volatilities of the peer group companies.

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

Stock options

The stock option plans can be summarised as follows:

	31 March 2022		***31 March 2021***	
	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	12,512,350	15.94	19,535,672
Exercised during the period	15.69	(5,544,450)	15.61	(4,945,400)
Cancelled/Lapsed during the period	15.12	(271,300)	21.73	(2,077,922)
At the end of the period	**14.63**	**6,696,600**	**15.94**	**12,512,350**

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 2022***	***31 March 2021***
26 October 2012	26 October 2016	HKD23.60	–	–
28 November 2012	29 November 2016	HKD24.47	–	–
4 December 2013	4 December 2017	HKD17.62	–	1,254,250
23 February 2015	23 February 2019	HKD19.22	–	238,000
21 March 2016	21 March 2020	HKD14.36	520,500	1,711,250
02 February 2017	02 February 2021	HKD15.16	1,473,350	4,337,050
29 March 2018	29 March 2022	HKD14.50	4,702,750	4,971,800
Total			**6,696,600**	**12,512,350**

Notes to the Consolidated Financial Statements

19. CAPITAL AND RESERVES *(CONTINUED)*

19.3. Share-based payment *(continued)*

(ii) ***Main characteristics and detail of the plans with LOI instruments*** *(continued)*

Free shares

The free share plans can be summarised as follows:

	31 March 2022		*31 March 2021*	
	Average fair value in HKD per free share	**Number of free shares**	**Average fair value in HKD per free share**	**Number of free shares**
At the beginning of the period	14.50	3,360,300	14.50	3,371,400
Vested during the period	14.50	(2,333,700)	–	–
Forfeited during the period	14.50	(1,026,600)	14.50	(11,100)
At the end of the period	**–**	**–**	**14.50**	**3,360,300**

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

(iii) ***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 2022		*31 March 2021*	
	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	1,266,891	6.4	844,594
Vested during the year	6.4	422,297	6.4	422,297
As at 31 March	**6.4**	**1,689,188**	**6.4**	**1,266,891**

19. CAPITAL AND RESERVES *(CONTINUED)*

19.3. Share-based payment *(continued)*

(iii) Main characteristics and detail of the plans with LimeLife equity instruments (continued)

Grant date	Vesting date	Number of free shares 31 March 2022	Number of free shares 31 March 2021
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 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.

(iv) 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.

(v) Total share-based payment expense

During the years ended 31 March 2021 and 31 March 2022, the share-based payment expense recognised within employee benefits was as follows:

In thousands of euros	*2022*	*2021*
LOI equity instruments	772	2,470
LOG equity instruments	6,798	7,478
LimeLife instruments	1,056	1,207
Social charges	983	1,240
Total (note 24)	**9,609**	**12,395**

As at 31 March 2022, an amount of €444,000 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	*2022*	*2021*
LOI equity instruments	–	2,050
LOG equity instruments	7,230	9,660
LimeLife instruments	–	469
Total	**7,230**	**12,179**

19.4. Distributable reserves

On 31 March 2022, the distributable reserves of L'Occitane International S.A. amounted to €839,965,536 (€758,631,786 as at 31 March 2021).

Notes to the Consolidated Financial Statements

19. CAPITAL AND RESERVES *(CONTINUED)*

19.5. Dividend per share

On 29 September 2021, the Annual Shareholder's Meeting approved the distribution of €54,189,000, namely €0.03687 per share (excluding 9,576,670 treasury shares), which was paid on 22 October 2021.

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 2022, 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 2022***	***31 March 2021***
FY2022 Term loan	300,354	–
FY2021 Revolving facility	64,604	36,821
FY2021 PGE Bank borrowing (COVID)	–	50,203
FY2021 Affiliates borrowing (COVID)	–	996
FY2020 NEU CP facility	282,800	135,000
FY2019 Term loan	–	275,000
FY2019 Long-term loan	15,602	17,598
FY2012 bank borrowing	3,571	4,286
Other bank borrowings	3,996	2,197
Bank overdraft	3	13
Total	**670,930**	**522,114**
(Deduct) current portion:		
FY2022 Term loan	(354)	–
FY2021 Revolving facility	275	(36,821)
FY2021 PGE Bank borrowing (COVID)	–	(50,203)
FY2021 Affiliates borrowing (COVID)	–	(544)
FY2020 NEU CP facility	(282,800)	(135,000)
FY2019 Term loan	–	(275,000)
FY2019 Long-term loan	(2,018)	(1,999)
FY2012 bank borrowing	(714)	(715)
Other bank borrowings	(3,997)	(2,197)
Bank overdraft	(3)	(13)
Total current portion	**(289,611)**	**(502,492)**
Total non-current portion	**381,319**	**19,622**

20. BORROWINGS *(CONTINUED)*

20.1. Maturity of non-current borrowings

For the years ended 31 March 2022 and 2021, 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**
FY2022 Term loan	–	300,000	–	300,000
FY2021 Revolving Facility	–	64,879	–	64,879
FY2019 Long-term loan	2,035	6,223	5,326	13,584
FY2012 bank borrowing	714	2,142	–	2,856
Maturity at 31 March 2022	**2,749**	**373,244**	**5,326**	**381,319**
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**

20.2. Credit facility agreements

FY2022 Term loan

On 21 December 2021, the Company signed a Term Loan Agreement for an amount of €300,000,000 with a three-year maturity. An amount of €300,000,000 equivalent was drawn as at 31 March 2022.

The FY2022 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 2.5	Euribor + Margin
Ratio between 2.0 and 2.5	Euribor + Margin — 0.25
Ratio between 1.5 and 2.0	Euribor + Margin — 0.45
Ratio between 1.0 and 1.5	Euribor + Margin — 0.55
Ratio between 0.5 and 1.0	Euribor + Margin — 0.65
Ratio lower than 0.5	Euribor + Margin — 0.75

During the year ended 31 March 2022, the interest rate was based on Euribor + Margin — 0.55

Notes to the Consolidated Financial Statements

20. BORROWINGS *(CONTINUED)*

20.2. Credit facility agreements *(continued)*

FY2022 Term loan (continued)

The FY2022 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 2.5. The covenant was respected as at 31 March 2022.

The directly attributable transaction costs related to the issuance of this FY2022 Term Loan Agreement amounted to €1,550,000. As this financing is a term loan, the fees were capitalised as a deferred charge and amortised over the term of the loan.

FY2022 Bilateral Cash Pooling Facility

On 30 June 2021, the Company signed an unsecured bilateral cash pooling facility in US Dollars (USD) for an amount up to USD 50 million with a one-year maturity and an option for an automatic extension on an annual basis. The facility was not automatically extended and cancelled as at 31 March 2022. As a consequence no amount was drawn as at 31 March 2022.

The FY2022 Bilateral Cash Pooling Facility includes a repricing option.

The interest rates depend on the below-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 end 31 March 2022, the interest rate was based on Euribor + Margin — 0.75.

The margin is always increased by 15 bps if the FY2022 Bilateral Cash Pooling Facility is drawn in USD.

20. BORROWINGS *(CONTINUED)*

20.2. Credit facility agreements *(continued)*

FY2022 Bilateral Cash Pooling Facility (continued)

The FY2022 Bilateral Cash Pooling 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 calculated on an annual basis. The covenant is respected for the fiscal year ended 31 March 2022.

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. The first extension for one additional year till 31st March 2027 has been activated on 28th February 2022. An amount of €64,604,162 had been drawn as at 31 March 2022.

The FY2021 Revolving Credit Facility includes a repricing option.

The interest rates depend on the below-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 + Margin
Ratio between 2.0 and 2.5	Euribor + Margin — 0.25
Ratio between 1.5 and 2.0	Euribor + Margin — 0.45
Ratio between 1.0 and 1.5	Euribor + Margin — 0.55
Ratio between 0.5 and 1.0	Euribor + Margin — 0.65
Ratio lower than 0.5	Euribor + Margin — 0.75

During the year ended 31 March 2022, the interest rate was based on Euribor/Libor + Margin — 0.75.

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)*

FY2022 Bilateral Cash Pooling 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 (will be applicable in FY23).

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 2022.

The directly attributable transaction costs related to the issuance of this FY2021 Revolving Credit Facility Agreement amounted to €2,848,561. As there is no evidence that some or all the facility will likely be drawn down, the fees were capitalized as a deferred charge and amortized over the term of the facility.

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

As at 31 March 2022, the PGE was fully reimbursed.

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.

As at 31 March 2022, the balance amounts to €282,800,000 for a weighted average rate of -0.23% for initial maturities comprising between 6 and 266 days.

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 full amount of €300,000,000 was drawn as at 31 March 2019. An amount of €25,000,000 was reimbursed during the year ended 31 March 2021.

On July 2021, the FY2019 Term Loan was fully reimbursed for a total outstanding amount of €275,000,000.

As at 31 March 2022, the FY2019 Term Loan was fully reimbursed.

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 four repayments were made in June 2021, September 2021, December 2021 and March 2022, for amounts of €497,082, €498,287, €499,495 and €500,707 respectively. As at 31 March 2022, the outstanding amount is €15,599,273.

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.

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.).

This loan is repaid annually and one repayment was made in December 2021, for amount of €714,286. As at 31 March 2022, the outstanding amount is €3,571,429.

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*	***2022***	***2021***
Floating rate:		
— Expiring within one year	15,856	15,080
— Expiring beyond one year	252,321	428,192
Fixed rate:		
— Expiring within one year	–	–
— Expiring beyond one year	–	–
Total	**268,177**	**443,272**

Notes to the Consolidated Financial Statements

20. BORROWINGS *(CONTINUED)*

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 2021***	**Cash Flow Proceeds**	**Cash Flow Repayments**	***31 March 2022***
FY2022 Term Loan	–	300,354	–	300,354
FY2021 Revolving facility	36,821	64,604	(36,821)	64,604
FY2021 PGE bank borrowing (COVID)	50,203	–	(50,203)	–
FY2021 Affiliates borrowing (COVID)	996	–	(996)	–
FY2020 NEU CP Facility	135,000	282,800	(135,000)	282,800
FY2019 Term loan	275,000	–	(275,000)	–
FY2019 Long term loan	17,598	–	(1,996)	15,602
FY2012 bank borrowing	4,286	–	(715)	3,571
Other bank borrowings	2,197	8,557	(6,758)	3,996
Bank overdrafts	13	–	(10)	3
Total	**522,114**	**656,315**	**(507,499)**	**670,930**

21. OTHER CURRENT AND NON-CURRENT LIABILITIES

Other current and non-current liabilities include the following:

31 March *In thousands of euros*	***2022***	***2021***
Retirement indemnities	12,135	13,146
Long term employment benefits	1,068	976
Provisions for dismantling and restoring	8,390	7,746
Grants to a foundation	–	75
Other	1,359	1,313
Total non current liabilities	**22,952**	**23,256**
Grants to a foundation	172	166
Deferred revenue [(a)]	19,014	17,083
Sale of ELEMIS minority shareholders	77,409	–
Provisions for dismantling and restoring	2,019	1,749
Right to return goods	2,145	1,359
Total current liabilities	**100,759**	**20,357**

(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 24).

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*	***2022***	***2021***
Present value of unfunded obligations	12,135	13,146
Liability in the balance sheet	**12,135**	**13,146**

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

31 March *In thousands of euros*	***2022***	***2021***
Beginning of the year	13,146	12,168
Current service cost	1,634	1,279
Past service cost	–	1,105
Interest cost	60	126
Change in IAS19	(1,347)	–
Actuarial (gains)/losses	(1,073)	(1,399)
Exchange differences	(34)	16
Benefits paid	(251)	(149)
End of year	**12,135**	**13,146**

The amounts recognised in the income statement are as follows:

31 March *In thousands of euros*	***2022***	***2021***
Current service cost	1,634	1,279
Interest cost	60	126
Total included in employee benefit expenses (note 24)	**1,694**	**1,405**

Notes to the Consolidated Financial Statements

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 %*	***2022***	***2021***
Discount rate	1.80	0.70
Inflation rate	2.00	1.70
Future salary increases	3.00	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 €320,000 in the defined-benefit obligation.

21.2. Provision for dismantling and restoring costs

As at 31 March 2022, provisions for dismantling and restoring costs are as follows:

		Charged/(credited) to the statement of income						
In thousands of euros	***31 March 2021***	**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 2022***
Provisions recorded over the lease term	3,844	440	(19)	119	–	–	127	4,511
Provisions recorded at inception	5,651	196	–	181	–	–	(130)	5,898
Total	**9,495**	**636**	**(19)**	**300**	**-**	**-**	**(3)**	**10,409**

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*	***2022***	***2021***
Current and past due within 3 months	204,349	156,259
Past due from 3 to 6 months	1,272	1,639
Past due from 6 to 12 months	1,093	2,555
Past due over 12 months	3,189	1,205
Trade payables	**209,903**	**161,658**

23. PROVISIONS

As at 31 March 2022 provisions can be analysed as follows:

		Charged/(credited) to the statement of income					
In thousands of euros	***31 March 2021***	**Additional provisions**	**Unused amounts reversed**	**Used during the year**	**Acquisition of subsidiaries**	**Exchange differences**	***31 March 2022***
Employee-related disputes [a]	962	70	(44)	(418)	94	91	755
Commercial claims [b]	471	853	–	(130)	–	(46)	1,148
Tax risks	244	43	–	(114)	–	63	236
Total	**1,677**	**966**	**(44)**	**(662)**	**94**	**108**	**2,139**

(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.

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24. EXPENSES BY NATURE

24.1. Breakdown of expenses by nature

Expenses by nature include the following amounts:

31 March *In thousands of euros*	***2022***	***2021***
Employee benefit expenses [(a)]	423,705	371,992
Rent and occupancy [(b)]	109,546	89,229
Raw materials and consumables used	230,066	208,968
Change in inventories of finished goods and work in progress	(23,505)	(18,495)
Advertising costs [(c)]	228,104	167,182
Auditor's remuneration [(d)]	1,751	1,798
Professional fees [(e)]	172,951	160,115
Depreciation, amortisation and impairment (note 24)	177,863	190,701
Transportation expenses	99,673	76,060
Other expenses [(f)]	68,895	58,309
Total cost of sales, distribution expenses, marketing expenses, research and development expenses and general and administrative expenses *	**1,489,049**	**1,305,859**

(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 in 2021.*

(b) *The rent and occupancy amount as at 31 March 2022 mainly includes variable lease payments based on sales for €74,119,000, rent and occupancy costs relating to short-term leases for €5,956,000 and low-value leases for €8,000. This amount also includes €3,423,000 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. The increase is mainly explained by China, Elemis and Sol de Janeiro,*

(d) *Auditor's remuneration relates to audit services for €1,677,400 (€1,452,000 for the financial year ended 31 March 2021) and audit related services for €707,537 (€346,000 for the financial year ended 31 March 2021).*

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

(f) *Other expenses notably include travel out-of-pocket expenses, IT services, telephone and postage. The increase is mainly explained by travel expenses which were impacted by COVID-19 in FY2021 and IT services.*

* *The total impact of L'Occitane Inc. for the period ended 31 March 2021 in the total of expenses was €95,732,000.*

24. EXPENSES BY NATURE *(CONTINUED)*

24.2. Workforce and employee benefits

Employee benefits include the following amounts:

31 March *In thousands of euros*	***2022***	***2021***
Wages, salaries and bonus	332,468	295,106
Share-based payment (Note 19.3)	9,609	12,395
Social security	76,117	62,058
Remuneration for post-combination services granted to non-controlling interests (Note 6.3)	501	–
Post employment benefits (Note 21.1)	1,694	1,405
Other	3,316	1,028
Total employee benefits	**423,705**	**371,992**
Workforce (full time equivalent)	**9,042**	**8,733**

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.

24.3. Breakdown of depreciation, amortisation and impairment

Depreciation, amortisation and impairment include the following:

In thousands of euros	***31 March 2022***	***31 March 2021***
Depreciation of property, plant and equipment (Note 7.3)	45,652	51,120
Impairment of property, plant and equipment (Note 7.4)	3,784	519
Impairment reversal of property, plant and equipment (Note 7.4)	(1,185)	(946)
Depreciation of right-of-use assets (Note 8.1)	96,115	113,954
Impairment of right-of-use assets (Note 8.1)	17,768	9,602
Amortisation of intangible assets (Note 10)	15,729	16,452
Depreciation, amortisation and impairment	**177,863**	**190,701**

The variation is mainly explained by the impact of the deconsolidation of L'Occitane Inc. The total of depreciation, amortisation and impairment for L'Occitane Inc. was €12,049,000 as at March 2022 (€25,433,000 as at March 2021).

Notes to the Consolidated Financial Statements

25. OTHER OPERATING INCOME/EXPENSES

Other income/expenses, net are detailed as follows:

31 March *In thousands of euros*	***2022***	***2021*** *Restated**
Reconsolidation/deconsolidation of L'Occitane Inc.	12,873	5,756
Capital gain arising from the change in the % of interests in associates and joint ventures (Note 11.1)	25,062	–
Government grants [(a)]	1,044	1,115
Excess of the fair value of acquired net assets over the cost of an acquisition (negative goodwill) [(b)]	145	494
Other operating income	**39,124**	**7,365**
Restructuring expenses (Note 26)	(1,448)	(13,246)
Loss on sale of assets (Note 31.1)	(590)	(1,719)
Dilution loss arising from the change in the % of interests in associates and joint ventures (Note 11.1)	(4,945)	–
Other items	(96)	(15)
Other operating expenses	**(7,079)**	**(14,980)**

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

(b) This was related in FY21 to 86 Café Retail acquisition during the year.

26. RESTRUCTURING EXPENSES

The restructuring expenses break down as follows:

31 March *In thousands of euros*	***2022***	***2021***
Employee termination benefits of the global restructuring plan	(73)	(10,910)
Fees in connection with the Chapter 11 case of L'Occitane Inc.	(1,375)	(2,336)
Total restructuring expenses	**(1,448)**	**(13,246)**

The employee termination benefits as of March 2021 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*	***2022***	***2021***
Interest on cash and cash equivalents	1,908	2,847
Finance income	**1,908**	**2,847**
Interest expense	(5,845)	(7,707)
Interest and finance expenses paid/payable for lease liabilities (Note 8.2)	(8,857)	(11,533)
Unwinding of discount on other financial assets (Note 6.3)	(1,728)	(1,946)
Impairment of financial assets	–	–
Finance costs	**(16,430)**	**(21,186)**
Finance costs, net	**(14,522)**	**(18,339)**

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*	***2022***	***2021***
Foreign exchange differences	(1,616)	(1,560)
Fair value gains/(losses) on derivatives (Note 17)	1,308	(1,401)
Foreign currency gains/(losses)	**(308)**	**(2,961)**

Foreign exchange differences mainly correspond to:

- Unrealised net foreign exchange losses: €420,000 (net losses amounting to €2,557,000 for the year ended 31 March 2021);
- Realised net foreign exchange gains: €112,000 (net gains amounting to €5,517,000 for the year ended 31 March 2021).

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29. INCOME TAX EXPENSE

29.1. Income tax expense

Income tax expense breaks down as follows:

31 March *In thousands of euros*	***2022***	***2021***
Current income tax	(60,160)	(44,227)
Deferred income tax	6,185	2,328
Total tax income expense	**(53,975)**	**(41,899)**

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*	***2022***	***2021***
Profit before tax and share of profit/(loss) from joint ventures accounted for using the equity method	289,410	203,071
Income tax calculated at corporate tax rate *(Luxembourg tax rate of 24.94% as at 31 March 2022 and 2021)*	(72,179)	(50,646)
Effect of different tax rates in foreign countries	24,491	19,228
Changes in tax rates	(268)	(79)
Effect of unrecognized tax assets	(3,919)	(2,819)
Expenses not deductible for taxation purposes	(945)	(5,072)
Provision for tax risks	(142)	–
Effect of unremitted tax earnings	(916)	(2,509)
Minimum tax payments	(97)	(2)
Income tax expense	**(53,975)**	**(41,899)**

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 2022 and 2021 break down as follows:

In thousands of euros	***2022***	***2021***
ASSETS		
Intercompany margin in inventory	31,412	22,893
Excess tax basis over carrying amount of PP&E	14,028	9,170
Tax losses carried forward	22,519	16,704
Lease liabilities	7,368	6,627
Employee benefits	7,110	5,144
Promotional goods expensed	3,848	2,962
Inventory valuation	6,591	3,406
Loyalty programmes	2,662	2,491
New tax regulation	269	265
Other temporary differences	11,298	5,710
Total assets	**107,105**	**75,372**
To be recovered after more than 12 months	*46,349*	*35,449*
To be recovered within 12 months	*60,756*	*39,923*
LIABILITIES		
Identified trademarks in business combinations (Note 6)	(79,222)	(40,856)
Goodwill tax amortization	(20,825)	(13,521)
Income tax on unremitted earnings (Note 29.4)	(7,718)	(7,836)
Derivative financial instruments	(244)	–
Other temporary differences	(1,287)	(91)
Total liabilities	**(109,296)**	**(62,304)**
To be recovered after more than 12 months	*(101,334)*	*(34,477)*
To be recovered within 12 months	*(7,962)*	*(27,827)*
Deferred income tax, net	**(2,191)**	**13,068**
Deferred income tax assets	*94,005*	*65,854*
Deferred income tax liabilities	*(96,196)*	*(52,786)*

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 2022, the Group had tax losses of €172,811,000 to be carried over, generating a potential deferred income tax asset of €45,266,000. On 31 March 2021, these figures were €129,426,000 and €32,344,000 respectively.

The deferred income tax assets that were not recognised at 31 March 2022, amount to €22,519,000 (€15,640,000 at 31 March 2021) and mainly related to Brazil.

Notes to the Consolidated Financial Statements

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*	***2022***	***2021***
At the beginning of the year	**13,068**	**34,500**
(Charged)/credited to income (Note 29.1)	6,185	2,328
(Charged)/credited to equity (Note 29.5)	(564)	(171)
Reconsolidation/deconsolidation of L'Occitane Inc.	14,078	(13,133)
Acquisition of subsidiaries	(32,543)	–
Other [(a)]	–	(10,738)
Exchange differences	(2,415)	282
At the end of the year	**(2,191)**	**13,068**

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 March 31, 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 €7,718,000 at 31 March 2022 and €7,836,000 at 31 March 2021.

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 2022			***31 March 2021***	
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)	1,890	–	1,890	596	–	596
Actuarial gains/(losses) on defined-benefit obligation (Note 21.1)	2,398	(564)	1,834	404	(171)	233
Currency translation differences	50,485	–	50,485	(36,846)	–	(36,846)
Other comprehensive income	**54,773**	**(564)**	**54,209**	**(35,846)**	**(171)**	**(36,017)**

30. EARNINGS PER SHARE

The Group applies the rules governing earnings per share as described in Note 2.31 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	***2022***	***2021*** *Restated**
Profit for the year attributable to equity holders of the Company *(in thousands of euros)*	**242,034**	**151,180**
Weighted average number of ordinary shares in issue [(a)]	1,470,135,821	1,466,677,921
Basic earnings per share *(in € per share)*	**0.165**	**0.103**

** See note 2.2 for details regarding the restatement as a result of an error.*

(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.

	2022	***2021*** *Restated**
Profit for the year attributable to equity holders of the Company *(in thousands of euros)*	**242,034**	**151,180**
Weighted average number of ordinary shares in issue [(a)]	1,470,135,821	1,466,677,921
Adjustment for share options	3,017,232	1,167,450
Adjustment for free shares	–	2,933,794
Weighted average number of ordinary shares for diluted earnings per share in issue	1,473,153,053	1,470,779,165
Diluted earnings per share *(in € per share)*	**0.164**	**0.103**

** See note 2.2 for details regarding the restatement as a result of an error.*

(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*	2022 Intangible assets	 Property, plant and equipment	 Right-of-use assets	 Total	2021 Intangible assets	 Property, plant and equipment	 Right-of-use assets	 Total
Disposals — Cost	5,079	27,874	2,391	35,344	1,177	22,343	1,651	25,171
Disposals — Accumulated depreciation and amortisation	(4,880)	(26,846)	(1,801)	(33,527)	(945)	(20,135)	(250)	(21,330)
Net book value (Note 7 and 10)	**199**	**1,028**	**590**	**1,817**	**232**	**2,208**	**1,401**	**3,841**
Profit/(loss) on sale of assets (Note 25)	73	(809)	146	(590)	(210)	(1,264)	(245)	(1,719)
Proceeds from sale of assets	**272**	**219**	**736**	**1,227**	**22**	**944**	**1,156**	**2,122**

Profit/(loss) on the sale of assets is presented within "Other operating income/expenses" 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*	***2022***	***2021***
Employee-related disputes	(23)	(392)	136
Commercial claims	(23)	723	242
Tax risks	(23)	(71)	(70)
Dismantling and restoring	(21.2)	917	1,251
Retirement benefits	(21.1)	1,443	1,256
Other		–	63
Net movement in provisions		**2,620**	**2,878**

31.3. Other non-cash items

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

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.

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*	***2022***	***2021***
Property, plant and equipment	4,746	1,241
Intangible assets	20	83
Raw materials	6,717	2,299
Total	**11,483**	**3,623**

The amounts as at 31 March 2022 and 31 March 2021 mainly relate to the plants in France.

33.2. Other commitments

31 March *In thousands of euros*	***2022***	***2021***
Pledge over property (land and buildings)	19,171	21,884
Total	**19,171**	**21,884**

The Group has also 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). The Group has already invested a cumulated amount of €13,000,000.

During FY2022, the Group committed to invest in Livelihoods Carbon fund Sicav for a total amount of €5,000,000. Livelihoods was founded in 2008 under the leadership of Danone to restore degraded ecosystems, redevelop local economies and combat climate change. In return, it is expected to receive carbon offsets under the form of dividend in-kind until 2030.

Notes to the Consolidated Financial Statements

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 2022 *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)]	–	–	150	–	–	697	847
André Hoffmann [(b)]	618	–	278	–	–	–	896
Yves Blouin	428	70	115	–	121	–	734
Thomas Levilion	385	94	150	–	127	–	756
Séan Harrington	544	–	805	–	32	–	1,381
Karl Guénard	116	31	120	–	14	–	281
Non-executive director							
Martial Lopez	–	–	–	10	–	–	10
Independent Non-executive directors							
Mark Broadley	–	–	–	45	5	–	50
Pierre Milet [(c)]	18	–	–	–	–	–	18
Valérie Bernis	–	–	–	30	5	–	35
Jackson Ng	–	–	–	39	5	–	44
Betty Liu [(c)]	–	–	–	–	–	–	–
Total	**2,091**	**195**	**1,618**	**142**	**309**	**697**	**5,052**

(a) Reinold Geiger is the Chairman.

(b) André Hoffman is the Chief Executive Officer.

(c) Pierre Milet has been replaced by Betty Liu on 1st March 2022.

34. TRANSACTIONS WITH RELATED PARTIES *(CONTINUED)*

34.1. Key management compensation *(continued)*

Director's emoluments (continued)

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.

There is no defined benefit obligation for directors.

Notes to the Consolidated Financial Statements

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*	***2022***	***2021***
Salaries and other benefits in kind	2,014	1,582
Employer's contribution to a retirement benefit scheme	105	141
Bonus	1,848	1,773
Directors' fees	–	–
Share-based payment	182	969
Services	697	773
Total	**4,846**	**5,238**

Fees for three directors are included in the 31 March 2022 and 2021 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*	***2022***	***2021***
Nil to €700,000	–	–
€700,000 to €800,000	1	–
€800,000 to €900,000	2	–
€900,000 to €1,000,000	1	1
over €1,000,000	1	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*	***2022***	***2021***
Salaries and other benefits in kind	3,168	2,680
Employer's contribution to a retirement benefit scheme	324	262
Bonus	1,172	1,230
Directors' fees	–	–
Share-based payment	1,339	1,858
Total	**6,003**	**6,030**

There is no defined benefit obligation for senior management.

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*	***2022***	***2021***
Nil to €200,000	0	1
€200,000 to €300,000	3	–
€300,000 to €400,000	2	1
€400,000 to €500,000	0	1
over €500,000	7	7
Total	**12**	**10**

34.2. Sales of products and services

31 March *In thousands of euros*	***2022***	***2021***
Sales of goods and services		
— Sales of L'Occitane products to Les Minimes [(a)]	–	34
— Sales of L'Occitane products to L'Occitane Middle East	10,612	9,619
— Sales of L'Occitane products to Capsum	–	24
— Sales of L'Occitane products to L'Occitane Inc.	13,334	2,767
— Sales of Erborian products to L'Occitane Middle East	368	–
— Sales of Melvita products to L'Occitane Middle East	46	–
— Management fees to parent [(b)]	231	271
— Sales of services to LOG Investments	42	359
— Sales of services to Pierre Hermé SAS [(c)]	–	508
Total sales of products	**24,633**	**13,582**
Receivable to related parties in connection with the above sales of products		
— Receivables from parent [(b)]	271	–
— Receivables from LOG Investments	53	36
— Receivables from L'Occitane Middle East	6,921	3,283
— Receivables from L'Occitane Inc.	–	2,966
— Receivables from LOG	–	271
Total receivables	**7,245**	**6,556**

a) *In the normal course of business, the Group sells L'Occitane products to Les Minimes SAS, which is owned by the parent company (79.5%) and by Mr. Reinold Geiger (20.5%).*

b) *Management fees invoiced by the Company to the parent company amounted to €231,000,000 (€271,000 for the financial year ended 31 March 2021).*

c) *Before December 2021, the Company used to run two flagship stores (in Paris and London) with Pierre Hermé SAS, which was 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.*

Notes to the Consolidated Financial Statements

34. TRANSACTIONS WITH RELATED PARTIES *(CONTINUED)*

34.3. Purchases of goods and services

31 March *In thousands of euros*	***2022***	***2021***
Purchases		
— Services from Directors [(a)]	–	4
— Services from Les Minimes [(b)]	–	1
— Services from Parents	(109)	4
— Goods and services from Pierre Hermé [(c)]	1,468	1,027
— Goods from Capsum	3,489	4,281
— Goods from L'Occitane Inc.	–	422
Total purchases	**4,848**	**5,739**
Payables to related parties in connection with the above services		
— Goods and services from Pierre Hermé [(c)]	293	156
— Goods from L'Occitane Middle East	51	7
— Goods from Capsum	230	435
— Goods from L'Occitane Inc.	–	311
Total payables	**574**	**909**

(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 (79.5%) and by Mr. Reinold Geiger (20.5%) 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*	***2022***	***2021***
Loans to related parties		
— Receivables from L'Occitane Inc. (Note 6)	–	19,942
— Receivables from L'Occitane Middle East	6,945	–
Total loans to related parties	**6,945**	**19,942**

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 2022 and 31 March 2021.

34.6. Commitments and contingencies

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

35. COMPANY LEVEL INFORMATION

35.1. Company balance sheet

ASSETS *In thousands of euros*	***31 March 2022***	***31 March 2021***
Property, plant and equipment	810	980
Right-of-use assets	9,399	11,616
Intangible assets	24,045	26,585
Investments in subsidiaries	1,605,518	1,243,854
Investments in securities	9,162	–
Other non-current receivables due from subsidiaries	4,090	4,090
Other non-current receivables	10,073	9,974
Non-current assets	**1,663,097**	**1,297,099**
Inventories	23,758	19,069
Trade receivables due from subsidiaries	162,439	69,622
Trade receivables	15,455	14,365
Other current assets due from subsidiaries	163,735	10,484
Other current assets	19,151	11,427
Derivative financial instruments	1,931	72
Cash and cash equivalents	252,414	344,338
Current assets	**638,883**	**469,377**
TOTAL ASSETS	**2,301,980**	**1,766,476**

EQUITY AND LIABILITIES *In thousands of euros*	***31 March 2022***	***31 March 2021***
Share capital	44,309	44,309
Additional paid-in capital	342,851	342,851
Retained earnings	669,481	735,688
Total equity	**1,056,641**	**1,122,848**
Borrowings	364,878	–
Lease liabilities	7,288	9,202
Deferred income tax liabilities	2,176	2,094
Other financial liabilities	171,865	18,671
Non-current liabilities	**546,207**	**29,967**
Trade payables due to subsidiaries	96,375	83,573
Trade payables	13,797	16,036
Social and tax liabilities	28,304	20,040
Borrowings	475,582	487,466
Lease liabilities	3,004	2,744
Other current liabilities due to subsidiaries	80,262	2,559
Derivative financial instruments	1,208	713
Provisions	600	530
Current liabilities	**699,132**	**613,661**
TOTAL EQUITY AND LIABILITIES	**2,301,980**	**1,766,476**

Notes to the Consolidated Financial Statements

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 2020	**44,309**	**342,851**	**680,260**	**1,067,420**
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**	**735,688**	**1,122,848**
1 April 2021	**44,309**	**342,851**	**735,688**	**1,122,848**
Profit for the year	–	–	136,256	136,256
Dividend declared	–	–	(54,141)	(54,141)
Employee share option: value of employee services	–	–	3,092	3,092
Change in estimates in the valuation of the exercise price of the put options granted to non-controlling interests	–	–	3,064	3,064
New put options granted to non-controlling interests	–	–	(154,534)	(154,534)
Cash flow hedges fair value gain/(loss), net of tax	–	–	56	56
31 March 2022	**44,309**	**342,851**	**669,481**	**1,056,641**

36. POST BALANCE SHEET EVENTS

Restructuring of the Swiss branch of the Company

The Group decided to create an independent Swiss legal entity and subsidiary (hereafter called "L'Occitane International (Suisse) S.A.") with legal existence since January 26, 2022.

All assets subject to transfer (mainly commercial activity with subsidiaries and distributors and financing activity) to L'Occitane International (Suisse) S.A were transferred by L'Occitane International S.A. on April 1 , 2022. There is no impact on the consolidated financial information.

36. POST BALANCE SHEET EVENTS *(CONTINUED)*

Acquisition of Grown Alchemist

On 1 April 2022, L'Occitane International S.A. acquired 49% of shares of Grown Alchemist from L'Occitane Group (parent company) for €5,032,000 (paid on 16 April 2022). Grown Alchemist is an Australian brand with cross-category success across skincare, bodycare, haircare and nutricosmetics (supplements). It's a strong brand with modern packaging and ethical "clean" products, natural ingredients from all over the word, efficient and scientifically proven formula.

Cession of L'Occitane Russia

On 19 May 2022 the Group decided to exit from its subsidiary L'Occitane Russia. This subsidiary accounted for 3.5% of the consolidated net sales as of 31 March 2022 and 2.1% of the total assets of the Group as at 31 March 2022. On 3 June 2022, a share purchase agreement was signed between the Group and the four key directors of the subsidiary. Each of the four key directors will hold between 23% and 31% of the total shares formerly held by the Group.

The payment of the shares will be made through four installments between June 2025 and June 2028. The payment of the shares is secured by a pledge agreement signed on 3 June 2022.

There is a call option exercisable for the Group on 1 April 2025, 2026, 2027, 2028 and 2029. The exercise price is based on the fair value.

Based on these agreements, the Group will lose the exclusive control of the Russian entity and will not have any significant influence.

As of 31 March 2022, the test related to the valuation of the assets linked to the Russian subsidiary is consequently performed with regards to the present value of the receivable linked to the sale. This value depends on the capacity of the new entity to generate cash flows. Based on management's judgement, there are no indicators leading to the conclusion that the Group will not be in a position to recover this receivable. On that basis, Management concluded that there is no impairment to be recorded in the accounts on the assets of L'Occitane Russia that amount to €33 million as of 31 March 2022. A reasonable change in the main assumptions used by Management will not trigger any material impairment of the assets tested.

At the date of the loss of exclusive control on 3 June 2022, the present value of the receivable of shares (corresponding to the deferred payments to be received from the acquirer of the shares) will approximately amount to €48 million. The present value of the receivable will be calculated with a discount rate of 12.5% that takes into account the risk of the new entity to generate sufficient cash flows in the future.

This amount approximately corresponds to the net assets of L'Occitane Russia at that date (including the currency translation differences previously recorded in other comprehensive income in respect of L'Occitane Russia and the impact of elimination of the intercompany margin). Therefore no significant capital gain or loss is expected.

Notes to the Consolidated Financial Statements

37. LIST OF SUBSIDIARIES AND ASSOCIATES

List of subsidiaries and associates

Subsidiaries		City – Country	% of interest 31 March 2022	2021	Method of consolidation 31 March 2022	2021
L'Occitane International S.A.		Luxembourg	Parent	Parent	Global	Global
Laboratoires M&L	*	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	100.0	Global	Global
L'Occitane Inc.	*	New York – USA	100.0	100.0	Global	Equity
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
Melvita (International) SAS (formerly Verveina SAS)	**	Manosque – France	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	97.8	100.0	Global	Global
Symbiose Cosmetics Korea	**	Seoul – Korea	97.8	100.0	Global	Global
L'Occitane Nordic AB	*	Stockholm – Sweden	100.0	100.0	Global	Global
L'Occitane South Africa	*	Johannesburg – South Africa	100.0	100.0	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 2022	2021	Method of consolidation 31 March 2022	2021
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	58.0	58.6	Global	Global
Limelife USA LLC	**	New York — USA	58.0	58.6	Global	Global
LimeLife Canada	**	Toronto — Canada	58.0	58.6	Global	Global
LimeLife Brasil Comercio De Cosmeticos e Produtos De Perfumaria LTDA	**	Sao Paulo — Brazil	58.0	58.6	Global	Global
LimeLife Servicos de Cobranca Ltda	**	Sao Paulo — Brazil	58.0	58.6	Global	Global
LimeLife Gesta de sistema de franquia Eireli	**	Sao Paulo — Brazil	58.0	58.6	Global	Global
LimeLife France SAS	**	Paris — France	58.0	58.6	Global	Global
LimeLife by Alcone UK Ltd	**	London — UK	58.0	58.6	Global	Global
LimeLife Deutschland GMBH	**	Berlin — Germany	58.0	58.6	Global	Global
LimeLife Italia S.P.A.	**	Milan — Italy	58.0	58.6	Global	Global
LimeLife by Alcone Espana S.L.	**	Madrid — Spain	58.0	58.6	Global	Global
Limelife Australia	**	Sydney — Australia	58.0	58.6	Global	Global
Limelife Ireland (branch of UK)	**	Dublin — Ireland	58.0	58.6	Global	Global
Limelife Japan	**	Tokyo — Japan	58.0	0.6	Global	Global
LimeLife Fempire Fund LLC	**	New-York — USA	58.0	0.0	Global	Not consolidated
LOI Participations SARL	*	Luxembourg — Luxembourg	100.0	100.0	Global	Global
L'Occitane Innovation Lab	*	Manosque — France	100.0	100.0	Global	Global
LOI ELEMIS SARL	*	Luxembourg — Luxembourg	98.6	90.9	Global	Global
ELEMIS Ltd USA	**	Coral Gables — US	98.6	90.9	Global	Global
Elemis SPS LLC	**	Wilmington — US	98.6	90.9	Global	Global
ELEMIS Ltd UK	**	Bristol — UK	98.6	90.9	Global	Global
Elemis Spa Ltd (UK)	**	Bristol — UK	98.6	90.9	Global	Global
Elemis Asia Pacific Limited	**	Hong-Kong — China	98.6	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 S.A.	*	Marseille — France	26.0	27.7	Equity	Equity
Caspum Inc.	*	Texas — US	26.0	27.7	Equity	Equity
Good Glamm Group	*	Pune — India	15.5	23.3	Equity	Equity

Notes to the Consolidated Financial Statements

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

List of subsidiaries and associates *(continued)*

Subsidiaries		City — Country	% of interest 31 March 2022	% of interest 31 March 2021	Method of consolidation 31 March 2022	Method of consolidation 31 March 2021
LOC SOL Holding Inc.	*	Dover Kent County — USA	100.0	0.0	Global	Not consolidated
LOC SOL Owners Inc.	**	Dover Kent County — USA	83.0	0.0	Global	Not consolidated
LOC SOL Target Inc.	**	Dover Kent County — USA	83.0	0.0	Global	Not consolidated
Sol de Janeiro Holding Inc.	**	Dover Kent County — USA	83.0	0.0	Global	Not consolidated
Sol de Janeiro USA Inc.	**	Dover Kent County — USA	83.0	0.0	Global	Not consolidated
Sol de Janeiro SAS	**	Paris — France	83.0	0.0	Global	Not consolidated
Sol de Janeiro IP Inc.	**	Dover Kent County — USA	83.0	0.0	Global	Not consolidated
L'Occitane Middle East FZCO JV	*	Dubai — UAE	51.0	51.0	Equity	Equity
L'Occitane Arabia	**	Jeddah KSA	51.0	0.0	Equity	Not consolidated
L'Occitane Emirates LLC	**	Dubai, UAE	51.0	0.0	Equity	Not consolidated

* *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.

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

Information on subsidiaries and investments accounted for using equity method

The date of incorporation, share capital and the principal activities of the subsidiaries are as follows:

Subsidiaries and investment accounted for using equity method		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	*	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
Café Retail 86	*	Paris — France	2020	EUR 1 622 443,00	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
Melvita (International) SAS (formerly Verveina SAS)	**	Manosque — France	2008	EUR 37,000	Dormant
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 Norge AS	*	Oslo — Norway	2014	NOK 129,000	Distribution
L'Occitane Distribution Asia Pte. Ltd.	**	Singapore	2016	SGD 10,000	General Warehousing
L'Occitane Opera Industria e Comercio de Cosmeticos LTDA	***	São Paulo — Brazil	2017	BRL 1,000,000	Production

Notes to the Consolidated Financial Statements

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

Information on subsidiaries and investments accounted for using equity method *(continued)*

Subsidiaries and investment accounted for using equity method		City — Country	Date of incorporation	Share capital	Principal activities
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 111,0000	Distribution

Subsidiaries		City — Country	Date of incorporation	Share capital	Principal activities
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 Ireland (branch of UK)	**	Dublin — Ireland	2018	EUR 0	Distribution
Limelife Japan	**	Tokyo — Japan	2019	JPY 5,000,000	Distribution
LimeLife Fempire Fund LLC	**	New-York USA	2021	USD 2,000,000	Investment
LOI Participations SARL	*	Luxembourg — Luxembourg	2017	EUR 10,000,000	Holding
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
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
Good Glamm Group	*	Pune — India	2015	INR 1,598,520,613	Holding, Investment, Distribution
LOC SOL Holding Inc.	*	Dover Kent County — USA	2021	USD 1	Holding, Distribution
LOC SOL Owners Inc.	**	Dover Kent County — USA	2021	USD 100	Distribution
LOC SOL Target Inc.	**	Dover Kent County — USA	2021	USD 1	Distribution
Sol de Janeiro Holding Inc.	**	Dover Kent County — USA	2019	USD 2,674	Holding, Distribution
Sol de Janeiro USA Inc.	**	Dover Kent County — USA	2019	USD 1	Distribution
Sol de Janeiro SAS	**	Paris — France	2020	EUR 0	Distribution
Sol de Janeiro IP Inc.	**	Dover Kent County — USA	2019	USD 1	Distribution
L'Occitane Middle East FZCO JV	*	Dubaï — UAE	2020	USD 27,000	Distribution
L'Occitane Arabia	**	Jeddah KSA	2021	SAR 30,000,000	Distribution
L'Occitane Emirates LLC	**	Dubai, UAE	2021	AED 300,000	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*

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

Information on subsidiaries and investments accounted for using equity method *(continued)*

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	***2022***	*Restated* ***2021***	***2020***	***2019***	***2018***
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
Net sales	**1,781,358**	1,537,845	1,644,083	1,426,874	1,319,366
Gross profit	**1,463,415**	1,277,134	1,341,231	1,186,973	1,098,398
Gross profit margin	**82.2%**	83.0%	81.6%	83.2%	83.3%
Operating profit	**310,714**	216,836	187,263	150,747	140,987
Operating profit margin	**17.4%**	14.1%	11.4%	10.6%	10.7%
Profit for the year	**241,909**	153,637	115,240	117,569	96,506
attributable to:					
equity owners of the Company	**242,034**	151,180	116,288	118,186	96,313
non-controlling interests	**(125)**	2,457	(1,048)	(617)	193
Total assets	**3,009,074**	2,489,539	2,408,359	1,964,011	1,302,489
Total liabilities	**1,694,468**	1,218,002	1,233,024	879,779	363,688
Equity attributable to the equity owners of the Company	**1,270,028**	1,192,838	1,098,480	1,017,768	930,973
Non-controlling interests	**44,578**	78,699	76,855	66,464	7,828

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standard (IFRS), as issued by the International Accounting Standards Board which are similar, for operations conducted by the Group, to International Financial Reporting Standards as adopted by the European Union.

The above summary does not form a part of the consolidated financial statements.


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