L'OCCITANE
EN PROVENCE

L'OCCITANE INTERNATIONAL S.A.

(Incorporated under the laws of Luxembourg with limited liability)

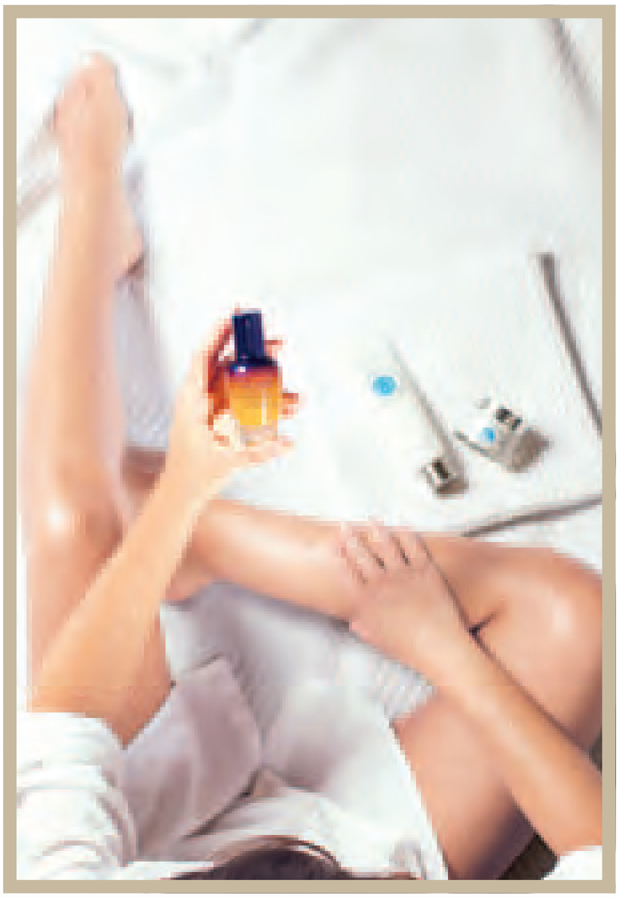
Stock code : 973

FY2019
Interim Report


L'OCCITANE
EN PROVENCE
Melvita
french organic beauty care since 1983
erborian
KOREAN SKIN THERAPY
PARIS · SEOUL
L'OCCITANE
AU BRÉSIL
L LimeLife by Alcone
The L'OCCITANE Group consists of five brands: L'OCCITANE en Provence, Melvita, Erborian, L'OCCITANE au Brésil and LimeLife by Alcone.

CONTENTS

CORPORATE INFORMATION



Executive Directors

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

Non-Executive Director

Martial Lopez

Independent Non-Executive Directors

Charles Mark Broadley
Jackson Chik Sum Ng
Valérie Bernis
Pierre Milet

Company Secretary

Karl Guénard

Authorised Representatives

André Hoffmann
Jackson Chik Sum Ng

Company Legal Name

L'Occitane International S.A.

Date of Incorporation

22 December 2000

Date of Listing in Hong Kong

7 May 2010

Registered Office

49, Boulevard Prince Henri
L-1724 Luxembourg

Headquarter Offices

49, Boulevard Prince Henri
L-1724 Luxembourg

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

Principal Place of Business in Hong Kong

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

Stock Code

973

Company Website

group.loccitane.com

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Principal Bankers

HSBC France
Groupe Crédit Agricole
Crédit Agricole CIB
Le Crédit Lyonnais (LCL)
Caisse Régionale du Crédit Agricole Mutuel Provence Côte d'Azur
BNP Paribas
Groupe BPCE
Natixis
BRED
CEPAC
Palatine
Groupe Société Générale
Société Générale
Crédit du Nord
CIC

Auditor

PricewaterhouseCoopers

Principal Share Registrar and Transfer Office

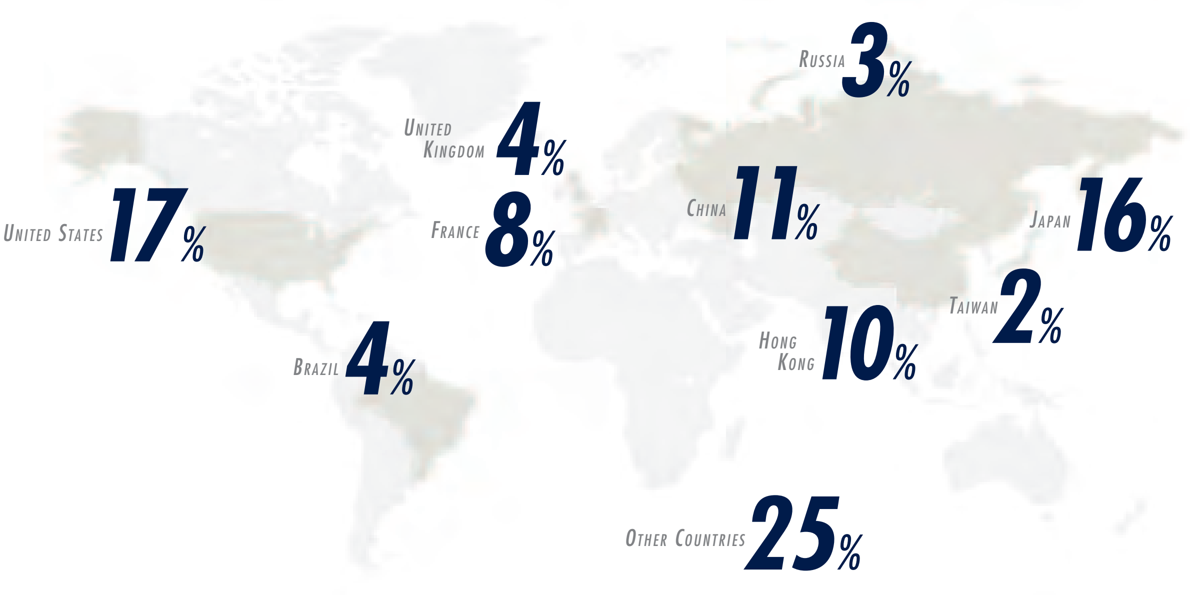
49, Boulevard Prince Henri
L-1724 Luxembourg

Hong Kong Share Registrar

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

FINANCIAL HIGHLIGHTS

OUR ACTIVITY WORLDWIDE



* Net sales (%) by geographic areas

OUR STORES WORLDWIDE

* 3,275 retail locations and
1,555 stores operated directly by the group

HIGHLIGHTS OF RESULTS

for the six months ended 30 September	***2018***	*2017*
Net sales *(€ million)*	**595.4**	548.2
Operating profit *(€ million)*	**5.8**	13.8
Profit for the period *(€ million)*	**5.6**	10.7
Gross profit margin	**82.4%**	82.8%
Operating profit margin	**1.0%**	2.5%
Net profit margin	**0.9%**	2.0%
Net operating profit after tax *(€ million)* (NOPAT) [(1)]	**9.2**	11.6
Capital employed *(€ million)* [(2)]	**735.7**	695.5
Return on capital employed (ROCE) [(3)]	**1.3%**	1.7%
Return on equity (ROE) [(4)]	**0.8%**	1.3%
Current ratio (times) [(5)]	**2.6**	2.5
Gearing ratio[(6)]	**7.1%**	7.2%
Average inventory turnover days[(7)]	**302**	285
Turnover days of trade receivables[(8)]	**33**	34
Turnover days of trade payables[(9)]	**204**	200
Total number of own stores[(10)]	**1,555**	1,519
Profit attributable to equity owners *(€ million)*	**6.8**	11.1
Basic earnings per share *(€)*	**0.005**	0.008

Notes:

(1) (Operating profit + foreign currency net gains or losses) x (1 - effective tax rate)
(2) Non-current assets - (deferred tax liabilities + other financial liabilities + other non-current liabilities) + working capital
Note that the calculation of working capital included current financial liabilities such as dividends and acquisition payments. These are now excluded to show only working capital relating to operations.
(3) NOPAT/Capital employed
(4) Net profit attributable to equity owners of the Company/shareholders' equity excluding minority interest
(5) Current assets/current liabilities
(6) Total debt/total assets
(7) Average inventory turnover days equals average inventory divided by cost of sales and multiplied by 182.5. Average inventory equals the average of net inventory at the beginning and end of a given period.
(8) Turnover days of trade receivable equals average trade receivables divided by net sales and multiplied by 182.5. Average trade receivables equals the average of net trade receivables at the beginning and end of a given period.
(9) Turnover days of trade payables equals average trade payables divided by cost of sales and multiplied by 182.5. Average trade payables equals the average of trade payables at the beginning and end of a given period.
(10) L'Occitane, Melvita, L'Occitane au Brésil and Erborian branded boutiques and department store corners directly managed and operated by us.

Disclaimer

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

CHAIRMAN'S STATEMENT

Message from

REINOLD GEIGER

Chairman and Chief Executive Officer

26 November 2018

The first half of FY2019 was another active period as we continued to position the Group towards becoming the number one natural beauty and well-being products company in the affordable premium segment. We also crystallized our objectives with the introduction of the 'Pulse' strategy, which will guide our plans and actions in the years to come.

Throughout the period, we continued to see many of the same challenges that are affecting the global retail sector, but also great opportunities. Firstly, the challenges. The most impactful of these is the vigorous competition we are seeing in all markets, as well as changing consumption habits – the most obvious being the continued rise of e-commerce. Other challenges were beyond our control: macroeconomic risks in some of the largest economies in the world, foreign currency swings and natural disasters. Despite these factors, I am pleased to report good sales growth for the first half of the year, driven by our continuous CRM efforts and successful product launches, including that of our highly successful and award-winning hero product, *Immortelle Reset.*

Our ability to sustain sales growth is a direct result of the proactive steps we have taken to rejuvenate our core L'OCCITANE en Provence brand, upgrade online and offline customer experiences, and increase operational efficiency. We will do even more to engage with and provide a memorable experience to our customers, build unique identities around each of our brands, and emphasize our commitment to environmental sustainability and social responsibility. Within the organization, we are also committed to become more efficient and agile, in order to deliver sustained profitable growth.

This is where our 'Pulse' strategy comes in. It clearly defines our objectives to pursue sustainable growth, enhance profitability, and build trust, which is anchored by five separate pillars. The first, and arguably most important of these is empowering our teams. Nobody knows local markets better than the sales teams and managers on the ground. The best companies are often those that provide an opportunity for all employees to act as entrepreneurs, where there is autonomy as well as accountability. We are actively encouraging this with a new incentive plan that connects performance with growth and profitability.

The second is executing fundamentals. Increasing customer recruitment, and translating a good initial experience with our products into frequent repurchases and enduring loyalty, is essential to our long-term growth and performance. In a retail context, it also means improving the productivity of our resources and making targeted investments. During the first half of the year, we recorded same store sales growth of 2%, a marked improvement from last year. One of the biggest driving factors was the launch of *Immortelle Reset* under our hero product strategy. Thanks to the product's powerful formula and coordinated marketing efforts across markets and channels, the launch of *Immortelle Reset* was our most successful to date. It also further developed the face care image of L'OCCITANE en Provence, extending the reach and potential market of our largest brand.

The third pillar is adopting an omni-channel, mobile and digital approach in how we communicate with and interact with customers. We want to make it fun and memorable for the customers to discover our products and brands. Through our flagship stores, including recently opened ones on New York's Fifth Avenue and in Tokyo's Shibuya district, we are introducing creative retail concepts that build brand awareness and drive traffic. Meanwhile, digital and e-commerce continues to be a major focus, particularly in providing a seamless experience to improve conversion and satisfaction. We expect online channels to continue to grow in representation of our total sales.

The fourth is customer engagement. Now, more than ever, we need to 'wow' our customers. At the store level, we are becoming more experiential. In our new Fifth Avenue flagship in New York, we incorporated immersive features using augmented and virtual reality technology, such as scenic "bike through Provence" stationary bikes and a 360-degree hot air balloon ride through the south of France, as well as a dedicated social media corner with a live feed to our U.S. Instagram account. In Asia, we are investing heavily in content creation and engagement. Across the Greater China markets, our 360-degree marketing campaign featuring Lu Han and Liu Shishi was extremely successful in tapping aspirational aspects that drove the strong sales growth. In Japan, we have reversed the soft sales in the first quarter by returning to the basics, namely our true stories and natural ingredients, through the recent 'Balloon Journey' campaign.

The final pillar is strengthening our brand commitments toward sustainability, which has been an integral part of our brand for more than 40 years. Under the new CSR platform, we are setting ambitious goals for less plastic use, biodiversity, fair trade, craftsmanship, sight and female empowerment. We strongly believe our commitments are what set us apart, and remind today's socially-conscious consumers that L'OCCITANE en Provence is not just a brand.

Meanwhile, we are very pleased with the continued strength of emerging brands, including the latest addition, LimeLife. Together, they represent close to 15% of our total net sales. We are particularly excited about the potential of LimeLife by Alcone ("LimeLife"), which grew at an impressive mid-double-digit in the first half of the year. We cannot wait to share the great products and energy with more make-up enthusiasts around the world.

Looking forward to the rest of FY2019, we will focus on each pillar of the 'Pulse' strategy as we continue towards sustainable growth and profitability. We will also continue to build on the sales momentum we have achieved in the first half of the year, especially into the key holiday season, during which we expect to see much better profits in line with the strong seasonality of our business. Thank you for your support and for continuing to join us on this journey.

STRONG GLOBAL PRESENCE


Champs
-Élysées
Paris,
France
Harbour City,
Hong Kong
Deji Plaza
Nanjing,
China
Dresden,
Germany
Yorkdale
Toronto,
Canada
Iguatemi
São Paulo,
Brazil

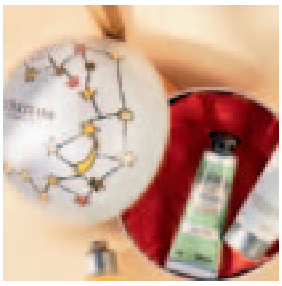
MANAGEMENT DISCUSSION & ANALYSIS


L'OCCITANE
EN PROVENCE
×
CASTELBAJAC
PARIS
LUMIÈRE
L'OCCITANE

MANAGEMENT DISCUSSION & ANALYSIS

Summary:

For the six months ended 30 September	***2018***	*2017*
Net sales (€'M)	**595.4**	548.2
Operating profit (€'M)	**5.8**	13.8
Profit for the period (€'M)	**5.6**	10.7
Gross profit margin (% to sales)	**82.4%**	82.8%
Operating profit margin (% to sales)	**1.0%**	2.5%
Net profit margin (% to sales)	**0.9%**	2.0%



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 and excluding renovated stores.

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 and services.

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

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

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

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

Seasonality of operations

The Group is subject to seasonal variances in sales, which are significantly higher in our third financial quarter (between 1 October and 31 December) in anticipation of and during the Christmas holiday season. For the six months ended 30 September 2017, the level of sales represented 41.6% of the annual level of sales in the year ended 31 March 2018 and the level of operating profit represented 9.8% of the annual operating profit in the year ended 31 March 2018. Yet these ratios are not representative of the annual results for the year ending 31 March 2019 ("FY2019").

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

REVENUE ANALYSIS

The Group's net sales at reported rates were €595.4 million, increased by 8.6% over the same period last year. At constant exchange rates, sales growth was 12.4%. On a like-for-like basis (i.e. excluding LimeLife and Le Couvent des Minimes), the Group's sales grew by 4.9% at constant rates.

The Group's total number of retail locations where its products are sold reduced from 3,285 as at 31 March 2018 to 3,275 as at 30 September 2018, a decrease of 10 locations or 0.3%. The reduction was from closings of non-performing stores by distributors and franchisees. The Group maintained its selective global retail expansion strategy and kept the number of its own retail stores at 1,555 as at 30 September 2018, same as at 31 March 2018.

Geographically, the US, Hong Kong, China, Brazil and Russia were the key contributing markets to Overall Growth.

Business Segments

The following table provides a breakdown of the net sales year-on-year growth (including and excluding foreign currency translation effects as indicated) by business segment for the six months ended 30 September 2018:

	Year-on-year growth			
	Growth €'000	*Growth %*	*Growth[2] %*	*Contribution to Overall Growth[2] %*
Sell-out	**38,847**	**9.8**	**13.9**	**81.3**
Comparable Stores	(5,208)	(1.8)	2.0	8.7
Non-comparable Stores & others[1]	44,056	43.3	48.6	72.6
Sell-in	**8,328**	**5.5**	**8.4**	**18.7**
Overall Growth	**47,175**	**8.6**	**12.4**	**100.0**

(1) Others include marketplaces, spas, cafes and LimeLife sales.
(2) Excludes the impact of foreign currency translation effects.

Sell-out

During the first half of FY2019, Sell-out sales accounted for 73.2% of the net sales and amounted to €435.9 million, an increase of 9.8% at reported rates as compared to same period last year. At constant rates, the growth was 13.9%. This growth was primarily contributed by Non-comparable Stores and other sales, including new stores and stores renovated in last year and this year, marketplaces, spas, cafes and LimeLife. The growth was 48.6% at constant exchange rates, mainly contributed by LimeLife and marketplaces. As compared to same period last year, sales of the Group's Web Sell-out channels (including own e-commerce and marketplaces) grew by 8.7% at constant exchange rates, now equivalent to 12.4% of the total Sell-out sales. The Group's same store sales for the six months ended 30 September 2018 improved to 2.0%, from 0.6% in the first quarter of FY2019, and contributed 8.7% to overall growth. Improvements were seen in Japan, the US, Brazil, Russia and other countries.

There was no change in the number of own stores for the six months ended 30 September 2018. The number of stores in Asia Pacific, however, increased by 7 during the period, with 7 openings in Japan, 3 openings in Korea, 1 opening each in Australia and India and partly offset by the 3 closings in China and 1 closing each in Taiwan and Thailand. In Americas, there were net closings of 6 stores, with 6 closings in the US under the store rationalization plan, 2 closings in Brazil and offset by 2 openings in Mexico. There was net closing of 1 store in Europe & Africa, including 3 net openings in Spain and 4 net closings in other European countries and South Africa. The Group continued to upgrade its retail network with 88 stores refurbished or relocated during the six months ended 30 September 2018, as compared to 97 stores in the same period last year.

Sell-in

Sell-in sales accounted for 26.8% of the Group's total sales and amounted to €159.5 million, posted an increase of 8.4% at constant exchange rates as compared to last year. The increase was primarily driven by the dynamic growth in travel retail, web partners and B2B of L'Occitane en Provence brand. Erborian and L'Occitane au Brésil brands also expanded in sell-in channel.

Geographic Areas

The following table presents our net sales growth for the six months ended 30 September 2018 and contribution to net sales growth (including and excluding foreign currency translation effects as indicated) by geographic area:

Sales and % of total sales

	30 Sep 2018		30 Sep 2017		*Growth*	*Growth*	*Growth[(1)]*	*Contribution to Overall Growth[(1)]*
	€'000	*%*	*€'000*	*%*	*€'000*	*%*	*%*	*%*
Japan	96,164	16.2	99,448	18.1	(3,284)	(3.3)	(0.5)	(0.7)
Hong Kong[(2)]	58,436	9.8	51,147	9.3	7,289	14.3	18.6	14.0
China	67,845	11.4	60,041	11.0	7,804	13.0	14.1	12.4
Taiwan	14,360	2.4	15,292	2.8	(932)	(6.1)	(2.7)	(0.6)
France	45,450	7.6	44,664	8.1	786	1.8	1.8	1.2
United Kingdom	23,173	3.9	23,470	4.3	(297)	(1.3)	(0.7)	(0.2)
United States[(3)]	100,367	16.9	62,989	11.5	37,378	59.3	65.8	60.9
Brazil	23,869	4.0	26,703	4.9	(2,834)	(10.6)	9.7	3.8
Russia	18,614	3.1	18,976	3.5	(362)	(1.9)	11.8	3.3
Other countries[(4)]	147,107	24.7	145,480	26.5	1,627	1.1	2.8	6.0
All countries	**595,385**	**100.0**	**548,210**	**100.0**	**47,175**	**8.6**	**12.4**	**100.0**

(1) Excludes the impact of foreign currency translation effects and reflects growth from all business segments, including growth from the own retail store sales.
(2) Includes sales in Macau and to distributors and travel retail customers in Asia.
(3) Growth in the US excluding LimeLife and the impact of foreign currency translation was 0.9%.
(4) Includes sales from Luxembourg.

The following table provides a breakdown, by geographic area, of the number of own retail stores, their contribution percentage to Overall Growth and Same Store Sales Growth for the six months ended 30 September 2018 compared to the six months ended 30 September 2017:

	Own Retail Stores				**% contribution to Overall Growth**[(1)(2)]			
	30 Sep 2018	*Net openings YTD 30 Sep 2018*	*30 Sep 2017*	*Net openings YTD 30 Sep 2017*	*Non-comparable Stores*	*Comparable Stores*	*Total Stores*	*Same Store Sales Growth %*[(2)]
Japan[(3)]	151	7	141	7	2.0	1.2	3.2	1.3
Hong Kong[(4)]	34	–	35	1	0.0	0.8	0.8	5.4
China[(5)]	194	(3)	197	(5)	0.3	4.6	5.0	7.6
Taiwan	51	(1)	54	(2)	(0.1)	(0.3)	(0.5)	(3.0)
France[(6)]	82	–	82	2	4.0	(1.2)	2.8	(4.6)
United Kingdom	74	–	76	2	(0.4)	(0.2)	(0.6)	(0.8)
United States	190	(6)	205	(2)	(1.1)	1.9	0.9	3.3
Brazil[(7)]	164	(2)	122	(1)	1.2	1.8	3.0	6.4
Russia[(8)]	104	1	103	(1)	0.8	0.7	1.5	4.2
Other countries[(9)]	511	4	504	4	1.9	(0.6)	1.3	(0.6)
All countries[(10)]	**1,555**	**–**	**1,519**	**5**	**8.6**	**8.7**	**17.4**	**2.0**

(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 30 and 34 Melvita stores as at 30 September 2017 and 30 September 2018 respectively.
(4) Includes 3 L'Occitane stores in Macau and 10 Melvita stores in Hong Kong as at 30 September 2017 and 3 L'Occitane stores in Macau and 8 Melvita stores in Hong Kong as at 30 September 2018.
(5) Includes 7 and 5 Melvita stores as at 30 September 2017 and 30 September 2018 respectively.
(6) Includes 3 Melvita and 1 Erborian stores as at 30 September 2017 and 4 Melvita and 1 Erborian stores as at 30 September 2018.
(7) Includes 35 and 75 L'Occitane au Brésil stores as at 30 September 2017 and 30 September 2018 respectively.
(8) Includes 3 and 8 Erborian stores as at 30 September 2017 and 30 September 2018 respectively.
(9) Include 2 Melvita and 1 Erborian stores as at 30 September 2017 and 5 Melvita and 2 Erborian stores as at 30 September 2018.
(10) Include 52 Melvita, 35 L'Occitane au Brésil and 5 Erborian stores as at 30 September 2017 and 56 Melvita, 75 L'Occitane au Brésil and 11 Erborian stores as at 30 September 2018.

MANAGEMENT DISCUSSION & ANALYSIS

L'Occitane flagship store in Shibuya, Tokyo, Japan

Japan

Japan's net sales for the six months ended 30 September 2018 were €96.2 million, a decrease of 3.3% as compared to the same period last year. At constant exchange rates, the growth was -0.5%. Same Store Sales Growth was 1.3%. After a slow start in the first quarter of FY2019, Japan picked up in the second quarter despite the typhoon and earthquake hits. Apart from the phasing effect of moving a window promotion, the positive second quarter was also supported by successful product launches, including the new Verbena cooling items which were well received by the market under extremely hot weather, as well as the new hero product — *Immortelle Reset* serum which posted a good start in September 2018. Total sales growth, however, was affected by the discontinuation of TV shopping channel QVC and new arrangements for the cafés. Melvita continued to grow at a fast pace with double-digit Same Store Sales Growth. At the end of September 2018, Japan had 34 Melvita stores.

Hong Kong

Hong Kong's net sales for the six months ended 30 September 2018 were €58.4 million, an increase of 14.3% as compared to the same period last year. At constant exchange rates, the growth was 18.6%. The growth was driven mainly by the dynamic travel retail sales in the region, in particular in Korea. The retail market was dynamic in the first quarter of FY2019 but slowed down in the second quarter, as a result of more cautious spending from mainland Chinese tourists and the super typhoon attack in September 2018. Yet the successful launch of *Immortelle Reset* serum helped recruit new face care customers and increased face care product linked sales.

China

China's net sales for the six months ended 30 September 2018 were €67.8 million, an increase of 13.0% as compared to the same period last year. At constant exchange rates, the growth was 14.1%. The encouraging growth was contributed by all channels. Despite a high base, retail remained very strong with Same Store Sales Growth at 7.6%. The good momentum was supported by the *Immortelle Reset* serum launch in combination with brand ambassadors Liu Shishi and Lu Han. Although Tmall became much more competitive, we continued to grow at a healthy double-digit after an amazing triple-digit spike in the same period last year. The launch with JD.com also boosted sales in another digital channel — the web partners. B2B once again posted good growth.

Taiwan

Taiwan's net sales for the six months ended 30 September 2018 were €14.4 million, a decrease of 6.1% as compared to the same period last year. At constant exchange rates, the decrease was 2.7%. Same Store Sales Growth was -3.0%. Retail in Taiwan remained sluggish and was further worsened by the typhoons and poor weather during the second quarter of FY2019.

France

France's net sales for the six months ended 30 September 2018 were €45.5 million, an increase of 1.8% as compared to the same period last year. The premium beauty market was flattish with intense competitive discounting. Retail and e-commerce traffic remained sluggish, with exception in touristic and outlet stores. Same Store Sales Growth was -4.6%. Nonetheless, the launch of *Immortelle Reset* serum in September 2018 helped boost up the average ticket value as well as Same Store Sales Growth. Erborian also performed well through further expansion into independent pharmacies. All in all, the overall growth was mainly contributed by the new stores opened, marketplaces and web partners.

United Kingdom

The United Kingdom's net sales for the six months ended 30 September 2018 were €23.2 million, a decrease of 1.3% as compared to the same period last year. At constant exchange rates, the growth was -0.7%. Retail sales saw significant improvements in the second quarter and caught up from the slow start in the first quarter of FY2019. The Verbena campaign was successful in drawing traffic and *Immortelle Reset* serum campaign boosted the average ticket value. E-commerce online conversion also improved with the help of on-site optimization. LimeLife kickstarted during the period. Overall sales were slightly negative as a result of having 2 stores less and phasing of QVC.

United States

The United States' net sales for the six months ended 30 September 2018 were €100.4 million, an increase of 59.3% as compared to the same period last year. At constant exchange rates, the growth was 65.8%. LimeLife contributed most part of the growth in the US. Excluding LimeLife, sales growth was still healthy at 0.9%, although we were trading with 15 stores less than the same period last year. L'Occitane en Provence sell-out sales were positive with Same Store Sales Growth at 3.3%, which further improved from 2.7% in the first quarter of FY2019. The satisfying performance was contributed by a few factors, such as the successful launch of *Immortelle Reset* serum, additional sales from pop-up stores and the effective digital and CRM programmes. For sell-in channels, sales lost from the exit of a wholesale chain were largely compensated by the rapid expansion with a web partner, namely Amazon. LimeLife continued to grow rapidly at mid-double-digit.

Brazil

Brazil's net sales for the six months ended 30 September 2018 were €23.9 million, a decrease of 10.6% as compared to the same period last year. The decrease was due to weak Brazilian Real. At constant exchange rates, the growth was 9.7%. L'Occitane au Brésil continued to drive the growth in Brazil, with double-digit growth in same store, retail, e-commerce and distribution channels. The encouraging growth across all main channels was attributable to the well accepted new product launches together with the marketing efforts online and offline. L'Occitane en Provence also managed to achieve healthy overall growth in local currency. Face care saw increase in percentage share, thanks to the good results of the new range — *Aqua Réotier*.

L'Occitane au Brésil flagship store in São Paulo

Russia

Russia's net sales for the six months ended 30 September 2018 were €18.6 million, a decrease of 1.9% as compared to the same period last year. The decrease was due to weaker Russian Ruble against Euro. At constant rates, the growth was 11.8%. The market remains tough, yet we managed to accelerate sales growth, with encouraging Same Store Sales Growth at 4.2%. Successful launch of *Immortelle Reset* serum was one of the key contributors. In addition, Sell-in channels also performed very well with double digit growth, particularly in wholesale and B2B. Erborian continued to grow strongly and there were 8 shops in Russia at the end of September 2018.

Other countries

Other countries' net sales for the six months ended 30 September 2018 were €147.1 million, an increase of 1.1%. At constant exchange rates, the growth was 2.8%. Sell-out segment recorded a growth of 2.9% at constant rates. Same Store Sales Growth was -0.6%. In general, the retail sentiment was sluggish in Europe, but dynamic in Asia Pacific. Australia, Canada and Malaysia posted double-digit growth. During the six months ended 30 September 2018, the number of own stores in other countries increased from 507 to 511. Sell-in segment posted a growth of 2.6% at constant rates. The increase was due mainly to dynamic sales in wholesale and B2B channels.

PROFITABILITY ANALYSIS

Cost of sales and gross profit

Cost of sales increased by 11.2%, or €10.6 million to €104.9 million for the six months ended 30 September 2018 as compared to the same period last year. The gross profit margin slightly decreased by 0.4 points to 82.4% for the period ended 30 September 2018, mainly due to the following factors:

- unfavourable foreign exchange (FX) impact for 0.4 points;
- unfavourable brand mix for 0.4 points as emerging brands increased in percentage share, partly offset by the first contribution of LimeLife outside of the United States for 0.2 points; and
- reclassification of production-related IT costs to cost of sales for 0.1 points.

The gross profit margin deterioration was largely offset by continuous improvement in production efficiency and lower freight charges for 0.4 points, as well as price increase in certain key countries and overall higher percentage share of face care segment for a total of 0.1 points, mitigated by rounding differences and others for -0.2 points.

Distribution expenses

Distribution expenses increased by 10.2%, or €30.4 million, to €327.3 million for the period ended 30 September 2018 as compared to the same period last year. As a percentage of net sales, the distribution expenses increased by 0.8 points to 55.0% of net sales for the period ended 30 September 2018. This increase was attributable to a combination of:

- deleverage under tough retail environment in some countries such as Japan, the UK, and France, in particular from rent and personnel costs for 1.1 points;
- brand mix effect for 0.5 points explained by the higher ratio of distribution expenses to sales of LimeLife USA, mainly from commissions;
- set-up of LimeLife's distribution structures outside of the United States for 0.3 points; and
- reclassification of distribution-related IT expenses from administrative expenses for 0.1 points.

The operating pressure was partly offset by:

- favourable channel mix for 0.7 points, as a result of higher share of e-commerce, marketplace and Sell-in channels;
- one-off pre-opening costs for flagship stores last year for 0.4 points; and
- favourable foreign exchange impact and others for 0.1 points.

Marketing expenses

Marketing expenses increased by 12.0%, or €9.3 million, to €87.1 million for the period ended 30 September 2018 as compared to the same period last year. The marketing expenses as a percentage of net sales increased by 0.4 points, to 14.6% of net sales for the six months ended 30 September 2018. This increase was attributable to:

- higher investment in advertising, marketing events and promotion tools for a total 0.9 points, in particular brand ambassadors and the advertising campaigns on TMall and JD.com in China, new product launches for *Aqua Réotier* and *Immortelle Reset* serum and advertising with Amazon in the US. Such investments were partly offset by reduction in traditional promotion tools. It should be noted that as the key launches in most countries occurred in August and September 2018, the related advertising spending was accounted for in the first half of FY2019, while the return of such investments is expected to continue in the second half of FY2019. The higher investment in advertising and marketing events can be therefore partly considered as phasing;
- set-up of LimeLife's structures outside of the United States for 0.1 points;
- unfavourable FX effects for 0.1 points; and
- reclassification and others for another 0.1 points.

The increase in spending was partly offset by favourable brand mix for 0.8 points explained by the lower than average level of marketing spending for LimeLife USA.

Research & development expenses

Research and development ("R&D") expenses increased by 9.2%, or €0.7 million, to €8.4 million for the period ended 30 September 2018 compared to the same period last year. The R&D expenses as a percentage of net sales remained at 1.4% for the period ended 30 September 2018.

General and administrative expenses

General and administrative expenses increased by 6.6%, or €3.9 million, to €62.5 million compared to the same period last year. As a percentage of net sales, general and administrative expenses decreased by 0.2 points to 10.5% for the period ended 30 September 2018. This improvement was attributable to a combination of:

- leverage with higher sales for 0.5 points;
- reclassification of certain IT costs to cost of sales, distribution and marketing expenses for 0.4 points; and
- favourable brand mix effect for 0.3 points due to the lower than average level of administrative expenses for LimeLife USA.

This was partly offset by IT investments for 0.2 points and unfavourable exchange rates impact for another 0.1 points.

In addition, the set-up of LimeLife's structures and distribution outside of the United States impacted for a negative 0.7 points.

MANAGEMENT DISCUSSION & ANALYSIS

Operating profit

Operating profit decreased by 57.8%, or €8.0 million, to €5.8 million for the period ended 30 September 2018 and the operating profit margin decreased by 1.5 points to 1.0% of net sales. The decrease in operating profit margin is explained by a combination of:

- higher investment in advertising and marketing events for 0.9 points, in particular for brand ambassadors and in marketplaces in China, as well as for major product launches that is expected to drive the Group's performance in the second half of FY2019, partly considered as phasing;
- set-up of LimeLife international and non-US distribution structures for 0.9 points;
- FX and others for 0.7 points;
- lower leverage for a net 0.2 points mainly from soft retail sales, despite higher leverage on sell-in and emerging brands, partly offset by efficiency gains; and
- increase in IT investments for 0.2 points.

This was partly offset by:

- favourable channel mix for 0.7 points;
- one-off pre-opening expenses for flagship stores last year for 0.4 points;
- favourable brand mix for 0.2 points reflecting the higher than average profitability of LimeLife USA during the first half-year; and
- price increase for 0.1 points.

Finance costs, net

Net finance costs were €1.7 million for the period ended 30 September 2018, €0.9 million higher than same period last year. The key reasons were lower interest income as a result of lower cash level and lower market interest rates. The lower cash level was mainly due to payment for the acquisition of LimeLife in the previous financial year.

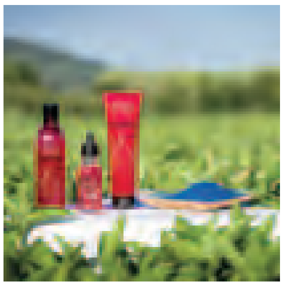
Foreign currency gains/losses

Net foreign currency losses amounted to €1.5 million for the six months ended 30 September 2018, as compared to net currency losses of €3.0 million for the same period last year. €0.9 million of the losses this year were realised upon drawings and settlements of syndicated loans together with the realised losses on trade settlements denominated in Chinese yuan, US dollar and Canadian dollar. The unrealised losses amounted to €0.6 million, came mainly from conversion of balance sheet trade related items denominated in Chinese yuan, Brazilian real and South African rand.

Melvita store in Marunouchi, Tokyo, Japan

Income tax expense

Income tax resulted in a tax credit of €3.0 million for the period ended 30 September 2018, as compared to a tax credit of €0.7 million for the same period last year, representing an effective income tax rate of – 115.8% for the period ended 30 September 2018. The increase in income tax credit this year is mainly due to a country mix effect, with a higher share of profits in countries with lower tax rates.



Profit for the period

In addition to the aforementioned reasons, marketing expenses phasing and seasonality factor also played a vital role in the decrease in net profit. Net profit for the six months ended 30 September 2018 decreased by 47.9% or €5.1 million to €5.6 million, as compared to the same period last year. For the period ended 30 September 2018, the basic and diluted earnings per share are €0.005, both decreased by 37.5%.

BALANCE SHEET REVIEW

Liquidity and capital resources

As at 30 September 2018, the Group had cash and cash equivalents of €299.4 million, as compared to €303.2 million as at 30 September 2017 and €385.7 million as at 31 March 2018.

As at 30 September 2018, the aggregate amount of undrawn borrowing facilities was €326.9 million; and the total borrowings, including finance lease liabilities, current accounts with minority shareholders and bank overdrafts, amounted to €91.6 million, as compared to €88.0 million as at 31 March 2018.

The financings were mainly arranged with commercial banks and based on Euribor or Libor rates plus a margin. No financings were arranged with fixed interest rates.

Investing activities

Net cash used in investing activities was €55.9 million for the six months ended 30 September 2018, as compared to €176.8 million same period last year, representing a decrease of €120.9 million. The decrease was mainly related to the investment in LimeLife last year. Among the €55.9 million spent on investing activities, €45.0 million were for capital expenditures and €10.9 million were for financial investments.

The capital expenditures during the period were primarily related to:

- addition of key money, leasehold improvements and other tangible assets relating to stores for €22.4 million;
- work-in-progress and purchases of machinery and equipment for the factories in Brazil and Manosque and office setup cost of the incubator for €13.0 million;
- investments in various information technology projects for stores, CRM, websites redesign and hardware equipment for €8.0 million; and
- other capital expenditures for €1.7 million.

Financing activities

Financing activities resulted in a net outflow of €1.9 million for the six months ended 30 September 2018. During the same period last year, it was a net cash inflow of €14.8 million. The net outflow this year was due mainly to higher repayment of borrowings during the period. The net inflow last year was mainly explained by the increase in cash needs at subsidiary level.

Inventories

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

For the period ended 30 September	***2018***	*2017*
Average Inventory turnover days[(1)]	**302**	285

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

Inventory net value was €190.1 million as at 30 September 2018, an increase of €33.3 million or 21.2% as compared to €156.8 million as at 30 September 2017. The increase in inventory turnover days by 17 days was due to:

- inclusion of LimeLife's finished goods for 21 days;
- reduction in inventory allowances mainly at the factory for 6 days; and
- unfavourable foreign exchange impact and rounding for 3 days.

This was offset partly by:

- lower level of raw materials, Mini Products and Pouches ("MPPs") and boxes for 6 days; and
- lower level of finished goods at the factory, in Hong Kong, the US and other countries for 7 days.

Trade receivables

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

For the period ended 30 September	***2018***	*2017*
Turnover days of trade receivables [(1)]	**33**	34

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

The slight decrease in turnover days of trade receivables by 1 day for the period ended 30 September 2018 was mainly attributed to the foreign currency impact.

Trade payables

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

For the period ended 30 September	***2018***	*2017*
Turnover days of trade payables [(1)]	**204**	200

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

The increase in turnover day of trade payables for the period ended 30 September 2018 was due to consolidation of LimeLife. Excluding LimeLife, the turnover day of trade payables indeed decreased to 194, with lower level of accrued expenses.

BALANCE SHEET RATIOS

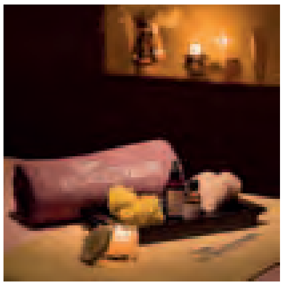
The Group's profitability ratios for the six months ended 30 September 2018 deteriorated as compared to the same period last year. Return on capital employed for the six months ended 30 September 2018 decreased to 1.3% as compared to 1.7% for the same period last year. The decrease was mainly explained by a decrease in net profit as well as a slight increase in capital employed for the period. The Group's liquidity and capital adequacy ratios remained healthy as a result of high net cash position.

For the period ended	30 September 2018 *€'000*	31 March 2018 *€'000*	30 September 2017 *€'000*
Profitability			
Net operating profit after tax (NOPAT) (1)	9,229	97,078	11,596
Capital employed (2)	735,721	641,118	695,483
Return on capital employed (ROCE) (3)	1.3%	15.1%	1.7%
Return on equity (ROE) (4)	0.8%	10.3%	1.3%
Liquidity			
Current ratio (times) (5)	2.6	3.1	2.5
Quick ratio (times) (6)	1.8	2.4	1.8
Capital adequacy			
Gearing ratio (7)	7.1%	6.8%	7.2%
Debt to equity ratio (8)	net cash position	net cash position	net cash position

(1) (Operating profit + foreign currency net gains or losses) x (1 - effective tax rate)
(2) Non-current assets - (deferred tax liabilities + other financial liabilities + other non-current liabilities) + working capital. Note that working capital excludes financial liabilities such as dividends and acquisition payment.
(3) NOPAT/capital employed
(4) Net profit attributable to equity owners of the Company/shareholders' equity at period end excluding minority interest
(5) Current assets/current liabilities
(6) (Current assets - inventories)/current liabilities
(7) Total debt/total assets
(8) Net debt/(total assets - total liabilities)

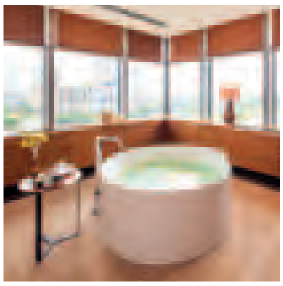
FOREIGN EXCHANGE RISK MANAGEMENT

The Group enters into forward foreign exchange contracts to hedge anticipated transactions, as well as receivables and payables not denominated in our presentation currency, the Euro, for periods consistent with our identified exposures. As at 30 September 2018, the Group had foreign exchange derivatives net assets of €0.9 million in the form of foreign exchange forward contracts and interest rate derivatives (in accordance with fair market valuation requirements under IFRS). The notional principal amount of the outstanding sales forward exchange derivatives were €104.9 million.



DIVIDENDS

At the Board meeting held on 11 June 2018, the Board recommended a distribution of a gross final dividend of €0.0297 per share for an aggregated sum of €43.4 million or 45.0% of the net profit attributable to the equity owners of the Company. The amount of the final dividend was based on 1,460,682,471 shares in issue as at 26 September 2018 excluding 16,282,420 treasury shares. The shareholders of the Company approved the final dividend at the annual general meeting held on 26 September 2018. The dividend was paid on 19 October 2018.



In line with its policy to declare and pay only a final dividend each year, the Board has recommended that no distribution would be made from the profits of the six months ended 30 September 2018.

POST BALANCE SHEET EVENTS

There are no post balance sheet events that require to be reported.

Strategic Review

In the six months ended 30 September 2018 (the "first half of FY2019"), the Group introduced a new strategy named "Pulse" to clearly define its objectives to pursue sustainable growth, enhance profitability and build trust. The strategy is anchored by five pillars: empowering teams; executing fundamentals especially in a retail context; adopting an omni-channel, mobile and digital approach; engaging customers; and strengthening brand commitments. This will spearhead the Group's future performance. In the shorter term, the Group has already taken actions to promote management empowerment and accountability, such as by implementing a new incentive system, and to clarify its commitments toward sustainability.

With a renewed sense of focus, the Group achieved solid sales growth despite significant economic and political headwinds. It also made progress in a number of important areas, in particular, growing its presence in face care, improving Same Store Sales Growth in key markets and in strengthening the foothold of its emerging brands.

However, the Group's profitability in the first half of FY2019 was impacted by seasonality. The production schedule and use of working capital reflects the Group's historical sales pattern that is normally positively skewed towards the holiday season, which falls within its third financial quarter (between 1 October and 31 December).

In addition, significant marketing investments were made in the first half leading up to its major product launch in August and September, with the expectation that momentum will sustain into the second half. As a result, the Group's performance in the first half of FY2019 should not be representative of its annual results.

Face care image boosted by successful hero product launch

The Group continued to enact its 'hero product' strategy to efficiently recruit new customers and elevate brand image. This strategy involves undertaking fewer, but larger scale, product launches synchronised across countries and sales channels.

In the first half of FY2019, the Group launched the *Aqua Réotier* moisturising range and the highly anticipated hero product, *Immortelle Reset* serum. Both greatly strengthened the association between L'OCCITANE en Provence and face care, while also increasing the face care segment's share within the Group's overall product mix. In particular, the launch of award-winning *Immortelle Reset* serum was one of the Group's most successful product launches to date. Not only did it become one of the bestsellers globally in two months, it was also the first time a face care product became bestselling in terms of volume. This hero product also delivered on its objective to recruit and bridge.

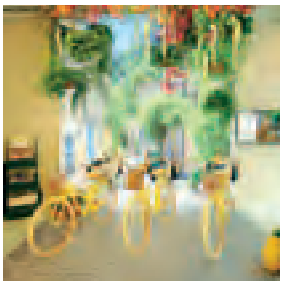
The Group will continue to balance its hero product launches with novelty product launches, as well as with its timeless bestsellers, to maximise sales, traffic and loyalty.

Marketing focused on content creation and engagement

The Group's performance in specific key markets was bolstered by marketing initiatives to create content and engage customers, including brand ambassador campaigns, as well as innovative and creative digital activities.

Combining the use of aspirational Chinese celebrities, Lu Han and Liu Shishi, and a 360-degree marketing campaign across Greater China and the region's travel retail channels, the Group gained prominent brand exposure and relevance with its target audience. This coordinated effort supported the strong growth of 18.6% and 14.1% in Hong Kong and China, respectively.

L'Occitane pop-up café in Singapore



L'Occitane store at 555 5th Avenue, New York, United States

Meanwhile, Japan returned to positive Same Store Sales Growth during the first half of FY2019 from successful product launches. The Group sought to continue this momentum with the recent "Balloon Journey" campaign in October that showcased L'Occitane's true stories and the natural ingredients. This expanded brand awareness, while also driving traffic and engagement.

The Group also continued to work closely with beauty bloggers and vloggers to target new consumers, as well as with social media platforms including WeChat in China, Kakao Talk in South Korea and Line in Japan, with whom it recently launched a new line of Line Stickers.

Delivering memorable omni-channel customer experiences

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

During the first half of FY2019, the Group unveiled unique retail concepts for L'OCCITANE en Provence in key cities. These included:

- 555 5th Avenue in New York, an immersive destination incorporating eye-catching art installations, VR elements, and technologically advanced interactive skincare consultation areas;
- a newly-renovated flagship store in Tokyo's Shibuya district, which features a Pierre Hermé café; and
- *A Journey in Every Sense* pop-up café in Singapore, in collaboration with pastry chef, Janice Wong.

The Group also expanded its presence on Chinese online marketplaces, opening an official store on JD.com, one of the country's biggest e-commerce sites. During the first half of FY2019, the Group's Web Sell-out sales grew by 8.7%, equivalent to 12.4% of total Sell-out sales during the period.

Leveraging the unique identities of each brand

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

Melvita maintained strong Same Store Sales Growth during the period, supported by the focus on signature face care products, *Argan Oil* beauty oil and *Pulpe de Rose* serum, allowing the Group to fully leverage on the brand's high level of repurchases.

Erborian's Korean roots and French flair continued to prove its appeal in western countries. The brand continued double-digit sales growth, and expanded its presence to 8 shops in Russia.

Meanwhile, L'OCCITANE au Brésil helped drive overall sales growth for the Group in Brazil during the first half of FY2019, supported by the launch of a flagship store in São Paulo. This flagship store introduced a new visual brand identity for the brand, focused around the 'Casa Brasileira' concept, which is inspired by the Brazilian approach to creating cosy, simple and hospitable homes.

The exciting potential of combining online sales with peer to peer marketing, and the continued strong growth in the United States gave the Group confidence to press on with Limelife's international expansion, entering Canada, the United Kingdom, and France in the first half of FY2019. In the coming months, the Group plans to expand LimeLife into other European countries such as Spain and Italy, as well as Brazil.

The Group will also continue to explore other potential investments and M&A opportunities, in line with its multi-brand strategy, to grow the contribution from its non-core brands.

Building an agile and efficient organisation

The Group continued to make targeted investments and monitor efficiency closely, in order to become an even more agile and profitable organisation. A key element was to foster an entrepreneurial culture, by empowering teams to make decisions based on their local expertise. In relation to this, the Group rolled out a new incentive plan that is much more connected to growth and profitability.

In order to emulate the efficiencies achieved in the Asia-Pacific region following the opening of the Asian Central Distribution Centre in Singapore last year, the Group is set to open a similar distribution centre in Europe in the second half of FY2019. It is also set to commence operations at its new factory in Brazil for the L'OCCITANE au Brésil brand in the second half of FY2019, which will deliver better production efficiency and tax advantages in that market.

A sustainable business is a smart business

Sustainability has been at the heart of the Group's business for more than 40 years, created from a deep passion and respect for nature. Today, the Group's commitments run further with its new CSR platform that set ambitious goals for plastic use, biodiversity, fair trade, craftsmanship, sight and women empowerment.

L'Occitane is proud to share these commitments and believe they resonate strongly with today's socially-conscious consumers. In this year's holiday product collaboration with Castelbajac Paris, the products carry strong messages that celebrate the Group's commitments to further strengthen its brand identity.

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

Outlook

Looking forward to the second half of FY2019 and beyond, the Group will continue its "Pulse" strategy centered on trust, sustainable growth, and profitability. The successful launch of *Immortelle Reset* serum provided invaluable experience for the rollout of future product launches as part of the hero product strategy, including potential extensions to this franchise.

Given the strong seasonality of the Group's operations, the coming holiday season will be essential to its full-year financial performance. In order to position itself most advantageously for this, the Group will leverage on the popularity of its new hero product, and launch meaningful campaigns that remind consumers L'Occitane is more than just a brand.

Despite the ongoing risks posed by the macroeconomic environment, the Group is confident its focus and discipline to execute fundamentals, prioritise an omni-channel approach, and empower teams will safeguard its sustainable growth and profitability, as well as its ability to deliver value to shareholders.


LAVANDE
BAIN MOUSSANT
FOAMING BATH
MAS DES LAVANDES
L'OCCITANE

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT REVIEW REPORT

Report on Review of Condensed Consolidated Interim Financial Information

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

We have reviewed the accompanying condensed consolidated interim financial information of L'Occitane International S.A. and its subsidiaries (the "Group"), which comprise the condensed consolidated interim balance sheets as at 30 September 2018, and the condensed consolidated interim statement of income, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information (the "condensed consolidated interim financial information").

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

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

RESPONSIBILITY OF THE "RÉVISEUR D'ENTREPRISES AGRÉÉ"

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

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

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

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Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
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CONCLUSION

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

PricewaterhouseCoopers, Société coopérative
Represented by

Luxembourg, 26 November 2018

Magalie Cormier

INTERIM CONSOLIDATED STATEMENTS OF INCOME

In thousands of Euros, except per share data	*Notes*	***Period ended 30 September*** ***2018***	***2017***
Net Sales	(4)	**595,385**	**548,210**
Cost of sales		(104,857)	(94,263)
Gross profit		490,528	453,947
% of net sales		*82.4%*	*82.8%*
Distribution expenses		(327,346)	(296,987)
Marketing expenses		(87,068)	(77,770)
Research & development expenses		(8,387)	(7,682)
General and administrative expenses		(62,456)	(58,601)
Share of profit/(loss) from joint ventures accounted for using the equity method		—	405
Other gains/(losses), net	(21)	541	468
Operating profit		**5,812**	**13,780**
Finance income	(22)	589	739
Finance costs	(22)	(2,276)	(1,548)
Foreign currency gains/(losses)	(23)	(1,536)	(2,980)
Profit before income tax		**2,589**	**9,991**
Income tax expense	(24)	2,999	736
Profit for the period		**5,588**	**10,727**
Attributable to:			
Equity owners of the Company		6,814	11,077
Non-controlling interests		(1,226)	(350)
Total		**5,588**	**10,727**
Earnings per share for profit attributable to the equity owners of the Company during the period *(expressed in Euros per share)*	(25)		
Basic		0.005	0.008
Diluted		0.005	0.008
Number of shares used in earnings per share calculation	(25)		
Basic		1,460,682,471	1,461,435,471
Diluted		1,462,556,482	1,463,011,450

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

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In thousands of Euros	*Notes*	***Period ended 30 September*** ***2018***	***2017***
Profit for the period		**5,588**	**10,727**
Changes in the fair value of equity investments at fair value through other comprehensive income	(14)	80	—
Currency translation differences[1]		1,805	(22,065)
Total items that may be reclassified subsequently to profit and loss		**1,885**	**(22,065)**
Other comprehensive income/(loss) for the period, net of tax		**1,885**	**(22,065)**
Total comprehensive income for the period		**7,473**	**(11,338)**
Attributable to:			
– Equity owners of the Company		8,084	(10,822)
– Non-controlling interests		(611)	(516)
Total comprehensive income for the period		**7,473**	**(11,338)**

(1) Over the period ended 30 September 2018, currency translation differences include an amount of €1,639,000 corresponding to exchange losses on intercompany receivables and payables that are, in substance, part of the Company's net investment in subsidiaries according to IAS 21 (€1,213,000 for the period ended 30 September 2017).

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

INTERIM CONSOLIDATED BALANCE SHEETS

ASSETS *In thousands of Euros*	*Notes*	***30 September 2018***	***31 March 2018***
Property, plant and equipment	(7)	187,139	175,920
Goodwill	(8)	241,091	226,646
Intangible assets	(9)	77,872	76,556
Deferred income tax assets	(24.2)	73,794	62,882
Other non-current assets	(10)	51,425	40,253
Non-current assets		**631,321**	**582,257**
Inventories	(11)	190,061	156,479
Trade receivables	(12)	108,672	109,401
Other current assets	(13)	62,976	68,485
Derivative financial instruments	(14)	1,318	155
Cash and cash equivalents		299,395	385,712
Current assets		**662,422**	**720,232**
TOTAL ASSETS		**1,293,743**	**1,302,489**

EQUITY AND LIABILITIES *In thousands of Euros*	*Notes*	***30 September 2018***	***31 March 2018***
Share capital	(15)	44,309	44,309
Additional paid-in capital	(15)	342,851	342,851
Other reserves		(107,165)	(105,376)
Retained earnings		612,822	649,189
Capital and reserves attributable to the equity owners of the Company		**892,817**	**930,973**
Non-controlling interests		7,322	7,828
Total equity		**900,139**	**938,801**
Borrowings	(16)	84,949	80,595
Other financial liabilities	(6)	13,837	13,158
Other non-current liabilities	(17)	32,820	31,743
Deferred income tax liabilities	(24.2)	3,870	3,473
Non-current liabilities		**135,476**	**128,969**
Trade payables	(18)	109,078	125,455
Social and tax liabilities		59,617	68,785
Current income tax liabilities		5,809	5,532
Borrowings	(16)	6,612	7,434
Derivative financial instruments	(14)	435	493
Provisions	(19)	7,118	9,690
Other current liabilities	(17)	69,459	17,330
Current liabilities		**258,128**	**234,719**
TOTAL EQUITY AND LIABILITIES		**1,293,743**	**1,302,489**

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

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN 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.	Excess of consideration in transaction with non-controlling interests	Actuarial gains/ (losses)	Treasury shares	Profit for the period	Non-controlling interests	TOTAL EQUITY
		Attributable to equity owners of the Company											
					Other reserves								
Balance at 31 March 2017		**1,476,964,891**	**44,309**	**342,851**	**19,232**	**(2,089)**	**(11,185)**	**(48,821)**	**(727)**	**(22,535)**	**598,845**	**465**	**920,345**
Profit for the 6-month period		–	–	–	–	–	–	–	–	–	11,077	(350)	10,727
Other comprehensive income													
Currency translation differences		–	–	–	–	–	(21,899)	–	–	–	–	(166)	(22,065)
Actuarial gains/(losses) on defined benefit obligation		–	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	***(21,899)***	**–**	**–**	**–**	***11,077***	***(516)***	***(11,338)***
Transactions with owners													
Dividends declared		–	–	–	–	–	–	–	–	–	(46,181)	–	(46,181)
Purchase of 1,284,750 treasury shares	(15.2)	–	–	–	–	–	–	–	–	(2,341)	–	–	(2,341)
Contribution from the parent		–	–	–	1,101	–	–	–	–	–	–	–	1,101
Employee share option: value of employee services	(15.3)	–	–	–	905	–	–	–	–	–	–	–	905
Total contributions by and distribution to owners of the Company		**–**	**–**	**–**	***2,006***	**–**	**–**	**–**	**–**	***(2,341)***	***(46,181)***	**–**	***(46,516)***
Non-controlling interests recorded as liabilities		–	–	–	–	–	–	–	–	–	(8)	8	–
Transactions with non-controlling interests	(6)	–	–	–	–	–	–	–	–	–	(76)	218	142
Total transaction with owners		–	–	–	–	–	–	–	–	–	(84)	226	142
Balance at 30 September 2017		**1,476,964,891**	**44,309**	**342,851**	**21,238**	**(2,089)**	**(33,084)**	**(48,821)**	**(727)**	**(24,876)**	**563,657**	**175**	**862,633**
Balance at 31 March 2018		**1,476,964,891**	**44,309**	**342,851**	**22,753**	**(2,972)**	**(42,838)**	**(55,976)**	**(378)**	**(25,965)**	**649,189**	**7,828**	**938,801**
Profit for the 6-month period		–	–	–	–	–	–	–	–	–	6,814	(1,226)	5,588
Other comprehensive income													
Currency translation differences		–	–	–	–	–	1,190	–	–	–	–	615	1,805
Changes in the fair value of equity investments at fair value through other comprehensive income		–	–	–	–	80	–	–	–	–	–	–	80
Total comprehensive income		**–**	**–**	**–**	**–**	***80***	***1,190***	**–**	**–**	**–**	***6,814***	***(611)***	***7,473***
Transactions with owners													
Dividends declared		–	–	–	–	–	–	–	–	–	(43,455)	(34)	(43,489)
Contribution from the parent		–	–	–	1,081	–	–	–	–	–	–	–	1,081
Employee share option: value of employee services	(15.3)	–	–	–	1,664	–	–	–	–	–	–	413	2,077
Total contributions by and distribution to owners of the Company		**–**	**–**	**–**	***2,745***	**–**	**–**	**–**	**–**	**–**	***(43,455)***	***379***	***(40,331)***
Non-controlling interests recorded as liabilities													–
Transactions with non-controlling interests	(6)	–	–	–	–	–	–	(5,804)	–	–	274	(274)	(5,804)
Total transaction with owners		–	–	–	–	–	–	(5,804)	–	–	274	(274)	(5,804)
Balance at 30 September 2018		**1,476,964,891**	**44,309**	**342,851**	**25,498**	**(2,892)**	**(41,648)**	**(61,780)**	**(378)**	**(25,965)**	**612,822**	**7,322**	**900,139**

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands of Euros	*Notes*	***Period ended 30 September*** ***2018***	***2017***
Cash flows from operating activities			
Profit for the half-year		5,588	10,727
Adjustments to reconcile profit for the half-year to net cash from operating activities			
Depreciation, amortization and impairment	(20.3)	30,717	30,586
Deferred income taxes		(10,420)	(14,426)
Unwinding of discount on other financial liabilities	(6)	175	430
Share based payment	(15.3)	3,158	2,006
Change in the fair value of derivatives	(23)	(1,141)	(487)
Other losses/(gains) on sale of assets - net	(21)	271	238
Net movements in provisions	(19)	(1,144)	(486)
Share of (profit)/loss from joint operations		—	(405)
Changes in working capital			
Inventories		(33,521)	(23,987)
Trade receivables		214	2,343
Trade payables		(19,065)	7,369
Salaries, wages, related social items and other tax liabilities		(8,784)	(5,543)
Current income tax assets and liabilities		3,336	(119)
Other assets and liabilities, net		3,702	(326)
Net cash inflow/(outflow) from operating activities		**(26,914)**	**7,920**
Cash flows from investing activities			
Acquisition of business combinations, net of cash acquired	(5)	(7)	(5,000)
Investment in associate	(5.1)	—	(114,161)
Purchases of property, plant and equipment	(7)	(36,431)	(32,041)
Purchases of intangible assets	(9)	(7,663)	(23,543)
Proceeds from sale of fixed assets		183	682
Change in deposits and key moneys paid to the landlords		82	(1,709)
Change in non-current receivables and liabilities		(1,209)	(1,001)
Other financial investments	(10)	(10,820)	—
Net cash (outflow) from investing activities		**(55,865)**	**(176,773)**
Cash flows from financing activities			
Transaction with non-controlling interests	(6)	(5,300)	218
Dividends paid to non-controlling interests		(34)	—
Proceeds from purchase of treasury shares	(15.1)	—	(2,341)
Proceeds from borrowings	(16)	73,211	73,397
Repayments of borrowings	(16)	(69,758)	(56,513)
Net cash inflow/(outflow) from financing activities		**(1,881)**	**14,761**

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

In thousands of Euros	*Notes*	***Period ended 30 September*** ***2018***	***2017***
Exchange gains/(losses) on cash, cash equivalents and bank overdrafts		(1,657)	4,544
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(86,317)**	**(149,548)**
Cash, cash equivalents at the beginning of the half-year		**385,712**	**452,751**
Cash, cash equivalents		*385,712*	*452,751*
Cash, cash equivalents at end of the half-year		**299,395**	**303,203**
Cash, cash equivalents		*299,395*	*303,203*

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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. THE GROUP

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

The Group also designs and markets another range of fragrant products for the home, cosmetic products, perfumes, soaps and natural products, under the trademark "LimeLife", "Erborian" and "L'Occitane au Brésil".

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

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

This condensed consolidated interim financial information was approved for issue by the Board of Directors on November 26, 2018.

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

2. BASIS OF PREPARATION

2.1. Basis of preparation

This condensed consolidated interim financial information ("consolidated interim financial information") for the six-month period ended 30 September 2018 ("period ended 30 September 2018") has been prepared in accordance with IAS 34, «Interim financial reporting» as issued by the International Accounting Standards Board. The consolidated interim financial information should be read in conjunction with the consolidated annual financial statements for the year ended 31 March 2018, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union.

2.2. Accounting policies

The accounting policies and methods of computation used in the preparation of this consolidated interim financial statements are consistent with those of the annual consolidated financial statements for the year ended 31 March 2018, except as described below:

- Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.
- Interpretations and amendments to IFRSs effective for the financial period beginning 1 April 2018 do not have any material impact on the consolidated interim financial statements.

2. BASIS OF PREPARATION *(continued)*

2.2. Accounting policies *(continued)*

2.2.1. New and amended standards

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

– IFRS 9 Financial Instruments, and

– IFRS 15 Revenue from Contracts with Customers

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

IFRS 9 Financial Instruments – Impact of adoption

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

The adoption of IFRS 9 from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated interim financial information. The new accounting policies are set out below. In accordance with the transitional provisions of IFRS 9 paragraph 7.2.15, comparative figures have not been restated.

Classification and measurement

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

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

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

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

Impairment of financial assets

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

2. BASIS OF PREPARATION *(continued)*

2.2. Accounting policies *(continued)*

2.2.1. New and amended standards *(continued)*

IFRS 9 Financial Instruments – Accounting policies applied from 1 April 2018

Classification

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

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

– Those to be measured at amortised cost.

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

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

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

Measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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

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

Equity instruments

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

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

Changes in the fair value of financial assets at FVPL are recognised within "Financial results other than interest" in the condensed consolidated interim income statement.

2. BASIS OF PREPARATION *(continued)*

2.2. Accounting policies *(continued)*

2.2.1. New and amended standards *(continued)*

IFRS 9 Financial Instruments – Accounting policies applied from 1 April 2018 ***(continued)***

Derivatives and hedging activities

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

The fair value adjustment is recorded in other comprehensive income.

Impairment

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

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

IFRS 15 Revenue from Contracts with Customers – Impact of adoption

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

Provision for returned goods

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

IFRS15 - Revenue from Contracts with Customers – Accounting policies applied from 1 April 2018

Retail

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

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

2. BASIS OF PREPARATION *(continued)*

2.2. Accounting policies *(continued)*

2.2.1. *New and amended standards (continued)*

IFRS15 - Revenue from Contracts with Customers – Accounting policies applied from 1 April 2018 *(continued)*

Loyalty programs

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 fair 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.

Wholesale

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

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.

Provision for returned goods

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

2. BASIS OF PREPARATION *(continued)*

2.2. Accounting policies *(continued)*

2.2.2. Impact of standards issues but not yet applied by the entity

IFRS16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset and a financial liability to pay rents are recognised. The only exceptions are short-term and low-value leases.

The standard will affect primarily the accounting for the group's operating leases. As at 30 September 2018, the Group has non-cancellable operating lease commitments of €483,039. However, the Group has not yet precisely determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases.

The standard is mandatory as from 1 April 2019. The Group does not intend to adopt the standard before its effective date.

2.3. Estimates

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

In preparing this consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimations uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 31 March 2018, with the exception of changes in estimates that are required in determining the provision for income taxes.

2.4. Seasonality of operations

The Group is subject to significant seasonal variances in sales, which are significantly higher in its financial third quarter (between 1 October and 31 December) in anticipation of and during the Christmas holiday season. For the period ended 30 September 2017, the level of sales represented 41.6% of the annual level of sales in the year ended 31 March 2018 and the level of operating profit represented 9.8% of the annual operating profit in the year ended 31 March 2018. These ratios are not representative of sales and operating profit expected for the year ended 31 March 2019.

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

3. FINANCIAL RISK MANAGEMENT

3.1. Financial risk factors

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

The condensed interim consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the annual consolidated financial statements for the year ended 31 March 2018.

(a) Market risk

Foreign exchange risk

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

– 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 must be formally approved by the group CFO.

– Financing operations:

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

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

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1. Financial risk factors *(continued)*

(a) *Market risk (continued)*

Cash flow and fair value interest rate risk

The cash is currently invested in treasury deposit at short term and takes profit of any increase in Euro interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

In accordance with debt covenants described in note 16.2, the margin of certain bank borrowings can change.

Price risk

The Group is not significantly exposed to commodity price risk.

The Group is also exposed to price risk arising from investments in equity securities. The investments are done in accordance with the limits set by the Financial Investment Committee in charge of selecting the investments. On 30 September 2018, the Group has no significant investment in equity securities except for Treasury shares.

(b) *Credit risk*

Credit risk is managed on group basis, except for credit risk relating to account receivables balances. Each local entity is responsible for monitoring and analysing the credit risk of their clients. Standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with bank and financial institutions, as well as credit exposures to wholesale and retail customers.

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

- For customers in the Sell-in and B-to-B segments, sales are made with credit terms generally from 60 and 90 days and the Group maintains adequate allowances for potential credit losses and follows regularly the solvency of its counterpart. As of 30 September 2018 and 2017, the Group did not have any significant concentration of business conducted with a particular customer that could, if suddenly eliminated, severely impact the operations of the Group;
- For customers in the Sell-out segment, the Group's sales to end customers are made in cash or via major credit cards and no credit terms are generally granted to the end customers. When the Sell-out sales are generated in department stores, a credit term is granted to the department store until the cash is transferred to the Group. This credit term is generally from 30 to 90 days;
- All significant cash deposits are made with major financial institutions having an investment grade rating and invested in fixed term deposits with fixed negotiations terms and interest rate or mutual funds. The Group has temporary exposure to non-investment grade institutions on payments made by customers in certain countries, until the Group transfers such amounts to investment grade institutions. Cash and cash equivalents and derivatives financial instruments are concentrated on few independently rated parties with a minimum rating of "BBB-" (investment Grade) except in countries rated below BBB-.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1. Financial risk factors *(continued)*

(c) Liquidity risk

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

On 18 July 2014, the Company signed a multi-currency revolving facility agreement for an amount of €400 million with a five-year maturity to replace the previous revolving facility agreement for an amount of €350 million signed in July 2010.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flow. The liquidity reserves as at 30 September 2018 are as follows:

In thousands of Euros	***30 September 2018***
Cash and cash equivalents and bank overdrafts	299,395
Undrawn borrowing facilities (note 16.2)	326,948
Liquidity reserves	**626,343**

3.2. Capital risk management

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

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

The Company has also treasury shares (note 15).

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.3. Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three below levels prescribed under the accounting standards.

In thousands of Euros	*30 September 2018*			*31 March 2018*		
	Level 1 (a)	**Level 2 (b)**	**Level 3 (c)**	**Level 1 (a)**	**Level 2 (b)**	**Level 3 (c)**
Assets						
Derivatives at fair value through profit and loss (note 14)	—	1,129	—	—	155	—
Derivatives at fair value through other comprehensive income (FVOCI) (note 14)	—	189	—	—	—	—
Available-for-sale financial assets	—	—	—	—	—	12,925
Financial assets at fair value through other comprehensive income (FVOCI) (note 10)	—	9,520	12,925	—	—	—
Financial assets at fair value through profit or loss (FVPL) (note 10)	—	—	—	—	—	—
Cash equivalents	2,942	—	—	1,999	—	—
Total assets	**2,942**	**10,838**	**12,925**	**1,999**	**155**	**12,925**
Liabilities						
Derivatives at fair value through profit and loss	—	(435)	—	—	(493)	—
Total liabilities	**—**	**(435)**	**—**	**—**	**(493)**	**—**

Level 1: The fair value of financial instruments traded in active markets is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Specific valuation techniques used to value financial instruments may include (if applicable):

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of foreign currency forwards is determined using forward exchange rates at the balance sheet date.
- The fair value of the remaining financial instruments is determined using discounted cash flow analysis.

4. SEGMENT INFORMATION

The chief operating decision-makers have been identified as the Chairman & CEO and the Managing Director. They review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Chairman & CEO and the Managing Director consider the business from both a channel and a geographic perspective. They review the operating results of both sets of components and financial information is available for both, however the channels are the operating segments.

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

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

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

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

4.1. Operating segments

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

	Period ended 30 September 2018			
In thousands of Euros	**Sell-Out**	**Sell-In and B-to-B**	**Other reconciling items**	**Total**
Net sales	**435,924**	**159,461**	**—**	**595,385**
In %	*73.2%*	*26.8%*	*—*	*100.0%*
Gross profit	**378,919**	**111,609**	**—**	**490,528**
% of sales	*86.9%*	*70.0%*		*82.4%*
Distribution expenses	(269,467)	(28,453)	(29,426)	(327,346)
Marketing expenses	(25,589)	(5,702)	(55,777)	(87,068)
Research & development expenses	—	—	(8,387)	(8,387)
General and administrative expenses	—	—	(62,456)	(62,456)
Other gains/(losses), net	(240)	(29)	810	541
Operating profit	**83,623**	**77,425**	**(155,236)**	**5,812**
% of sales	*19.2%*	*48.6%*	*—*	*1.0%*

4. SEGMENT INFORMATION *(continued)*

4.1. Operating segments *(continued)*

In thousands of Euros	*Period ended 30 September 2017* Sell-Out	Sell-In and B-to-B	Other reconciling items	Total
Net sales	**397,077**	**151,133**	**—**	**548,210**
In %	*72.4%*	*27.6%*	—	*100.0%*
Gross profit	**349,525**	**104,422**	**—**	**453,947**
% of sales	*88.1%*	*69.1%*	—	*82.8%*
Distribution expenses	(243,672)	(26,684)	(26,631)	(296,987)
Marketing expenses	(23,055)	(4,005)	(50,710)	(77,770)
Research & development expenses	—	—	(7,682)	(7,682)
General and administrative expenses	—	—	(58,601)	(58,601)
Share of profit/(loss) from joint operations	—	—	405	405
Other gains/(losses), net	46	(8)	430	468
Operating profit	**82,844**	**73,725**	**(142,789)**	**13,780**
% of sales	*20.9%*	*48.8%*	—	*2.5%*

The other reconciling items include amounts corresponding to central corporate functions unrelated to a specific business segment (mainly the central distribution warehouses, central marketing and most of general and administration expenses).

There are no significant inter-segment transfers or transactions.

4.2. Geographic areas

	Period ended 30 September			
	2018		*2017*	
In thousands of Euros	**Total**	***In %***	**Total**	***In %***
United States	100,367	*16.9%*	62,989	*11.5%*
Japan	96,164	*16.2%*	99,448	*18.1%*
China	67,845	*11.4%*	60,041	*11.0%*
Hong-Kong	58,436	*9.8%*	51,147	*9.3%*
France	45,450	*7.6%*	44,664	*8.1%*
Luxembourg - Swiss branch	34,532	*5.8%*	34,954	*6.4%*
Brazil	23,869	*4.0%*	26,703	*4.9%*
United Kingdom	23,173	*3.9%*	23,470	*4.3%*
Russia	18,614	*3.1%*	18,976	*3.5%*
Taiwan	14,360	*2.4%*	15,292	*2.8%*
Other countries	112,575	*18.9%*	110,526	*20.2%*
Net sales	**595,385**	***100%***	**548,210**	***100%***

Sales consist mainly of product sales. Sales are allocated based on the country of the invoicing subsidiary.

5. INFORMATION RELATING TO CHANGES IN THE GROUP STRUCTURE

5.1. For the period ended 30 September 2018

Acquisition of Natural Cosmetics

On 30 April 2018, the Group acquired 100% of Natural Cosmetics from two shareholders to expand the business of LimeLife outside USA, which hold LimeLife Canada, Brazil, UK, and France. The total consideration paid amounts to € 6,720,000. Management concluded that the acquisitions from the two shareholders are part of the same transaction and have consequently been accounted as a single operation; related goodwill has been calculated on the total price paid to both former shareholders.

Those entities and the Group are under common control (note 28.2) and the Group decided to account for this business combination by applying the acquisition method.

Purchase consideration
in million of Euros
The purchase consideration is as follows:

Cash paid	0.9
Deferred cash payment (note 17)	5.8
Percentage of interests	100%
Net assets identifiable acquired by the Group	**(2.4)**
Goodwill	**9.1**

Assets and liabilities acquired

The assets and liabilities recognized as a result of the acquisition is as follows:

Figures in €m	***30 April 2018***
Other current assets	0.2
Cash and cash equivalents	0.9
Trade payables	(0.3)
Borrowings	(0.4)
Other current liabilities	(2.9)
Net identifiable assets acquired	**(2.4)**
Add: goodwill	9.1
Net assets acquired	**6.7**

The above fair values were provisionally determined. None of the goodwill is expected to be deductible for tax purposes.

The goodwill resulting from this business combination was attributable to the future synergies thanks to the penetration of the international development of the sub segment sell-out.

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

5.1. For the period ended 30 September 2018 *(continued)*

Acquisition of Natural Cosmetics (continued)

Purchase consideration – cash outflow

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

Revenue and profit contribution

The acquired business contributed revenues of €1,900,000 and net loss of € (1,700,000) to the Group for the period from 30 April 2018 to 30 September 2018.

Acquisition – related costs

No acquisition related costs were incurred.

Adjustment on the LimeLife goodwill recognized during the year ended 31 March 2018

During the year ended 31 March 2018, the Group acquired 60.48% of Limelight 2 LLC ('LimeLife USA') for a consideration of €114,224,000 (US$128 millions) through a contribution to its capital and gained control to expand the business model outside the USA.

The provisionally determined fair value of the net identifiable assets of the company at the date of acquisition was € 19.4 m and the purchased goodwill amounted to € 102.5 m.

As at 31 March 2018, in the statutory financial statements of Limelight 2 LLC, a goodwill amounting to € 239 m was recognized. After further tax analysis it appears that 40% of this goodwill will be amortized over 15 years and tax-deductible.

Therefore a deferred tax liability will be recognized over the 15 years for the difference between the accounting and the fiscal value of the goodwill. An amount of € 400,000 was recorded during the period ended 30 September 2018.

5.2. For the year ended 31 March 2018

On 24 May 2017 the Group acquired 40% of interests in LimeLife USA for a total consideration of €114,224,000 (US$128 millions) through a contribution to its capital and gained the joint control to expand the business model outside the USA. LimeLife is specialized in the distribution of professional makeup for artists and makeup enthusiasts in the USA.

On 12 December 2017 the Group acquired 20.48% of additional interests in LimeLife for a nil amount and gained the exclusive control. The counterparty to this nil amount was that the new structuring allows the minority shareholders to participate to the development of the international subsidiaries outside the USA. The Shareholder's agreement was also amended early in 2018 to avoid unresolved deadlock situations.

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

5.2. For the year ended 31 March 2018 *(continued)*

As consequences, there were two separate transactions with following impacts on the consolidated financial statements:

From June 2017 to December 2017, the investment in LimeLife was measured according to equity accounting method at the current exchange rate before the exclusive control was gained. An exchange loss was recorded in 'other comprehensive income' for an amount of € 5,346,000. The Group's share of the statement of income in LimeLife amounting to €150,000 was classified in a specific line within the operating result

On 12 December 2017, the previously held interest was remeasured to fair value for an amount of € 114,270,000. The impact of this fair value adjustment amounting to €5,346,000 was recorded in the line 'Other gains/(losses) – net' of the statement of income together with the above exchange loss reclassified from the 'other comprehensive income'. The fair value of the previously held interest also forms one of the components that was used to calculate goodwill (see below the purchase consideration).

As of January 2018, LimeLife was fully consolidated.

Purchase consideration
in thousands of Euros
The purchase consideration was as follows:

Cash paid	—
Ordinary shares issued	—
Contingent consideration	—
Fair value of the previously held interests	114,270
Percentage of interests	60.48%
Net assets identifiable acquired by the Group	**11,763**
Goodwill	**102,507**

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

5.2. For the year ended 31 March 2018 *(continued)*

Assets and liabilities acquired

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

Figures in €m	*31 December 2017*
PP&E	0.6
Inventories	8.3
Trade receivables	0.7
Prepaid expenses	4.4
Other non-current assets	0.3
Cash and cash equivalents	9.4
Trade payables	(3.3)
Social and tax liabilities	(0.6)
Other current liabilities	(0.3)
Net identifiable assets acquired	**19.4**
Less: non-controlling interests	(7.7)
Add: goodwill	102.5
Net assets acquired	**114.3**

The above fair values were provisionally determined notably for deferred taxes. In the statutory financial statements of Limelight 2 LLC, a goodwill amounting to € 254,972,000 was recognized. It may be deductible for tax purposes and may generate possible deferred tax assets amounting to € 67,568,000. Due to the uncertainties on the tax treatment of this goodwill no deferred tax assets were recognized in the net identifiable assets acquired as at March 31, 2018.

The goodwill resulting from this business combination was attributable to the future synergies thanks to the penetration of a new channel distribution.

The Group elected to recognize the non-controlling interests in at its proportionate share of the acquired net identifiable assets.

Purchase consideration – cash outflow

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

Revenue and profit contribution

The acquired business contributed revenues of €19,119,000 and net profit of €380,000 to the Group for the period from January 2, 2018 to March 31, 2018.

If the acquisition had occurred on April 1, 2017, the acquired business would have contributed revenues of €66,751,000 and net profit of €2,405,000.

Acquisition – related costs

Acquisition related costs were capitalized for an amount of €150,000 during join control period. No additional costs were recorded in the income statement.

6. OTHER FINANCIAL LIABILITIES

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

In thousands of Euros	31 March 2018	Payments relating to the excess exercise of the put options	Change in estimates in the valuation of the exercise price	Unwinding of discount (note 22)	30 September 2018
Katalin Berenyi and Hojung Lee (Erborian)	9,449	(5,300)	5,804	—	9,953
Elizabeth Hajek (Austria)	3,709	—	—	175	3,884
Total other financial liabilities	**13,158**	**(5,300)**	**5,804**	**175**	**13,837**

One of the two put options relating to Erborian was revalued for an amount of €576,000 and then paid for an amount of €5,300,000 on July 11, 2018. The methodology used to determine the payment for this minority shareholder was also used to estimate the new value of the liability relating to the other remaining minority shareholder for an amount of €9,953,000 as at 30 September 2018.

7. PROPERTY, PLANT AND EQUIPMENT

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

In thousands of Euros	
Net book value as of 1 April 2018	**175,380**
Additions	36,705
Disposals	(442)
Acquisition of subsidiaries	5
Depreciation (note 20.3)	(25,680)
Impairment loss (note 20.3)	(104)
Reversal of impairment loss (note 20.3)	964
Exchange differences	311
Net book value as of 30 September 2018	**187,139**

As at 30 September 2018, the net book value under finance leases amounts to €8,720,000 and mainly relates to the land and building of the plants in Lagorce and Manosque, France. During the period ended 30 September 2018, no finance lease was drawn.

The additions of the period are mainly related to openings and refurbishment of stores for €21,410,000.

8. GOODWILL

Changes in goodwill are as follows:

In thousands of Euros

Net book value as of 1 April 2018	**226,646**
Acquisition of Natural Cosmetics (note 5)	9,076
Exchange differences	5,369
Net book value as of 30 September 2018	**241,091**

9. INTANGIBLE ASSETS

Intangible assets include notably:

- Key moneys corresponding to €955,000;
- Acquired trademarks (Melvita, Erborian) with indefinite useful lives;
- Internally used software including enterprise resources planning system, point-of-sales system and others.

Changes in intangible assets can be analysed as follows:

In thousands of Euros

Net book value as of 1 April 2018	**76,556**
Additions	7,663
Disposals	(12)
Amortization (note 20.3)	(5,897)
Other movements	50
Exchange differences	(488)
Net book value as of 30 September 2018	**77,872**

Additions mainly concern software for an amount of €6,332,000.

10. OTHER NON-CURRENT ASSETS

The other non-current assets consist of the following:

In thousands of Euros	***30 September 2018***	***31 March 2018***
Deposits	26,259	26,110
Available-for-sale financial assets	—	11,625
Equity investments at fair value through other comprehensive income (FVOCI)	22,445	—
Key moneys paid to the landlord	2,485	2,277
Loan to joint-venture	236	241
Other non-current assets	**51,425**	**40,253**

Key moneys paid to the landlord are deemed to be linked to the rent and are classified within prepaid expenses (current and non-current).

Equity investments at fair value through other comprehensive income mainly correspond to the investment in MyGlamm for an amount of €10,600,000 and in funds for an amount of €11,800,000.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

11. INVENTORIES

Inventories consist of the following:

In thousands of Euros	***30 September 2018***	***31 March 2018***
Raw materials and supplies	28,293	24,784
Finished goods and work in progress	171,709	140,528
Inventories, gross	**200,002**	**165,312**
Less, allowance	(9,941)	(8,833)
Inventories	**190,061**	**156,479**

12. TRADE RECEIVABLES

Trade receivables ageing analysis consist of the following:

In thousands of Euros	***30 September 2018***	***31 March 2018***
Current and past due within 3 months	108,494	109,338
Past due 3 to 6 months	846	641
Past due 6 to 12 months	211	155
Past due over 12 months	391	374
Allowance for doubtful accounts	(1,270)	(1,107)
Trade receivables	**108,672**	**109,401**

The Group considers that there is no recoverability risk on the net receivables after allowance for doubtful accounts.

13. OTHER CURRENT ASSETS

The following table presents details of other current assets:

In thousands of Euros	***30 September 2018***	***31 March 2018***
Value added tax receivable and other taxes and social items receivable	25,518	20,552
Prepaid expenses (a)	19,098	22,921
Income tax receivable (b)	7,946	10,463
Advance payments to suppliers	8,783	8,753
Other current assets	1,631	5,796
Total other current assets	**62,976**	**68,485**

(a) Prepaid expenses relate mainly to the pre-payment of rental expenses in relation to the stores.

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

14. DERIVATIVE FINANCIAL INSTRUMENTS

a) Analysis of derivative financial instruments

Derivative financial instruments are analysed as follows:

In thousands of Euros	***30 September 2018***		***31 March 2018***	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Foreign exchange derivatives at fair value through profit and loss	1,129	435	46	493
Sub-total derivative financial instruments at fair value through profit and loss	**1,129**	**435**	**46**	**493**
Interest rate derivatives at fair value through other comprehensive income	**189**	**–**	**109**	**–**
Sub-total derivative financial instruments designated as hedging instruments	**189**	**–**	**109**	**–**
Current portion of derivative financial instruments	**1,318**	**435**	**155**	**493**

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

14. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

b) Notional amounts of derivative financial instruments

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

Currencies	***30 September 2018***	***31 March 2018***
Sale of currencies		
CNY	33,140	16,136
JPY	16,810	22,760
USD	14,932	2,273
HKD	14,407	—
GBP	9,016	4,801
RUB	4,025	1,970
AUD	5,035	1,528
THB	2,701	2,429
MXN	2,332	1,010
CZK	731	267
NOK	681	376
PLN	567	228
SEK	263	173
ZAR	179	41
HUF	85	—

15. CAPITAL AND RESERVES

L'Occitane International S.A. is a corporation incorporated in the Grand Duchy of Luxembourg. The authorized capital of the Company is €1,500,000,000 out of which €44,309,000 are issued as at 30 September 2018. At 30 September 2018, the Company's share capital is held by the company L'Occitane Groupe S.A. ("LOG", "the parent company"), in a proportion of 73.02%.

All the issued shares of the Company are fully paid and benefit from the same rights and obligations.

15.1. Share capital and Additional paid-in capital

The changes in the number of shares, share capital and additional paid-in capital are summarized as follows:

In thousands of Euros except "Number of shares"	**Number of shares**	**Share capital**	**Additional paid-in capital**
At 31 March 2018	**1,476,964,891**	**44,309**	**342,851**
At 30 September 2018	**1,476,964,891**	**44,309**	**342,851**

15. CAPITAL AND RESERVES *(continued)*

15.2. Treasury shares

As at 31 March 2018 and 30 September 2018, the Company owned 16,282,420 own shares and the aggregate price of the purchased shares was deducted from equity as treasury shares reserve for an amount of €26,074,000.

15.3. Share-based payments

There are two types of share-based payments that were granted: (i) share-based payments related to LOI equity instruments and (ii) share-based payments related to LOG equity instruments.

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

Set out below are summaries of stock options plans:

	30 September 2018		***31 March 2018***	
	Average exercise price in HKD per share option	**Number of options**	**Average exercise price in HKD per share option**	**Number of options**
As at beginning of period	16.29	34,652,347	16.84	32,002,707
Granted during the period	—	—	14.50	7,395,400
Forfeited during the period	17.00	(5,457,150)	17.21	(4,745,760)
As at end of period	**16.15**	**29,195,197**	**16.29**	**34,652,347**

The stock options forfeited are related to the employees who left the Company before the end of the vesting period.

Stock options outstanding at the end of the year have the following expiry date and exercise prices:

			Number of share options	
Grant date	**Expiry date**	**Exercise price**	***30 September 2018***	***31 March 2018***
4 April 2011	4 April 2015	19.84 HKD	1,387,825	1,481,875
4 April 2011	4 April 2015	19.84 HKD	117,000	117,000
4 April 2011	4 April 2015	19.84 HKD	120,000	1,320,000
26 October 2012	26 October 2016	23.60 HKD	1,346,500	1,440,000
28 November 2012	29 November 2016	24.47 HKD	672,422	841,422
4 December 2013	4 December 2017	17.62 HKD	4,647,750	5,624,250
23 February 2015	23 February 2019	19.22 HKD	301,400	423,800
21 March 2016	21 March 2020	14.36 HKD	5,344,700	6,659,700
2 February 2017	2 February 2021	15.16 HKD	8,218,700	9,348,900
29 March 2018	29 March 2022	14.50 HKD	7,038,900	7,395,400
Total			**29,195,197**	**34,652,347**

15. CAPITAL AND RESERVES *(continued)*

15.3. Share-based payments *(continued)*

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

Set out below are summaries of free shares plans:

	30 September 2018		***31 March 2018***	
	Average exercise price in HKD per free shares	**Number of free shares**	**Average exercise price in HKD per free shares**	**Number of free shares**
As at the beginning of period	14.81	6,692,000	16.76	1,969,000
Granted during the period	—	—	14.50	5,559,500
Vested during the period	—	—	17.62	(537,250)
Forfeited during the period	15.86	(144,400)	16.81	(299,250)
As at end of period	**14.78**	**6,547,600**	**14.81**	**6,692,000**

Free shares outstanding at the end of the year have the following expiry date and exercise prices:

			Number of free shares	
Grant date	**Expiry date**	**Exercise price**	***30 September 2018***	***31 March 2018***
24 February 2015	24 February 2019	—	413,200	456,700
23 March 2016	23 March 2020	—	455,900	519,500
23 March 2016	23 March 2020	—	156,300	156,300
29 March 2018	29 March 2022	—	5,522,200	5,559,500
Total			**6,547,600**	**6,692,000**

(ii) Main characteristics and detail of the plans with LOG equity instruments

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

15. CAPITAL AND RESERVES *(continued)*

15.3. Share-based payments *(continued)*

(iii) Total share-based compensation expense

During the periods ended 30 September 2018 and 30 September 2017, the share-based compensation expense recognized within the employee benefits is the following:

In thousands of Euros	***2018***	***2017***
LOI equity instruments	1,295	905
LOG equity instruments	1,081	1,101
LimeLife equity instruments	1,046	—
Social charges	264	198
Total	**3,686**	**2,204**

On 30 September 2018 an amount of €1,046,000 has been recorded as share-based payments compensation for the minority shareholders of LimeLife.

15.4. Distributable reserves

On 30 September 2018, the distributable reserves of L'Occitane International S.A. amounted to €598,388,658 (€589,055,624 as at 31 March 2018).

15.5. Dividend per share

On 26 September 2018, the annual Shareholder's Meeting approved the distribution of €43,400,000 being €0.0297 per share (excluding €16,282,420 treasury shares) which was paid on 19 October 2018.

On 27 September 2017, the annual Shareholder's Meeting approved the distribution of €46,181,000 being €0.0316 per share (excluding €15,529,420 treasury shares) which was paid on 19 October 2017.

16. BORROWINGS

Borrowings include the following items:

In thousands of Euros	***30 September 2018***	***31 March 2018***
FY 2015 Revolving facility	73,169	67,753
FY 2012 bank borrowing	6,429	6,429
Other bank borrowings	4,100	5,020
Finance lease liabilities	7,755	8,720
Current accounts with minority shareholders and related parties	108	107
Total	**91,561**	**88,029**
Less, current portion:		
– FY 2015 Revolving facility	(116)	(113)
– FY 2012 bank borrowing	(714)	(714)
– Other bank borrowings	(4,100)	(5,020)
– Finance lease liabilities	(1,682)	(1,587)
Total current	**(6,612)**	**(7,434)**
Total non-current	**84,949**	**80,595**

16.1. Maturity of non-current borrowings

For the period ended 30 September 2018 and for the year ended 31 March 2018, maturity of non-current borrowings, excluding 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**
FY 2015 Revolving facility	73,053	—	—	73,053
FY 2012 bank borrowing	714	2,144	2,857	5,715
Current account with minority interests	108	—	—	108
Finance lease liabilities	1,306	3,521	1,246	6,073
Maturity on 30 September 2018	**75,181**	**5,665**	**4,103**	**84,949**
FY 2015 Revolving facility	67,640	—	—	67,640
FY 2012 bank borrowing	714	2,144	2,857	5,715
Current account with minority interests	107	—	—	107
Finance lease liabilities	1,162	3,922	2,049	7,133
Maturity on 31 March 2018	**69,623**	**6,066**	**4,906**	**80,595**

16. BORROWINGS *(continued)*

16.2. Credit facilities agreements

FY 2015 Revolving facility

On 18 July 2014, the Company signed a multi-currency revolving facility agreement for an amount of €400 million with a 5-year maturity plus an option of extension for 2 additional years. An amount of €73.053 million is drawn as at 30 September 2018.

Event of default resulting in the early repayment of the FY 2015 Revolving facility agreement depends on the Leverage financial ratio which is based on the annual Group's consolidated financial statements. The leverage financial ratio is calculated as follows: Consolidated net debt/EBITDA. For the measurement of this ratio, the definitions to be used are as follows:

Consolidated net debt	Current and non-current borrowings (including finance leases and other commitments (but excluding lease commitments, long term employee benefits, raw materials commitments and grant to foundation) – cash and cash equivalents
EBITDA	Operating profit before depreciation, amortization and impairment and before net movements in provisions

The leverage financial ratio was initially to be lower than 3.5. Since 5 April 2017, the leverage ratio is from now on to be lower than 2.0. It is calculated on an annual basis. As at 31 March 2018 the ratio was respected.

The FY 2015 Revolving facility includes a repricing option. The interest rates depend on the above described Leverage financial ratio calculated every year after the consolidated financial statements of the Group are issued. The change in the ratio results in repricing the interest rate as follows:

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

As at 30 September 2018, the ratio is lower than 0.5 and the interest rate is based on Euribor/Libor + Margin - 0.70. As at 31 March 2018 the ratio was lower than 0.5 and the interest rate was based on Euribor/Libor + Margin - 0.7.

FY 2012 bank borrowing

On 20 June 2011, the Group signed a bank borrowing agreement for an amount of €10 million with a 15-year maturity and that can be drawn only by Laboratoires M&L. As at 30 September 2018, the remaining balance of the bank borrowing is €6.429 million.

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

17. OTHER CURRENT AND NON-CURRENT LIABILITIES

Other current and non-current liabilities include the following:

In thousands of Euros	***30 September 2018***	***31 March 2018***
Liabilities linked to operating leases (a)	14,901	14,496
Retirement indemnities	10,700	10,208
Provisions for dismantling and restoring	6,426	6,292
Long term employment benefits	743	672
Grants to a foundation	50	75
Total non-current liabilities	**32,820**	**31,743**
Dividends payable to equity owners of the Company (note 15.5)	43,455	—
Deferred revenue (b)	18,710	17,171
Deferred payment relating to the acquisition of a subsidiary (note 5)	5,993	—
Grants to a foundation	113	159
Provision for returned goods (note 2.2.1)	1,188	—
Total current liabilities	**69,459**	**17,330**

(a) The liabilities linked to operating leases are related to (i) the impact of recognizing the lease payment as an expense on a straight-line basis; and (ii) incentives received from the lessors at the inception of the lease, which are recognized pro-rata over the lease term.

(b) Deferred revenue is related to (i) sales for which the transfer of ownership and related risks has not occurred at year-end; and (ii) the fair value of the consideration received allocated to the award credits granted in case of loyalty program.

18. TRADE PAYABLES

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

Ageing analysis of trade payables from due date at the respective balance sheet date is as follows:

In thousands of Euros	***30 September 2018***	***31 March 2018***
Current and past due within 3 months	107,937	123,591
Past due from 3 to 6 months	469	1,036
Past due from 6 to 12 months	172	801
Past due over 12 months	500	27
Trade payables	**109,078**	**125,455**

19. PROVISIONS

Provisions can be analysed as follows:

In thousands of Euros	31 March 2018	Additional provisions	Charged/(credited) to the income statement Unused amounts reversed	Used amounts reversed	Reclassification	Exchange differences	30 September 2018
Social litigations (a)	1,294	155	(144)	(256)	(5)	(88)	956
Commercial claims (b)	623	88	(198)	(30)	17	4	504
Provisions for returned goods (c)	844	–	–	–	(844)	–	–
Onerous contracts (d)	5,688	–	(301)	(741)	(17)	264	4,893
Tax risks	1,241	52	(406)	–	–	(122)	765
Total	**9,690**	**295**	**(1,049)**	**(1,027)**	**(849)**	**58**	**7,118**

(a) Social litigations relate mainly to litigations with employees in relation to staff benefits or potential claims from social security administrations authorities.

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

(c) Provision for returned goods according to the application of the new standard IFRS 15 Revenue from Contracts with Customers has been accounted as 'other current liabilities'.

(d) Onerous contracts relate to operating lease contracts for certain stores where the unavoidable costs of meeting the obligations under the lease agreement exceed the economic benefits expected to be received from it.

In the Directors opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at each balance sheet date.

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

The provisions reversed unused are mainly due to statute of limitation of certain risks.

20. EXPENSES BY NATURE

20.1. Breakdown of expenses by nature

Expenses by nature include the following amounts:

In thousands of Euros	*Period ended 30 September* **2018**	**2017**
Employee benefits expenses (a)	194,823	186,329
Rent and occupancy (b)	111,354	110,623
Raw materials and consumables used	77,011	56,458
Change in inventories of finished goods and work in progress	(35,087)	(23,489)
Advertising costs (c)	65,918	57,419
Professional fees (d)	60,388	38,936
Depreciation, amortization and impairment (20.3)	30,717	30,586
Transportation expenses	28,196	23,224
Other expenses	56,794	55,217
Total cost of sales, distribution expenses, marketing expenses, research and development expenses, general and administrative expenses	**590,114**	**535,303**

(a) Employee benefits include wages, salaries, bonus, share-based compensations, social security, post-employment benefits and the cost of the temporary staff.

(b) Rent and occupancy include the minimum lease payments for operating leases, contingent rents (variable rents based on sales) and other charges related to these leases.

(c) Advertising costs also include all distribution and marketing promotional goods given for free to customers without any obligation to purchase products.

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

20.2. Workforce

In thousands of Euros	*Period ended 30 September* **2018**	**2017**
Workforce (full time equivalent)	**8,631**	**8,957**

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

20. EXPENSES BY NATURE *(continued)*

20.3. Breakdown of depreciation, amortization and impairment

Depreciation, amortization and impairment include the following:

In thousands of Euros	***Period ended 30 September*** ***2018***	***2017***
Depreciation of property, plant and equipment (note 7)	25,680	25,318
Impairment reversal on property, plant and equipment (note 7)	(860)	(601)
Amortization of intangible assets (note 9)	5,897	5,869
Depreciation, amortization and impairment	**30,717**	**30,586**

21. OTHER GAINS/(LOSSES), NET

Other gains/(losses), net in the consolidated statement of income comprises the following:

In thousands of Euros	***Period ended 30 September*** ***2018***	***2017***
Net profit/(loss) on sale of assets	(271)	(238)
Government grant on research & development costs	696	706
Other items	116	—
Other gains/(losses), net	**541**	**468**

22. FINANCE INCOME AND FINANCE COSTS

Finance income and finance costs consist of the following:

In thousands of Euros	***Period ended 30 September*** ***2018***	***2017***
Interest on cash and cash equivalents	589	739
Finance income	**589**	**739**
Interest expense	(2,101)	(1,118)
Unwinding of discount of other financial liabilities (note 6)	(175)	(430)
Finance costs	**(2,276)**	**(1,548)**
Finance costs, net	**(1,687)**	**(809)**

23. FOREIGN CURRENCY GAINS/(LOSSES)

Foreign currency gains/(losses) consist of the following:

In thousands of Euros	***Period ended 30 September*** ***2018***	***2017***
Foreign exchange differences	(2,677)	(3,467)
Fair value gains/(losses) on derivatives (note 14)	1,141	487
Foreign currency gains/(losses)	**(1,536)**	**(2,980)**

Foreign exchange differences mainly correspond to:

- Unrealized net foreign exchange losses: €0.6 million (net gains amounting to €2.3 million for the period ended 30 September 2017);
- Realized net foreign exchange losses: €0.9 million (net losses amounting to €0.7 million for the period ended 30 September 2017).

24. INCOME TAX

24.1. Income tax expense

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

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

In thousands of Euros	***Period ended 30 September*** ***2018***	***2017***
Profit before income tax excluding result of joint ventures	2,589	9,586
Income tax calculated at corporate tax rate *(Luxembourg tax rate of 26.01% as at 30 September 2018 and 27.28% as at 30 September 2017)*	(673)	(2,596)
Effect of different tax rates in foreign countries	8,031	6,067
Effect of unrecognized tax assets	(2,259)	(1,465)
Expenses not deductible for taxation purposes	(2,234)	(1,242)
Effect of unremitted tax earnings	134	(28)
Income tax (expense)/credit	**2,999**	**736**

24.2. Deferred income tax assets and liabilities

The increase in the deferred income tax assets mainly corresponds to the losses generated in a tax jurisdiction over the half-year period ended 30 September 2018.

25. EARNINGS PER SHARE

25.1. Basic

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 in issue during the period, excluding ordinary shares purchased by the Group and held as treasury shares (note 15.2).

	Period ended 30 September	
	2018	***2017***
Profit for the half-year attributable to equity owners of the Company *(in thousands of Euros)*	**6,814**	**11,077**
Weighted average number of ordinary shares in issue	1,460,682,471	1,461,435,471
Basic earnings per share *(in € per share)*	**0.005**	**0.008**

25.2. Diluted

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.

	Period ended 30 September	
	2018	***2017***
Profit for the half-year attributable to equity owners of the Company *(in thousands of Euros)*	**6,814**	**11,077**
Weighted average number of ordinary shares in issue	1,460,682,471	1,461,435,471
Adjustment for share options	—	384,598
Adjustment for free shares	1,874,011	1,191,381
Weighted average number of ordinary shares for diluted earnings per share	1,462,556,482	1,463,011,450
Diluted earnings per share *(in € per share)*	**0.005**	**0.008**

26. CONTINGENCIES

26.1. Legal proceedings

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

26.2. 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 27.

27. COMMITMENTS

27.1. Capital and other expenditure commitments

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

In thousands of Euros	***30 September 2018***	***31 March 2018***
Property, plant and equipment	14,082	8,844
Intangible assets	1,565	1,622
Raw materials	2,047	4,022
Total	**17,694**	**14,488**

The amounts as of 30 September 2018 and 31 March 2018 are mainly related to the plants in France.

27.2. Lease commitments

The Group leases various retail stores, offices and warehouses under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses, free-rents period and renewal rights. The lease expenditure charged to the statement of income is disclosed in note 20.

The future aggregate minimum annual lease payments under all non-cancellable operating leases are as follows:

In thousands of Euros	***30 September 2018***	***31 March 2018***
Within one year	113,636	112,084
One to two years	90,255	89,855
Two to three years	74,429	73,150
Three to four years	59,880	59,370
Four to five years	46,171	46,775
Subsequent years	98,668	100,013
Total	**483,039**	**481,247**

The above minimum lease payments do not include contingent rents (mainly variable rents based on sales in the stores).

27.3. Other commitments

In thousands of Euros	***30 September 2018***	***31 March 2018***
Pledge of land and building	6,429	6,429
Total	**6,429**	**6,429**

As at 30 September 2018 and as at 31 March 2018, the pledge of land and building corresponds to the FY 2012 bank borrowing (note 16).

The Company, through its newly created incubator “L’Occitane Innovation Lab”, is committed to invest up to €20,000,000 in investments fund called Truffle Capital.

28. TRANSACTIONS WITH RELATED PARTIES

The following transactions were carried out with related parties:

28.1. Key management compensation

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

Emoluments expensed during the periods are analysed as follows:

	Period ended 30 September	
In thousands of Euros	***2018***	***2017***
Executive directors	1,754	1,842
Non executive directors	82	82
Senior management	2,489	1,383
Total key management emoluments	**4,325**	**3,307**

During the period ended 30 September 2018 and 30 September 2017, no stock options were granted to the Directors.

As at 30 September 2018, the senior management was comprised of 10 employees, as compared to 5 employees as at 30 September 2017.

28.2. Other transactions with other related parties

The sales/(purchases) with other related parties are as follows:

	Period ended 30 September	
In thousands of Euros	***2018***	***2017***
Sales of goods	88	51
Sales of services	1505	382
Purchase of products from related parties (a)	(1,671)	—
Purchase of services from related parties (a)	(18)	(6)

As part of the business combination with Natural Cosmetics 90% of the shares were acquired at nominal value for an amount of €900,000 from an entity controlled by a key senior director of the Group (note 5.1).

(a) The Company run together with Pierre Hermé SAS which is a participation of L'Occitane Groupe SA two flagship stores (in Paris and London). They share the rental fees and the Company buys to Pierre Hermé SAS pastries for take-away sales.

29. POST BALANCE SHEET EVENTS

There are no post balance sheet events.

Disclaimer: some information presented in 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, some percentages presented in the tables reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

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

As at 30 September 2018, the following directors (the "Directors") or chief executive of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) (i) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provision of the SFO), (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or (iii) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securiteis on the Hong Kong Stock Exchange (the "Listing Rules"):

(a) Interests in the shares of the Company

Name of Director	*Capacity and Nature of Interest*	*Number of Shares/ Underlying Shares Held or Controlled*	*Approximate % of Shareholding* (Note 2)
Reinold Geiger(Note 1)	Interest in controlled corporation, beneficial interest and deemed interest	1,096,363,022 (long position)	74.23%
André Hoffmann	Beneficial interest	2,877,461 (long position)	0.19%
Thomas Levilion	Beneficial interest	1,945,300 (long position)	0.13%
Karl Guénard	Beneficial interest	354,400 (long position)	0.02%
Jackson Chik Sum Ng	Beneficial interest	80,000 (long position)	0.01%
Martial Lopez	Beneficial interest	60,000 (long position)	0.00%
Pierre Milet	Beneficial interest	50,000 (long position)	0.00%

Notes:

(1) Mr. Reinold Geiger is the ultimate beneficial owner of 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 75.36% of the entire issued share capital of LOG (being beneficial owner of 10,971,880 shares, having deemed interest in 590,030 treasury shares being held by LOG and directly in 253 shares). Mr. Reinold Geiger is therefore deemed under the SFO to be interested in all the shares registered in the name of LOG, which holds 1,078,549,641 Shares and controls 16,282,420 treasury shares held by the Company. Mr. Geiger is also the beneficial owner of 1,148,750 Shares and has a beneficial interest in shares under option (382,211 underlying Shares). See details in Share Option Plan section.

(2) Based on guidance received from the SFC, the disclosure of interest calculations shown in the table above have been calculated on the basis of the Company's total issued share capital including 16,282,420 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	11,562,163 (Note 1)	75.36%
André Hoffmann	Beneficial interest and deemed interest	2,868,676	18.70%
Silvain Desjonquères	Beneficial interest	27,700	0.18%
Thomas Levilion	Beneficial interest	25,832	0.17%
Martial Lopez	Beneficial interest	12,800	0.08%
Karl Guénard	Beneficial interest	8,470	0.06%

Notes:

(1) Comprised of 253 shares held by Mr. Reinold Geiger, 10,971,880 shares held by CIME and 590,030 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 590,030 treasury shares held by LOG.

Save as disclosed herein, as at 30 September 2018, 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 under section 352 of the SFO or required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

INTERESTS IN THE SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS

As at 30 September 2018, the register of substantial Shareholders maintained under section 336 of the SFO showed that the Company had been notified of the following substantial Shareholders' interests or short positions, other than a Director or chief executive of the Company, in the Shares or underlying Shares:

Name of Shareholders	*Capacity and Nature of Interest*	*Number of Shares/ underlying Shares held or controlled*	*Approximate % of Shareholding* (Note 2)
Cime Management Sarl	Interest in controlled corporation and deemed interest	1,094,832,061 (long position) (Note 1)	74.13%
Cime S.C.A.	Interest in controlled corporation and deemed interest	1,094,832,061 (long position) (Note 1)	74.13%
Société d'Investissements CIME S.A.	Interest in controlled corporation and deemed interest	1,094,832,061 (long position) (Note 1)	74.13%
LOG	Interest in controlled corporation and deemed interest	1,094,832,061 (long position) (Note 1)	74.13%

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 73.36% of the total issued share capital of LOG (being beneficial owner of 10,971,880 shares and having deemed interest in 590,030 treasury shares being directly or indirectly held by LOG). Cime S.C.A. is the controlling corporation of CIME and CIME is the controlling corporation of LOG and Cime S.C.A. and CIME are therefore deemed under the SFO to be interested in all the 1,078,549,641 Shares held by LOG. As suggested by SFC, being the controlling corporations of the Company, Cime Management Sarl, Cime S.C.A., CIME and LOG have deemed interest in the 16,282,420 treasury shares being held by the Company.

(2) Based on guidance from HKEX, the disclosure of interest calculations shown in the table above have been calculated on the basis of the Company's total issued share capital including 16,282,420 Shares that are held in treasury and do not have voting rights whilst they are held in treasury.

Save as disclosed herein, as at 30 September 2018, the Company had not been notified of any substantial Shareholder (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION PLAN

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

The purpose of the Share Option Plan 2016 is to provide employees of the Group, all its Directors (including non-executive Directors) and Shareholders (together, the "Eligible Persons") with an opportunity to have a proprietary interest in the Company through being granted share options under the Share Option Plan 2016 rules (the "Options"), which will motivate the Eligible Persons to optimise their performance, effectiveness and efficiency for the benefit of the Group and attract and retain or otherwise maintain ongoing business relationships with those Eligible Persons whose contributions are or will be beneficial to the long-term growth of the Group. The maximum number of Shares in respect of which Options may be granted under the Share Option Plan 2016 shall not exceed 29,291,184 Shares, being 2% of the Company's issued share capital (excluding shares held in treasury) as at 30 September 2016. Particulars and movements of share options granted under the Share Option Plans 2010, 2013 and 2016 (the "2010, 2013 and 2016 Options") during the six months ended 30 September 2018 were as follows. No share options were granted under the Share Option Plan 2016 during this period.

Name/Category of Participant	As of 01/04/2018	Granted during the period	Cancelled or forfeited during the period	Exercised during the period	As of 30/09/2018	Date of grant	Exercise Period (Note 1)	Exercise Price per Share (HK$)	Price immediately preceding the date of grant(Note 2) (HK$)
	Number of share options								
Directors									
Reinold Geiger	105,000	–	–	–	105,000	4-Apr-11	04/04/2015-03/04/2019	19.84	19.84
	277,211	–	–	–	277,211	28-Nov-12	28/11/2016-28/11/2020	24.47	24.35
André Hoffmann	105,000	–	–	–	105,000	4-Apr-11	04/04/2015-03/04/2019	19.84	19.84
	277,211	–	–	–	277,211	28-Nov-12	28/11/2016-28/11/2020	24.47	24.35
Thomas Levilion	105,000	–	–	–	105,000	4-Apr-11	04/04/2015-03/04/2019	19.84	19.84
	118,000	–	–	–	118,000	28-Nov-12	28/11/2016-28/11/2020	24.47	24.35
	311,500	–	–	–	311,500	4-Dec-13	04/12/2017-03/12/2021	17.62	17.62
	91,000	–	–	–	91,000	24-Feb-15	24/02/2019-23/02/2023	19.22	19.22
	488,200	–	–	–	488,200	23-Mar-16	23/03/2020-22/03/2024	14.36	14.00
	418,600	–	–	–	418,600	10-Feb-17	10/02/2021-10/02/2025	15.16	15.03
	413,000	–	–	–	413,000	29-Mar-18	29/03/2022-29/03/2026	14.50	14.50
Karl Guénard	90,500	–	–	–	90,500	4-Dec-13	04/12/2017-03/12/2021	17.62	17.62
	97,600	–	–	–	97,600	23-Mar-16	23/03/2020-22/03/2024	14.36	14.00
	83,700	–	–	–	83,700	10-Feb-17	10/02/2021-10/02/2025	15.16	15.03
	82,600	–	–	–	82,600	29-Mar-18	29/03/2022-29/03/2026	14.50	14.50
Jackson Chik Sum Ng	50,000	–	–	–	50,000	4-Apr-11	04/04/2015-03/04/2019	19.84	19.84
Sub-total(Note 3)	3,114,122	–	–	–	3,114,122				
Others									
Employees	2,553,875	–	(1,294,050)	–	1,259,825	4-Apr-11	04/04/2015-03/04/2019	19.84	19.84
	1,440,000	–	(93,500)	–	1,346,500	26-Oct-12	26/10/2016-26/10/2020	23.60	23.60
	169,000	–	(169,000)	–	–	28-Nov-12	28/11/2016-28/11/2020	24.47	24.35
	5,222,250	–	(976,500)	–	4,245,750	4-Dec-13	04/12/2017-03/12/2021	17.62	17.62
	332,800	–	(122,400)	–	210,400	24-Feb-15	24/02/2019-23/02/2023	19.22	19.22
	6,073,900	–	(1,315,000)	–	4,758,900	23-Mar-16	23/03/2020-22/03/2024	14.36	14.00
	8,846,600	–	(1,130,200)	–	7,716,400	10-Feb-17	10/02/2021-10/02/2025	15.16	15.03
	6,899,800	–	(356,500)	–	6,543,300	29-Mar-18	29/03/2022-29/03/2026	14.50	14.50
Sub-total(Note 3)	31,538,225	–	(5,457,150)	–	26,081,075				
Total	34,652,347	–	(5,457,150)	–	29,195,197				

Notes:

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

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

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

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

In total, share-based compensation expense of €1,295,000 was included in the interim consolidated statements of comprehensive income for the six months ended 30 September 2018 (six months ended 30 September 2017: €905,000). These expenses included the amortisation of the fair value of the share-based awards in the form of Options granted to the Directors and employees under our 2013 and 2016 Share Option Plans.

FREE SHARE PLAN

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

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

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

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

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

None of the Free Shares had been granted under the Free Share Plan 2018 as at 30 September 2018.

OTHER INFORMATION

TREASURY SHARES

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

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

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

The Company confirmed that during the six months ended 30 September 2018, the Company was in compliance with the conditions of the Waiver.

The Company holds as at 30 September 2018, 16,282,420 ordinary Shares as treasury Shares, and the total number of ordinary Shares in issue (excluding Shares held as treasury Shares) is 1,460,682,471.

HUMAN RESOURCES

As at 30 September 2018, the Group had 8,631 employees (30 September 2017: 8,957 employees).

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

AUDIT COMMITTEE

As required under the Listing Rules, the Company has an Audit Committee comprising of three non-executive Directors, two of whom are Independent Non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has also discussed auditing, internal control and financial reporting matters including the review of the consolidated interim results of the Group for the six months ended 30 September 2018.

CORPORATE GOVERNANCE

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

The Company has complied with all of the code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") set out in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2018 save as disclosed below:

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

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

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

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

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

OTHER INFORMATION

CHANGES IN DIRECTORS' INFORMATION

Prior to 30 September 2018 the following change has occurred in Directors' information:

– Mr. Silvain Desjonquères was appointed as an executive Director with effect from 26 September 2018.

Save as disclosed above, no change has occurred in Directors' information during the six months ended 30 Septermber 2018 which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct for dealing in the securities of the Company by the Directors. Having made specific enquiry of all Directors, they have confirmed that they have complied with the required standard of the Model Code during the six months ended 30 September 2018.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2018.


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