Groupe L'OCCITANE

L'OCCITANE INTERNATIONAL S.A.

(Incorporated under the laws of Luxembourg with limited liability)

Stock code : 973

FY2021

Interim Report

L'OCCITANE
EN PROVENCE

Melvita
french organic beauty care since 1983

erborian
KOREAN SKIN THERAPY
PARIS · SEOUL

L'OCCITANE
AU BRÉSIL

LimeLife by Alcone

ELEMIS

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

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CORPORATE INFORMATION

Executive Directors

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

Non-Executive Director

Martial Lopez

Independent Non-Executive Directors

Valérie Bernis
Charles Mark Broadley
Pierre Milet
Jackson Chik Sum Ng

Company Secretary

Karl Guénard

Authorised Representatives

André Hoffmann
Jackson Chik Sum Ng

Company Legal Name

L'Occitane International S.A.

Date of Incorporation

22 December 2000

Date of Listing in Hong Kong

7 May 2010

Registered Office

49, Boulevard Prince Henri
L-1724 Luxembourg

Headquarter Offices

49, Boulevard Prince Henri
L-1724 Luxembourg

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

Principal Place of Business in Hong Kong

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

Stock Code

973

Company Website

group.loccitane.com

Audit Committee

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

Remuneration Committee

Pierre Milet *(Chairman)*
Charles Mark Broadley
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, Société coopérative
Certified Public Accountants
Recognized Public Interest Entity Auditor

Principal Share Registrar and Transfer Office

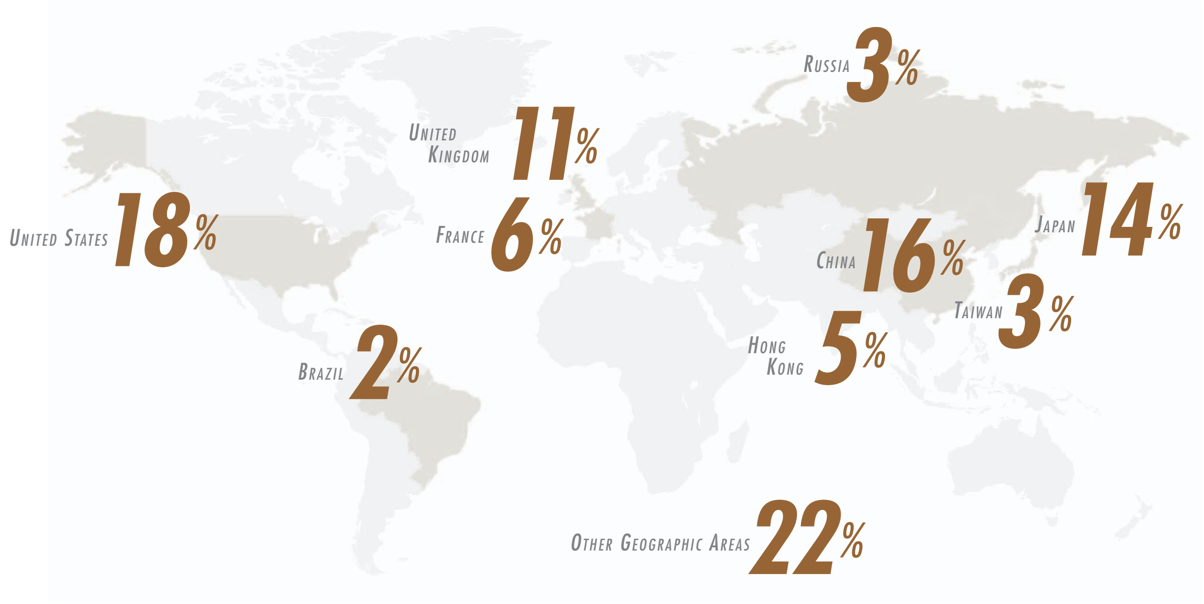
49, Boulevard Prince Henri
L-1724 Luxembourg

Hong Kong Share Registrar

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

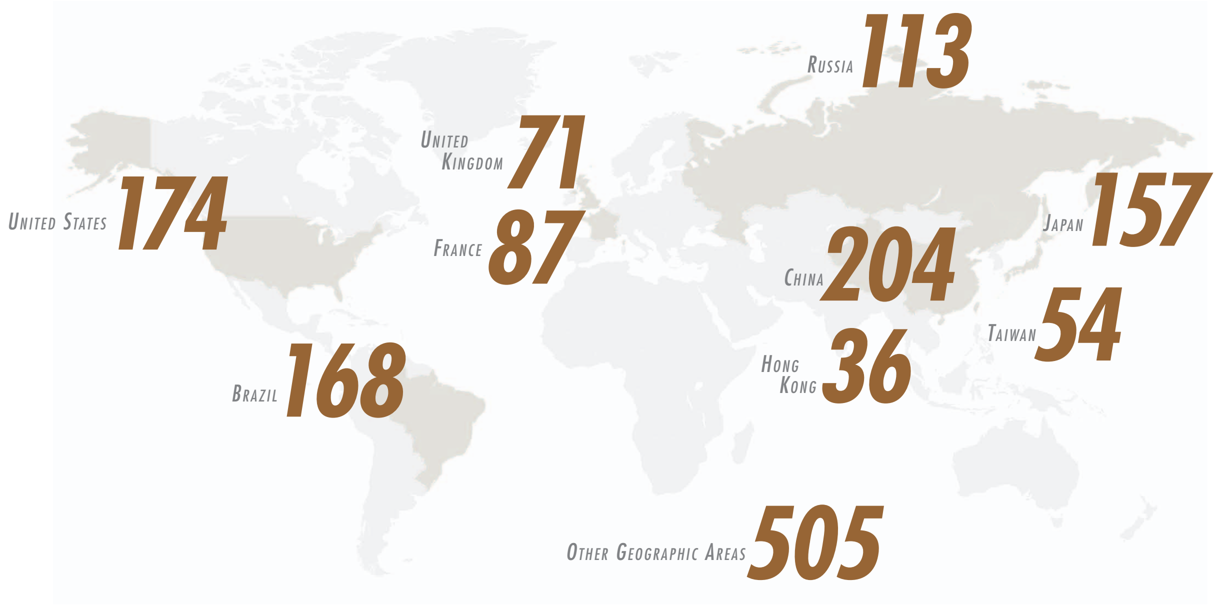
FINANCIAL HIGHLIGHTS

OUR ACTIVITY WORLDWIDE



* Net sales (%) by geographic areas

OUR STORES WORLDWIDE



* 3,497 retail locations and
1,569 stores operated directly by the Group

HIGHLIGHTS OF RESULTS

for the six months ended 30 September	***2021***	*2020*
Net sales *(€ million)*	**616.6**	727.2
Operating profit *(€ million)*	**32.9**	41.8
Profit for the period *(€ million)*	**17.3**	25.2
Gross profit margin	**82.1%**	81.2%
Operating profit margin	**5.3%**	5.7%
Net profit margin	**2.8%**	3.5%
Net operating profit after tax *(€ million)* (NOPAT) (1)	**26.9**	33.5
Capital employed *(€ million)* (2)	**1,803.9**	1,977.2
Return on capital employed (ROCE) (3)	**1.5%**	1.7%
Return on equity (ROE) (4)	**1.5%**	2.5%
Current ratio (times) (5)	**1.0**	1.2
Gearing ratio (6)	**37.8%**	39.6%
Average inventory turnover days (7)	**346**	286
Turnover days of trade receivables (8)	**41**	38
Turnover days of trade payables (9)	**248**	200
Total number of own stores (10)	**1,569**	1,593
Profit attributable to equity owners *(€ million)*	**15.6**	25.0
Basic earnings per share *(€)*	**0.011**	0.017

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 en Provence, Melvita, L'Occitane au Brésil, Erborian and ELEMIS 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

30 November 2020

The first half of FY2021 coincided with one of the most challenging events ever to face the globe. The COVID-19 pandemic has subjected billions to lockdowns, paralysed many parts of the economy and changed life as we knew it.

However, this did not stop us from accelerating to become a multi-brand group, and remain profitable and resilient in such a crisis.

Three years ago, we embarked on our multi-year strategy to empower and trust, pursue sustainable growth and improve profitability. It was a blueprint for transforming our business to thrive in a future omni-channel-led retail industry. This future has arrived. Gladly, we can approach this new environment with both purpose and confidence, thanks to the earlier steps we have taken to ramp up our digital capabilities; develop a motivated and entrepreneurial team; and continuously find new ways to inspire and delight customers, both online and offline.

Thanks to our adaptability and solidarity, we managed to deliver a set of solid results, which showed much improved sales momentum in the second quarter of FY2021 and an operating profit margin very close to that of last year. This was supported by our successful pivot to online sales, the targeted investments in our growth markets in Asia, the solid profit contribution from ELEMIS and LimeLife, as well as proactive cost control measures.

One positive by-product of the pandemic has been the renewed enthusiasm for hygiene and self-care, which has led many new customers to discover L'OCCITANE en Provence's iconic premium body, skin and hand care products. Despite physical distancing, these consumers were able to experience our timeless beauty products and the joy of natural and organic ingredients online, demonstrating the effectiveness of our omni-channel strategy. This success was particularly apparent in our markets in Asia, which continues to spearhead the Group's growth and profitability.

Every day, I am delighted to see the entrepreneurial spirit of our teams, which made the expansion of our innovative digital selling initiatives possible. While we continued to excite customers through livestreaming events and social media platforms, we still retained human interactions through personalised beauty consultations and clienteling experiences. These formats may have replaced some traditional retail experiences, but we still firmly believe in the real-life sensory experience of in-store interactions. Beyond facilitating contactless shopping in our stores, our ongoing mission is to optimise the size of our store network and identify how best to synergise with permanently-larger online channels.

Meanwhile, our multi-brand strategy is starting to pay off. In just a few short months, ELEMIS became a truly global brand, launching digital-first in multiple markets across Europe and Asia. The biggest splash was reserved for China, where ELEMIS launched in July exclusively with Sephora ahead of China's record-busting online shopping festivals. The initial results have been extremely positive, with our first livestreaming events selling out in minutes.

Despite ELEMIS's debut in many important markets, its sales performance was still impacted by the forced shutdown of its spas and cruise ship channels in the UK and the US for most of the first half. The brand, however, was quick to shift focus to digital channels and to cut costs early on in the pandemic, contributing to its record high operating profit margin of 30.5%, a highly impressive achievement. With the welcome addition of Séan Harrington, ELEMIS's Co-Founder and CEO, to the Group's Board of Directors, I look forward to the further sharing of best practices and expertise between our various brands.

LimeLife showed extremely encouraging progress during FY2021 H1 — with revenue growing 35% year-on-year and turning profitable — benefiting from a business model uniquely adapted to today's socially-distant, 'Work from Home' reality. Meanwhile, our emerging brands suffered from the impact of the crisis to varying degrees, yet Erborian continued to attract new followers to its unique Korean and French identity and remained profitable. For Melvita and L'Occitane au Brésil, we are focused on completing significant restructurings to streamline operations and aim for profitability.

Although we have made positive progress on several fronts, we must continue to evolve. The second half of FY2021 will be just as challenging. In order to accelerate our transformation and become more flexible, we recently began a reorganisation process that will sadly involve a reduction in our workforce. We believe this will result in an even more agile Group ready to tackle challenges head on.

This crisis has undoubtedly changed our world view as individuals. It has also made us starkly aware of the importance of protecting our society and the environment. While remaining committed to doing our part to combat the virus, we will devote ourselves to long-term missions — mitigating the climate crisis, preserving and restoring biodiversity, and empowering all people in our communities.

With the world's best scientific minds racing to create a COVID-19 vaccine, we may soon have some visibility about the end-date of this global health crisis. In the meantime, the Group will continue to bring a human approach to beauty and hopefully provide some form of solace during these difficult times. With our successful pivot to omni-channel activities, the strength and endurance of our teams and brands, and our determination to gain efficiencies, I am fully confident to accelerate growth and improve profitability in the long term. I thank you for your continued support.

STRONG GLOBAL PRESENCE

555 5th Avenue
New York, United States

Regent Street London,
United Kingdom

Omotesando
Tokyo, Japan

Vegas Crocus City,
Moscow, Russia (Erborian)

Plaza Indonesia,
Jakarta, Indonesia (ELEMIS)

ION Orchard, Singapore

Champs -Élysées Paris, France

Yorkdale Toronto, Canada

Dresden, Germany

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

Marunouchi, Tokyo, Japan (Melvita)


L'OCCITANE
EN PROVENCE

MANAGEMENT DISCUSSION & ANALYSIS

MANAGEMENT DISCUSSION & ANALYSIS

Summary:

For the six months ended 30 September	***2020*** **(€ million or %)**	*2019* *(€ million or %)*
Net sales	**616.6**	727.2
Operating profit	**32.9**	41.8
Profit for the period	**17.3**	25.2
Gross profit margin (% to sales)	**82.1%**	81.2%
Operating profit margin (% to sales)	**5.3%**	5.7%
Net profit margin (% to sales)	**2.8%**	3.5%

Definitions:

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

Non-comparable Stores & others means all stores that are not Comparable Stores, i.e. stores opened, closed and renovated during the previous or the current financial period under discussion, together with other sales from marketplaces, mail-orders, services and LimeLife.

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

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

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

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

SEASONALITY OF OPERATIONS

The Group is subject to seasonal variances in sales, which are typically 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 2019, the level of sales represented 44.2% of the annual level of sales in the year ended 31 March 2020 ("FY2020") and the level of operating profit represented 22.3% of the annual operating profit in FY2020. Yet these ratios are not representative of the annual results for the year ending 31 March 2021 ("FY2021").

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

REVENUE ANALYSIS

In FY2021 H1, the Group's net sales decreased by 15.2% at reported rates and 13.1% at constant exchange rates. The decrease was due mainly to the store closures, restrictive measures and lower footfall under COVID-19. However, sales momentum in the second quarter of FY2021 ("FY2021 Q2") saw significant improvement across all brands and all geographic areas. Online channels, including own e-commerce websites, digital direct selling, marketplace and webpartners performed strongly and posted encouraging growth of 80.8% in FY2021 H1.

The Group's total number of retail locations where its products are sold increased from 3,486 as at 31 March 2020 to 3,497 as at 30 September 2020, an increase of 11 locations or 0.3%.

In terms of geographic areas, despite the fact that most markets and the travel retail business were still facing the restrictive measures of the crisis, Asia posted fantastic results in FY2021 H1, in particular China, Taiwan and Korea. China, Taiwan and Korea ended the FY2021 H1 with impressive growth of 30.5%, 15.3% and 37.4% respectively.

MANAGEMENT DISCUSSION & ANALYSIS

Performance by Brand

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

	FY2021 H1		FY2020 H1		Growth at reported rates	Growth at constant rates	Contribution to Overall Growth at constant rates
	€ '000	*%*	*€ '000*	*%*	*%*	*%*	*%*
L'Occitane en Provence	462,367	75.0	554,889	76.3	(16.7)	(14.6)	(84.8)
ELEMIS [(1)]	64,698	10.5	84,207	11.6	(23.2)	(22.0)	(19.4)
LimeLife	54,318	8.8	40,702	5.6	33.5	34.9	14.9
Others [(2)]	35,255	5.7	47,359	6.5	(25.6)	(21.5)	(10.7)
Total	**616,638**	**100.0**	**727,157**	**100.0**	**(15.2)**	**(13.1)**	**(100.0)**

(1) *ELEMIS's sales in FY2020 H1 included March 2019. Excluding this month, sales growth at constant rates would be -11.1% in FY2021 H1.*
(2) *Others include Melvita, Erborian and L'Occitane au Brésil.*

L'Occitane en Provence was particularly resilient amidst the COVID-19 crisis. Sales decline at constant rates narrowed from -25.7% in FY2021 Q1 to -4.1% in FY2021 Q2, ending FY2021 H1 with -14.6% at constant rates. Although most brick and mortar stores reopened in FY2021 Q2, the online channels continued to show dynamic growth across all geographic areas, with 107.0% growth in FY2021 H1.

ELEMIS's sales decreased by 22.0% at constant rates in FY2021 H1. Half of the decrease was due to a non-comparable base last year which included March 2019. Excluding this month, sales decline at constant rates would be 11.1% in FY2021 H1. The other half of the decrease is explained by stagnant sales to spas and maritime channels that were heavily impacted by travel bans and restrictive measures in the UK and the US. However, ELEMIS's online channels remained in high growth and the brand successfully launched into China and Russia during the period.

LimeLife continued to grow as planned with encouraging growth of 34.9% at constant rates for FY2021 H1. The growth was driven mainly by new product launches, a successful flash sale promotion as well as the launch of a brand new mobile app for beauty guides.

The other brands together recorded a decline of 21.5% at constant rates in FY2021 H1, a notable improvement from a decline of 35.3% in FY2021 Q1. All other brands suffered from the impact of the crisis to various degrees, yet Erborian remained resilient and grew mid-single-digit in FY2021 H1.

Performance by Geographic Area

The following table presents the net sales growth for FY2021 H1 and contribution to net sales growth (including and excluding foreign currency translation effects as indicated) by geographic area:

	FY2021 H1		FY2020 H1		Growth at reported rates	Growth at constant rates	Contribution to Overall Growth at constant rates
	€ '000	*%*	*€ '000*	*%*	*%*	*%*	*%*
Japan	88,308	14.3	107,255	14.7	(17.7)	(17.4)	(19.6)
Hong Kong [(1)]	32,345	5.2	58,298	8.0	(44.5)	(43.2)	(26.4)
China	97,445	15.8	76,653	10.5	27.1	30.5	24.6
Taiwan	17,936	2.9	15,067	2.1	19.0	15.3	2.4
France	37,538	6.1	48,657	6.7	(22.9)	(22.9)	(11.7)
United Kingdom	65,545	10.6	76,810	10.6	(14.7)	(14.3)	(11.5)
United States	113,924	18.5	133,555	18.4	(14.7)	(13.4)	(18.8)
Brazil	10,997	1.8	26,457	3.6	(58.4)	(41.8)	(11.6)
Russia	17,106	2.8	22,370	3.1	(23.5)	(11.3)	(2.7)
Other geographic areas [(2)]	135,494	22.0	162,036	22.3	(16.4)	(14.5)	(24.7)
Total	**616,638**	**100.0**	**727,157**	**100.0**	**(15.2)**	**(13.1)**	**(100.0)**

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

MANAGEMENT DISCUSSION & ANALYSIS

The following table presents a breakdown, by geographic area, of the number of own retail stores, their contribution percentage to Overall Growth and Same Store Sales Growth for FY2021 H1 compared to FY2020 H1:

	Own Retail Stores				% contribution to Overall Growth [1] [2]			
	30 Sep 2020	Net openings YTD 30 Sep 2020	30 Sep 2019	Net openings YTD 30 Sep 2019	Non-comparable Stores	Comparable Stores	Total Stores	Same Store Sales Growth % [2]
Japan [3]	157	(6)	161	7	(5.4)	(12.6)	(17.9)	(14.3)
Hong Kong [4]	36	1	36	–	(2.2)	(3.0)	(5.2)	(30.1)
China	204	1	194	4	3.9	5.3	9.2	11.3
Taiwan	54	(1)	52	(1)	1.5	1.7	3.2	17.1
France [5]	87	–	87	1	(2.4)	(4.5)	(6.9)	(19.6)
United Kingdom	71	(1)	72	(2)	(0.4)	3.3	2.9	13.0
United States	174	2	178	(6)	(5.4)	(12.8)	(18.2)	(23.3)
Brazil [6]	168	(31)	186	4	(2.5)	(5.9)	(8.4)	(31.8)
Russia [7]	113	1	110	3	(0.4)	(2.1)	(2.5)	(14.0)
Other geographic areas [8]	505	(5)	517	11	(3.5)	(8.4)	(11.9)	(10.0)
Total [9]	**1,569**	**(39)**	**1,593**	**21**	**(16.8)**	**(38.9)**	**(55.7)**	**(10.4)**

[1] *Represents percentage of overall net sales growth attributable to Non-comparable Stores, Comparable Stores and Total Stores for the geographic area and period indicated.*
[2] *Excludes foreign currency translation effects.*
[3] *Includes 35 and 31 Melvita stores as at 30 September 2019 and 30 September 2020 respectively.*
[4] *Includes 3 L'Occitane stores in Macau and 10 Melvita stores in Hong Kong as at 30 September 2019 and 2 L'Occitane stores in Macau, 11 Melvita stores and 3 ELEMIS stores in Hong Kong as at 30 September 2020.*
[5] *Includes 7 Melvita and 2 Erborian stores as at 30 September 2019 and 30 September 2020.*
[6] *Includes 84 and 60 L'Occitane au Brésil stores as at 30 September 2019 and 30 September 2020 respectively.*
[7] *Includes 11 Erborian stores as at 30 September 2019 and 30 September 2020.*
[8] *Include 9 Melvita and 2 Erborian stores as at 30 September 2019 and 8 Melvita, 2 Erborian stores and 2 ELEMIS stores as at 30 September 2020.*
[9] *Include 61 Melvita, 84 L'Occitane au Brésil and 15 Erborian stores as at 30 September 2019 and 57 Melvita, 60 L'Occitane au Brésil, 15 Erborian and 5 ELEMIS stores as at 30 September 2020.*

Japan

Japan's net sales for FY2021 H1 were €88.3 million, a decrease of 17.4% at constant exchange rates as compared to the same period last year. Sales decline narrowed from -27.6% in FY2021 Q1 to -6.9% in FY2021 Q2 as retail stores reopened and e-commerce channels recorded strong growth. Japan ended FY2021 H1 with -17.4% at constant rates, due partly to trading with four fewer stores and a high base last year with the VAT hike expectation.

Hong Kong

Hong Kong's net sales for FY2021 H1 were €32.3 million, a decrease of 43.2% at constant exchange rates as compared to the same period last year. The continued restrictive measures and travel bans hampered local business as well as the travel retail business in the region. FY2021 Q2 saw some recovery in travel retail in China, mainly benefiting from the travel boom in Hainan province. Sales to Korea duty free operators also improved in FY2021 Q2 with the help of online collaborations.

Brand ambassador Angel Wang attended ELEMIS's launch event in China.

China

China's net sales for FY2021 H1 were €97.4 million, an increase of 30.5% at constant exchange rates as compared to the same period last year. Sales growth accelerated in FY2021 Q2 with fantastic growth in all channels, thanks to a successful hair care launch and Chinese Valentine's Day campaign. Traffic increased in both brick and mortar as well as online business. Tmall continued to outperform with mid-double-digit growth, while JD.com grew more than 100%. During the period, ELEMIS launched in China with 125 Sephora shops.

ELEMIS's launch event in Sephora's flagship store in Shanghai, China.

MANAGEMENT DISCUSSION & ANALYSIS

Taiwan

Taiwan's net sales for FY2021 H1 were €17.9 million, an increase of 15.3% at constant exchange rates as compared to the same period last year. Same Store Sales Growth was 17.1%, thanks to the successful promotional campaigns of *Immortelle Reset* and *Immortelle Divine* as well as hand care items in FY2021 Q2.

France

France's net sales for FY2021 H1 were €37.5 million, a decrease of 22.9% at constant exchange rates as compared to the same period last year. Retail sales in FY2021 Q2 improved significantly over FY2021 Q1 after stores reopened. Yet stores in touristic areas were still heavily impacted by much lower footfall. E-commerce remained dynamic. Meanwhile, Erborian performed well and sales growth turned positive in FY2021 Q2.

United Kingdom

The United Kingdom's net sales for FY2021 H1 were €65.5 million, a decrease of 14.3% at constant exchange rates as compared to the same period last year. L'Occitane en Provence was resilient with mid-single-digit decline in sales for FY2021 H1, thanks to the strong growth in own e-commerce and TV channels which compensated for some of the loss in retail sales. ELEMIS's performance was partly impacted by the closure of spas under lockdown and a high base last year with March 2019 included.

United States

The United States' net sales for FY2021 H1 were €113.9 million, a decrease of 13.4% at constant exchange rates as compared to the same period last year. Even though online channels were strong, the impact of lockdowns and travel bans seriously impacted the retail sales of L'Occitane en Provence and the maritime channel of ELEMIS. LimeLife, on the other hand, posted encouraging growth in FY2021 H1, thanks to its resilient digital direct selling business model.

Brazil

Brazil's net sales for FY2021 H1 were €11.0 million, a decrease of 41.8% at constant exchange rates as compared to the same period last year. Both L'Occitane en Provence and L'Occitane au Brésil brands were strongly hit by the restrictive measures in the country. In addition, L'Occitane au Brésil was also affected by trading with 24 fewer shops than in same period last year.

Russia

Russia's net sales for FY2021 H1 were €17.1 million, a decrease of 11.3% at constant exchange rates as compared to the same period last year. At present, the Group operates three brands in Russia, namely L'Occitane en Provence, Erborian and ELEMIS. After a weak FY2021 Q1 under lockdown measures, sales growth in FY2021 Q2 turned positive at 11.9%, contributed mainly by the launch of ELEMIS as well as a mid-double-digit growth of Erborian. L'Occitane en Provence also narrowed the sales decline to low single-digit after stores reopened in FY2021 Q2.

Other geographic areas

Other geographic areas' net sales for FY2021 H1 were €135.5 million, a decrease of 14.5% at constant exchange rates as compared to the same period last year. FY2021 Q2 saw significant improvement over FY2021 Q1 as online sales growth remained dynamic after retail stores reopened. Korea also contributed to the rebound in FY2021 Q2 with mid-double-digit growth, while Germany and Malaysia also had positive contribution.

MANAGEMENT DISCUSSION & ANALYSIS

PROFITABILITY ANALYSIS

Cost of sales and gross profit

Cost of sales decreased by 19.4% or €26.6 million to €110.4 million for FY2021 H1 as compared to the same period last year. The gross profit margin increased by 0.9 points to 82.1% for FY2021 H1, mainly due to the following factors:

- channel mix effects, mainly from increase in proportion of online channels which have higher gross margin than wholesale channels for 1.7 points;
- favourable brand, country and product mixes for 0.3 points; and
- price increase and others for 0.2 points.

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

- lower leverage on production fixed costs for 0.4 points;
- inventory provision for slower moving items due to COVID-19 for 0.4 points;
- higher freight and duties due to higher volume to countries with higher custom duties for 0.3 points; and
- unfavourable foreign exchange rates ("FX") impact for 0.2 points.

Distribution expenses

Distribution expenses decreased by 15.3% or €56.0 million to €310.3 million for FY2021 H1 as compared to the same period last year. As a percentage of net sales, the distribution expenses improved by 0.1 points to 50.3% of net sales for FY2021 H1. This improvement was attributable to a combination of the following:

- under the context of the COVID-19, sales drop led to lower leverage and efficiency for 11.7 points; and
- one-off items for 1.2 points, mainly from accelerated closure of unprofitable stores.

The deterioration was fully offset by:

- favourable channel and brand mix effects for 6.9 points, due mainly to increase in proportion of online channels which have lower distribution costs percentage to sales and decrease in proportion of retail which has higher personnel and rental costs;
- savings from rent reliefs and in travel and entertainment under COVID-19 restrictive measures for 3.0 points;
- grants, subsidies and tax reliefs from governments on furlough, wages and property taxes for 2.8 points; and
- FX and reclassification for 0.3 points.

Marketing expenses

Marketing expenses decreased by 4.5% or €4.2 million, to €88.5 million for FY2021 H1 as compared to the same period last year. The marketing expenses as a percentage of net sales increased by 1.7 points to 14.4% of net sales for FY2021 H1. The deterioration was attributable to the following:

- unfavourable channel mix due to lower proportion of retail channel which has lower marketing cost percentage, and meanwhile redirecting investment to marketplace and online channels in Asia particularly in China and Korea for 0.9 points;
- lower leverage and efficiency for 0.8 points;
- increase in advertising and events in China for 0.7 points;
- increase in targeted usage of promotional tools and samples for 0.4 points; and
- other factors for 0.2 points.

The deterioration was partly offset by:

- decrease in advertising and events in other countries for 0.8 points; and
- favourable brand mix for 0.5 points.

MANAGEMENT DISCUSSION & ANALYSIS

Research & development expenses

Research and development ("R&D") expenses decreased by 23.9%, or €2.5 million, to €7.8 million for FY2021 H1 compared to the same period last year. The R&D expenses as a percentage of net sales reduced slightly by 0.1 points to 1.3% for FY2021 H1.

General and administrative expenses

General and administrative expenses decreased by 12.9%, or €10.2 million, to €69.1 million for FY2021 H1 compared to the same period last year. As a percentage of net sales, general and administrative expenses increased by 0.3 points to 11.2% for FY2021 H1. The increase is attributable to a combination of the following:

- lower leverage for 1.9 points;
- investment in information technology and staffing for 0.4 points;
- phasing and other factors for 0.4 points; and
- increase in office rents, expenses and depreciation in subsidiaries for 0.2 points.

This was partly offset by:

- costs cutting and saving together with government grants and subsidies relating to COVID-19 for a total of 1.8 points; and
- one-off items last year for 0.8 points, essentially explained by the acquisition cost of ELEMIS last year.

Other gains, net

Net other gains amounted to €1.0 million in FY2021 H1, being capital gains from IFRS 16 leasing accounting related entries and tax credits on research expenditures. In FY2020 H1, there were net other gains of €0.3 million.

Operating profit

Operating profit decreased by 21.2%, or €8.9 million, to €32.9 million for FY2020 H1 and the operating profit margin deteriorated by 0.4 points to 5.3% of net sales. The decrease in operating profit margin is explained by a combination of:

- lower leverage and efficiency on rental and retail personnel, essentially from COVID-19 impact for 15.1 points;
- investment in information technology and the effect of office moves and staffing last year for 0.5 points;
- one-off items and others mainly related to store network rationalisation, partly offset by ELEMIS acquisition costs last year, for 0.5 points; and
- net increase in marketing investment for 0.3 points, due to higher investment in online platforms, promotional items and rapid growing China market, partly offset by cutting back on public relations, events and R&D.

This decrease was partly offset by:

- favourable channel mix with higher sharing of marketplace, webpartners and e-commerce channels for 8.0 points;
- government grants, subsidies and rent and tax reliefs for 7.6 points; and
- favourable brand mix for 0.4 points.

Finance costs, net

Net finance costs were €10.4 million for FY2021 H1, €0.3 million lower than the same period last year. The net finance costs comprised €6.4 million relating to IFRS 16 Leases, €2.9 million relating to net interest expenses and finance costs on loans and revolving facilities and €1.1 million relating to unwinding of discount on other financial liabilities.

MANAGEMENT DISCUSSION & ANALYSIS

Foreign currency gains/losses

Net foreign currency losses amounted to €3.8 million for FY2021 H1, as compared to net currency gains of €1.6 million for FY2020 H1. The net foreign currency losses comprised €4.4 million realised losses and €0.6 million unrealised gains.

In terms of currency kind, the net foreign currency losses of €3.8 million were mainly incurred from Brazilian real, Chinese yuan, Russian ruble, United States dollar and Great British pound.

Income tax expenses

Income tax expense amounted to €1.4 million in FY2021 H1, representing an effective tax rate of 7.6%, as compared to an income tax expense of €7.5 million or an effective tax rate of 22.8% in same period last year. The decrease in income tax expense was due mainly to lower profit before tax this year as well as lower tax expense from derecognition of tax assets as compared to same period last year.

Profit for the period

Net profit for FY2021 H1 decreased by 31.6% or €8.0 million to €17.3 million, as compared to the same period last year. The basic and diluted earnings per share are €0.011, both decreased by 35.3%, as compared to the same period last year.

BALANCE SHEET REVIEW

Liquidity and capital resources

As at 30 September 2020, the Group had cash and cash equivalents of €252.8 million, as compared to €80.4 million as at 30 September 2019 and €166.3 million as at 31 March 2020.

The total borrowings, including term loans, bank borrowing and revolving facilities and other borrowings, amounted to €525.7 million as at 30 September 2020, as compared to €503.7 million as at 30 September 2019 and €475.0 million as at 31 March 2020.

Net debt as at 30 September 2020 amounted to €698.7 million, reduced by €206.7 million or 22.8% as compared to €905.4 million as at 30 September 2019.

As at 30 September 2020, the aggregate amount of undrawn borrowing facilities was €445.8 million, as compared to €228.2 million as at 30 September 2019 and €230.7 as at 31 March 2020.

The financings were mainly arranged with commercial banks and based on Euribor or Libor rates plus a margin. To manage the impact of COVID-19 on its operations, during FY2021 H1, the Company signed a new revolving facility ("FY2021 revolving facility") with an amount of €203 million and a new bank loan ("FY2021 PGE Bank loan") with an amount of €50 million. As at 30 September 2020, the amounts withdrawn under FY2021 revolving facility and FY2021 PGE Bank loan were €nil and €50 million respectively.

Investing activities

Net cash used in investing activities was €23.5 million for FY2021 H1, as compared to €38.7 million for the same period last year, representing a decrease of €15.2 million. The sharp decrease was attributable to the management decision to put on hold certain capital expenditures, in particular store related capital expenditures, during the period. The investing activities during this period included financial investments of €12.7 million, mainly for a joint venture in the Middle East and capital expenditures of €10.8 million.

The capital expenditures during the period were primarily related to:

- investments in various information technology projects for €5.8 million;
- leasehold improvements in progress and other tangible assets relating to stores for €3.0 million; and
- work-in-progress in the factories in Brazil and Manosque and addition to offices and warehouses in subsidiaries for €2.0 million.

Financing activities

Financing activities resulted in a net outflow of €10.1 million in FY2020 H1. During the same period last year, it was a net outflow of €136.7 million. The net outflow this year was resulted from principal components of lease payments, partly net off by net proceeds from borrowings.

Inventories

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

For the six months ended 30 September	***2020***	*2019*
Average inventory turnover days [1]	**346**	286

[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.*

In view of the impact of COVID-19 on sales in FY2021 H1, the Company managed to reduce inventory on hand. Inventory net value was €215.1 million as at 30 September 2020, a decrease of €11.2 million or 4.9% as compared to €226.3 million as at 30 September 2019. The inventory turnover days for FY2021 H1, however, increased by 60 days, due mainly to the reduction in sales and thus reduction in cost of sales as compared to same period last year. Note also that the inventory at the end of September is in the pipeline for the upcoming peak festive season from October to December.

The increase in stock turnover days is attributable to the following:

- finished goods and mini products and pouches ("MPPs") for +84 days; and
- raw materials and work in progress for +8 days;

which is partly offset by the following:

- provision for inventory for -13 days; and
- favourable FX impacts for -19 days.

Trade receivables

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

For the six months ended 30 September	***2020***	*2019*
Turnover days of trade receivables [1]	**41**	38

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

The increase in turnover days of trade receivables by 3 days for FY2021 H1 was attributed to:

- increase in turnover days of sell-out sales for +5 days, due mainly to channel and country mixes; and
- increase in turnover days of sell-in sales for +2 days.

The increase was partly offset by:

- higher allowance for -1 day; and
- FX impact for -3 days.

Trade payables

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

For the six months ended 30 September	***2020***	*2019*
Turnover days of trade payables [1]	**248**	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 by 48 days for FY2021 H1 was explained by the increase in turnover day in trade payables and accrued expenses for 61 days, and partly net off by FX impact for 13 days.

MANAGEMENT DISCUSSION & ANALYSIS

BALANCE SHEET RATIOS

The Group's profitability ratios for FY2021 H1 lowered as compared to the same period last year. Return on capital employed for FY2021 H1 decreased slightly to 1.5% as compared to 1.7% for the same period last year. The decrease was a net result of a decrease in net profit together with a lower capital employed. Gearing ratio lowered by 1.8 points, as a result of lower debt and higher total assets.

For the period ended	***30 September 2020 € '000***	*30 September 2019 € '000*
Profitability		
EBITDA [(1)]	**128,553**	138,816
Net operating profit after tax (NOPAT) [(2)]	**26,875**	33,490
Capital employed [(3)]	**1,803,943**	1,977,201
Return on capital employed (ROCE) [(4)]	**1.5%**	1.7%
Return on equity (ROE) [(5)]	**1.5%**	2.5%
Liquidity		
Current ratio (times) [(6)]	**1.0**	1.2
Quick ratio (times) [(7)]	**0.7**	0.7
Capital adequacy		
Gearing ratio [(8)]	**37.8%**	39.6%
Debt to equity ratio [(9)]	**63.2%**	84.5%

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

FOREIGN EXCHANGE RISK MANAGEMENT

The 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 2020, the Group had foreign exchange derivatives net liabilities of €0.3 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 amounts of the outstanding sales forward exchange derivatives were €116.4 million.

DIVIDENDS

At the Board meeting held on 29 June 2020, the Board recommended a distribution of a gross final dividend of €0.02228 per share for an aggregated sum of €32.6 million or 28.0% of the FY2020 net profit attributable to the equity owners of the Company. The amount of the final dividend was based on 1,461,732,521 shares in issue as at 29 June 2020 excluding 15,232,370 treasury shares. The shareholders of the Company approved the final dividend at the annual general meeting held on 30 September 2020. The dividend was paid on 23 October 2020.

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 FY2021 H1.

POST BALANCE SHEET EVENTS

In October 2020, the Group announced a restructuring plan that will result in the loss of approximately 10% of Group corporate functions positions in several countries. The total staff restructuring cost estimated to be incurred in the second half of FY2021 amounts to €10 million. Total annual savings for a full year are estimated to be €20 million.

The COVID-19 crisis and the recent corresponding restrictive measures, such as travel bans, partial lockdowns, and shop closures in some of the Group's key markets continue to affect business operation notably in Europe. Given the unpredictability of the future development of COVID-19, the impact to the Group in the first half-year is not indicative of the impact for the financial year ending 31 March 2021. The Company will continue to follow the sanitary measures and closely monitor the situation. The estimated financial effects, if any, will be reflected in the Group's future financial statements.

MANAGEMENT DISCUSSION & ANALYSIS

STRATEGIC REVIEW

The Group registered a solid financial result for FY2021 H1, despite the challenges posed by the COVID-19 pandemic. Although overall sales inevitably declined compared to the same period in FY2020, its continued adherence to its strategy of building trust, sustainable growth and profitability kept it closely aligned to the path to a quick recovery.

In face of the widespread store closures, social distancing and other restrictive measures brought on by COVID-19, the five pillars of the Group's strategy — empowering teams; executing fundamentals especially in a retail context; adopting an omni-channel, mobile and digital approach; engaging customers; and strengthening brand commitments — proved to be critical to the Group's resilience as it navigated through the crisis.

Thanks to the Group's adaptability and solidarity, it saw many bright spots in FY2021 H1. Its online channels showed extraordinary growth, key markets in Asia rebounded strongly in FY2021 Q2, and the non-core brands showed continued progress and contributed to the bottom-line. Combined with the Group's focus and determination to increase efficiency and address loss areas, it managed to deliver decent profitability during the period.

Online and omni-channel sales the star of the show

Sales through the Group's online channels expanded 80.8% in FY2021 H1, with dynamic growth across all geographies, and accounted for 40.7% of the Group's total sales during the period. These expanded online sales compensated for some lost sales through the Group's brick and mortar stores, of which more than 75% were shuttered at the peak of the COVID-19 pandemic in early FY2021.

This did not compromise the Group's human approach to beauty, with social selling complementing its successful pivot to online sales. By the end of September 2020, the Group has initiated close to 50 social selling projects globally. In South Korea, the Group launched a chatbot shopping service on KaKao Talk to deftly handle customer enquiries, directing them to the Group's website or their preferred store account for virtual consultations and purchases. In the US, a clienteling pilot program was launched for in-store beauty advisors to communicate directly with their customers via SMS and social media. This initiative received highly positive feedback, with clienteling now representing more than 10% of retail sales. Similarly in Europe, personal shopping concierge services provided consultations online, and click-and-collect services were expanded rapidly to adapt to changing customer behaviours during lockdowns. Such services are expected to remain a mainstay of the Group's business, even as physical stores re-open.

As of 30 September 2020, almost all of the Group's physical stores had re-opened with stringent safety measures in place. The Group remains committed to offering a 100% contactless journey to provide the highest level of safety to its staff and customers, while still providing a memorable and fresh shopping experience.

Dominant position in key product segments safeguards resilience

The Group's core brand, L'OCCITANE en Provence's iconic status in premium body and hand care served it well throughout the COVID-19 pandemic, which has driven up demand for hygiene products such as soaps, as well as hand creams and moisturisers. The Group moved quickly to promote its product ranges in these areas while introducing new lines such as hand sanitation gels. The brand's leading position in these product segments was cemented further during the Double 11 campaign in China, during which sales grew more than 40% from a year earlier, with the brand securing No. 1 status in both body care and hand care across the whole Tmall platform.

The Group also launched strong face care campaigns, particularly for the *Immortelle Reset* eye serum, in line with its ongoing hero product strategy. The Group's continued emphasis on face care, hand care and body care remained a highly effective recruiter in all major markets throughout the pandemic, while also driving loyalty. These products will remain the Group's primary focuses for seasonal offerings as it enters the key holiday season.

ELEMIS expands digital-first into Asia and other markets

Despite experiencing a setback in sales growth as a consequence of the COVID-19 pandemic, ELEMIS continued to focus on its digital-first strategy and on materialising synergies with L'OCCITANE en Provence as it entered new markets globally. FY2021 H1 saw the rapid expansion of ELEMIS into new markets under a digital-first strategy, launching e-commerce websites in important markets in Europe, such as France, Germany and Italy, and in Asia, including Hong Kong, Taiwan, Singapore and Thailand.

ELEMIS's launch in the China market was the main highlight, launching exclusively into Sephora both online and offline in 125 physical stores. Its launch campaign, supported by significant marketing investments across social and traditional media, generated over 200 million impressions.

MANAGEMENT DISCUSSION & ANALYSIS

Since its launch in July 2020, ELEMIS's performance in China has been highly encouraging. September 2020 was the brand's best month yet, with sell-out sales more than double that in August 2020. Its digital-first approach, particularly live streaming events, has proved highly effective in driving sales. During ELEMIS's live streaming event with one of China's top influencers Austin Li, known locally as the "Lipstick King", 2,300 units of its *Pro-Collagen Marine Cream* sold out within minutes.

Sales in China are expected to be bolstered further by launch of overseas fan favourites, including several *Ultra Smart* products — ELEMIS's ultra-premium anti-aging line — in the coming months. ELEMIS is also expected to accelerate its Sephora rollout in China, with 150 stores by the end of 2020.

Multi-brand strategy forges new growth and profitability engines

The Group continued to develop each of the six brands in its portfolio throughout FY2021 H1. The Group's namesake brand, L'OCCITANE en Provence accounted for around 74% of the Group's sales in FY2021 H1, down from around 79% in FY2020. This diversification is expected to continue as each brand continues to build on their unique identities.

For ELEMIS's heritage markets in the UK and the US, despite having its maritime and spa channels almost come to a complete halt, still performed within expectations. Thanks to its digital-first strategy, its online channels continued to grow from strength to strength, delivering close to 70% growth in FY2021 H1. At the same time, ELEMIS's lean and agile structure enabled it to act swiftly and cut costs early on in the pandemic, contributing to its record high operating profit margin of 30.5%.

LimeLife sales bounced back strongly in FY2021 H1, growing 35% during the period and turning profitable, benefiting from its online-only and social media-based business model. Sales in FY2021 Q2, in particular, was driven by successful product launches and a new mobile app for beauty guides. The COVID-19 pandemic also made it easier to recruit new beauty guides attracted to a new career path that aligns perfectly with the shift to 'Work from Home' around the world.

The Group's emerging brands, Melvita, L'OCCITANE au Brésil and Erborian, showed a mixed picture, although all three recovered significantly in FY2021 Q2. The Group was pleased with Erborian's performance, which grew close to 30% during FY2021 Q2 and maintained profitable. On the other hand, Melvita and L'OCCITANE au Brésil experienced greater challenges during the period. Both brands have refined their strategy, with L'OCCITANE au Brésil re-focusing on key customer groups, recruitment and the development of new channels, and Melvita prioritising key markets, namely France, Japan and China. At the same time, both brands aim to improve profitability — they are well advanced in their restructures and continued to close underperforming sales points during the period.

Committed to supporting the fight against COVID-19 and other long-term threats

To date, the Group continues to donate care products to support healthcare workers fighting the pandemic around the world. It is also continuing to support its raw material producers — particularly its female shea butter partners in Burkina Faso to help their communities curb the spread of the pandemic. The support is made up of three core actions: raising awareness of shielding measures, providing protective equipment and supplies and strengthening the economic resilience of the local population while their work is suspended.

The Group will also continue adhering to its other commitments notwithstanding the current COVID-19 crisis, namely in three priority areas — protecting and restoring biodiversity, mitigating the climate crisis and empowering women. It recently set the objective of achieving carbon neutrality at its two production sites in France by 2025, and across the Group by 2030. The Group is on track to reach its target of 80% renewable electricity, being in line with its RE100 commitment. Meanwhile, it is making headway in more eco-friendly packaging, such as by expanding the number of L'OCCITANE en Provence products available in eco-refills from 19 to 25 in 2020 (one year earlier than targeted), and eliminating plastic films on retail products and spatulas in face creams.

OUTLOOK

The business environment in FY2021 H2 will be no less challenging. To safeguard its continued resilience and financial flexibility, the Group is undertaking a reorganisation process to accelerate its transformation, which may lead the loss of approximately 300 positions globally of its total workforce of 9,000. The Group is also actively addressing loss areas, with restructures for L'OCCITANE au Brésil and Melvita underway, and a likely acceleration of store rationalisation in markets such as the US. These actions will allow the Group to be more efficient and flexible to face the ever-evolving conditions.

In the meantime, the Group is closely monitoring the length and severity of the COVID-19 lockdowns recently announced in various countries around the world, given the centrality of the holiday season to its profitability and marketing calendar. The Group is tirelessly anticipating and preparing for the consequent accelerated channel shift to online. Its I.T. and logistics are well coordinated with the customer service and web teams, who will continue to leverage on its social selling initiatives to capture the surge in online demand and deliver a strong holiday season.

Looking ahead, the Group is confident that the effectiveness of its investments and pivot to online marketing activities, as well as in the inherent strength of its brands, will see it emerge from the current challenges even stronger. By taking further steps to sharpen the financial efficiency and flexibility of its business, empower its teams and prioritise its omni-channel approach, the Group is well poised to improve profitability and generate more value to shareholders in the long term.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS


CREME ULTRA RICHE CORPS
ULTRA RICH BODY CREAM
L'OCCITANE
EN PROVENCE
CREME ULTRA RICHE
CORPS
BEURRE DE KARITE 25% SHEA BUTTER
NET WT. 6.9 OZ.
BODY
RICH CREAM
HUILE DE DOUCHE
CORPS
HUILE DE KARITE 10% SHEA OIL
BODY
SHOWER OIL
CREME MAINS
BEURRE DE KARITE 20% SHEA BUTTER
HAND CREAM
L'OCCITANE
EN PROVENCE
SAVON EXTRA-DOUX
KARITE LAIT
AU BEURRE DE KARITE
WITH SHEA BUTTER
100 G
SHEA MILK
EXTRA-GENTLE SOAP

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 interim consolidated balance sheet as at 30 September 2020, and the interim consolidated statement of income, the interim consolidated statement of comprehensive income, the interim consolidated statement of changes in equity and the interim consolidated statement of cash flow for the six-month period then ended, and a summary of significant accounting policies and other explanatory information (the "condensed consolidated interim financial information").

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

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

RESPONSIBILITY OF THE "RÉVISEUR D'ENTREPRISES AGRÉÉ"

Our responsibility is to express a conclusion on these condensed consolidated interim financial information based on our review. We conducted our review in accordance with International Standard on Review Engagements (ISRE 2410 "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, are not prepared in all material respects in accordance with the applicable financial reporting framework.

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

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

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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 are 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, 30 November 2020

Magalie Cormier

INTERIM CONSOLIDATED STATEMENT OF INCOME

In thousands of euros, except per share data	*Notes*	Period ended 30 September 2020	2019
Net sales	(5)	**616,637**	**727,157**
Cost of sales		(110,403)	(137,047)
Gross profit		**506,234**	**590,110**
% of net sales		82.1%	81.2%
Distribution expenses		(310,258)	(366,245)
Marketing expenses		(88,505)	(92,703)
Research and development expenses		(7,843)	(10,312)
General and administrative expenses		(69,126)	(79,335)
Share of profit from equity-accounted joint ventures	(6.1)	1,364	-
Other gains/(losses), net	(23)	1,033	256
Operating profit		**32,899**	**41,771**
Finance income	(24)	829	915
Finance costs	(24)	(11,222)	(11,606)
Foreign currency (losses)/gains	(25)	(3,825)	1,618
Profit before income tax		**18,681**	**32,698**
Income tax expense	(26)	(1,413)	(7,460)
Profit for the period		**17,268**	**25,238**
Attributable to:			
Equity owners of the Company		15,613	24,992
Non-controlling interests		1,655	246
Total		**17,268**	**25,238**
Earnings per share for profit attributable to equity owners of the Company during the period *(expressed in euros per share)*	(27)		
Basic		0.011	0.017
Diluted		0.011	0.017
Number of shares used in earnings per share calculation	(27)		
Basic		1,461,732,521	1,461,052,171
Diluted		1,464,247,251	1,465,920,083

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros	*Notes*	Period ended 30 September 2020	2019
Profit for the period		**17,268**	**25,238**
Items that will not be reclassified to profit or loss			
Actuarial gains on defined benefits obligation		403	-
Changes in the fair value of equity investments at fair value through other comprehensive income	(4.3)	(236)	(220)
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges fair value gains, net of tax		74	-
Currency translation differences (1)		(58,373)	3,144
Total items that may subsequently be reclassified to profit and loss		**(58,132)**	**2,924**
Other comprehensive (loss)/income for the period, net of tax		**(58,132)**	**2,924**
Total comprehensive income for the period (loss) / income for the period		**(40,864)**	**28,162**
Attributable to:			
— Equity owners of the Company		(38,261)	27,756
— Non-controlling interests		(2,603)	406
Total comprehensive income for the period income / (loss) for the period		**(40,864)**	**28,162**

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

INTERIM CONSOLIDATED BALANCE SHEET

ASSETS *In thousands of euros*	*Notes*	**30 September 2020**	**31 March 2020**
Property, plant and equipment	(8)	157,870	180,505
Right-of-use assets	(9.1)	392,347	429,451
Goodwill	(10)	729,571	761,926
Intangible assets	(11)	319,400	341,577
Deferred income tax assets		87,972	76,521
Investments accounted for using the equity method	(6.1)	11,057	-
Other non-current assets	(12)	68,387	65,331
Non-current assets		**1,766,604**	**1,855,311**
Inventories	(13)	215,126	203,966
Trade receivables	(14)	144,145	131,571
Other current assets	(15)	51,495	50,565
Derivative financial instruments	(16)	969	604
Cash and cash equivalents		252,781	166,342
Current assets		**664,516**	**553,048**
TOTAL ASSETS		**2,431,120**	**2,408,359**

EQUITY AND LIABILITIES *In thousands of euros*	*Notes*	**30 September 2020**	**31 March 2020**
Share capital	(17)	44,309	44,309
Additional paid-in capital	(17)	342,851	342,851
Other reserves		(137,720)	(86,918)
Retained earnings		779,817	798,238
Capital and reserves attributable to the equity owners of the Company		**1,029,257**	**1,098,480**
Non-controlling interests		75,954	76,855
Total equity		**1,105,211**	**1,175,335**
Borrowings	(18)	296,348	361,493
Lease liabilities	(9.2)	295,362	322,426.0
Other financial liabilities	(7)	18,966	17,978
Other non-current liabilities	(19)	22,854	22,929
Deferred income tax liabilities		39,380	42,021
Non-current liabilities		**672,910**	**766,847**
Trade payables	(20)	154,591	145,994
Social and tax liabilities		96,262	72,809
Current income tax liabilities		15,466	12,270
Borrowings	(18)	229,382	113,556
Lease liabilities	(9.2)	97,803	99,206
Derivative financial instruments	(16)	1,064	208
Provisions	(21)	1,995	1,525
Other current liabilities	(19)	56,436	20,609
Current liabilities		**652,999**	**466,177**
TOTAL EQUITY AND LIABILITIES		**2,431,120**	**2,408,359**

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

INTERIM CONSOLIDATED STATEMENT 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 2019		**1,476,964,891**	**44,309**	**342,851**	**27,530**	**(3,570)**	**(32,597)**	**(58,585)**	**(399)**	**(25,903)**	**724,132**	**66,464**	**1,084,232**
Profit for the 6-month period		–	–	–	–	–	–	–	–	–	24,992	246	25,238
Other comprehensive income													
Currency translation differences		–	–	–	–	–	2,984	–	–	–	–	160	3,144
Changes in the fair value of equity investments at fair value through other comprehensive income		–	–	–	–	(220)	–	–	–	–	–	–	(220)
Total comprehensive income		**-**	**-**	**-**	**-**	***(220)***	***2,984***	**-**	**-**	**-**	***24,992***	***406***	***28,162***
Transactions with owners													
Dividends declared		–	–	–	–	–	–	–	–	–	(43,400)	–	(43,400)
Contribution from the parent		–	–	–	486	–	–	–	–	–	–	–	486
Employee share option: value of employee services	(17.3)	–	–	–	1,788	–	–	–	–	–	–	500	2,288
Total contributions by and distribution to owners of the Company		**-**	**-**	**-**	***2,274***	**-**	**-**	**-**	**-**	**-**	***(43,400)***	***500***	***(40,626)***
Transactions with non-controlling interests		–	–	–	–	–	–	–	–	–		–	–
Non-controlling interests recorded as liabilities		–	–	–	–	–	–	–	–	–	(192)	192	–
Total transactions with owners		–	–	–	–	–	–	–	–	–	(192)	192	–
Balance at 30 September 2019		**1,476,964,891**	**44,309**	**342,851**	**29,804**	**(3,790)**	**(29,613)**	**(58,585)**	**(399)**	**(25,903)**	**705,532**	**67,562**	**1,071,768**
Balance at 31 March 2020		**1,476,964,891**	**44,309**	**342,851**	**28,299**	**(24,376)**	**(17,169)**	**(72,391)**	**46**	**(338)**	**797,249**	**76,855**	**1,175,335**
Profit for the 6-month period		–	–	–	–	–	–	–	–	–	15,613	1,655	17,268
Other comprehensive income													–
Currency translation differences		–	–	–	–	–	(54,115)	–	–	–	–	(4,258)	(58,373)
Changes in the fair value of equity investments at fair value through other comprehensive income		–	–	–	–	(236)	–	–	–	–	–	–	(236)
Cash flow hedge fair value gain/(loss)		–	–	–	–	74	–	–	–	–	–		74
Actuarial gains/(losses) on defined benefit obligation		–	–	–	–	–	–	–	403	–	–	–	403
Total comprehensive income		**-**	**-**	**-**	**-**	***(162)***	***(54,115)***	**-**	***403***	**-**	***15,613***	***(2,603)***	***(40,864)***
Transactions with owners													
Dividends declared		–	–	–	–	–	–	–	–	–	(32,618)	–	(32,618)
Contribution from the parent		–	–	–	1,323	–	–	–	–	–	–	–	1,323
Employee share option: value of employee services	(17.3)	–	–	–	1,749	–	–	–	–	–	–	286	2,035
Total contributions by and distribution to owners of the Company		**-**	**-**	**-**	***3,072***	**-**	**-**	**-**	**-**	**-**	***(32,618)***	***286***	***(29,260)***
Transactions with non-controlling interests		–	–	–	–	–	–	–	–	–	(1,215)	1,215	–
Non-controlling interests recorded as liabilities		–	–	–	–	–	–	–	–	–	(201)	201	–
Total transactions with owners		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	***(1,416)***	***1,416***	**-**
Balance at 30 September 2020		**1,476,964,891**	**44,309**	**342,851**	**31,371**	**(24,538)**	**(71,284)**	**(72,391)**	**449**	**(338)**	**778,828**	**75,954**	**1,105,211**

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

In thousands of euros	*Notes*	Period ended 30 September 2020	2019
Cash flows relating to operating activities			
Profit for the period		17,268	25,238
Adjustments to reconcile profit for the period to net cash from operating activities			
Depreciation, amortisation and impairment	(22.3)	100,843	95,427
Taxes expenses	(26.1)	1,413	7,460
Unwinding of discount on lease liabilities	(24)	6,384	6,843
Interest expenses	(24)	4,009	3,848
Share-based payment	(17.3)	3,358	2,774
Share of profit of joint ventures	(6.1)	(1,364)	-
Change in the fair value of derivatives	(25)	565	678
Other (gains)/losses on sale of assets — net	(23)	(368)	447
Net movements in provisions	(21)	1,493	820
Non cash items		***116,333***	***118,297***
Interests paid		(3,021)	(3,673)
Income tax paid		(13,603)	(4,911)
Changes in working capital			
Inventories		(16,610)	(22,455)
Trade receivables		(17,083)	(17,010)
Trade payables		13,798	21,121
Salaries, wages, related payroll items and other tax liabilities		20,246	(2,427)
Other assets and liabilities, net		1,143	3,412
Changes in working capital		***1,494***	***(17,359)***
Net cash inflow/(outflow) from operating activities		**118,471**	**117,592**

In thousands of euros	*Notes*	**Period ended 30 September** **2020**	**2019**
Cash flows relating to investing activities			
Acquisition of subsidiaries, net of cash acquired	(6)	172	1,550
Investments in associates	(6.1)	(10,094)	-
Acquisition of property, plant and equipment	(8)	(8,402)	(32,941)
Acquisition of intangible assets	(11)	(5,063)	(7,126)
Proceeds from sale of intangible assets and property, plant and equipment		1,051	1,335
Change in deposits and key money paid to lessors		1,679	(69)
Change in non-current receivables and liabilities		(103)	406
Other financial investments	(12)	(2,771)	(1,827)
Net cash (outflow) from investing activities		**(23,531)**	**(38,672)**
Cash flows relating to financing activities			
Proceeds from borrowings	(18)	67,948	1,042
Repayments of borrowings	(18)	(16,647)	(68,604)
Principal components of lease payments	(9)	(63,641)	(69,097)
Transactions with non-controlling interests	(7)	2,249	-
Net cash (outflow) from financing activities		**(10,091)**	**(136,659)**
Exchange gains/(losses) on cash, cash equivalents and bank overdrafts		1,590	(6,324)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		**86,439**	**(64,063)**
Cash and cash equivalents at the beginning of the period		**166,342**	**144,442**
Cash and cash equivalents		*166,342*	*144,442*
Cash and cash equivalents at end of the period		**252,781**	**80,379**
Cash and cash equivalents		*252,781*	*80,379*

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. THE GROUP

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

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

L'Occitane International S.A. is a société anonyme organised and existing under the laws of Luxembourg and registered in the Luxembourg Trade and Commercial Register, Grand Duchy of Luxembourg under number B-80 359. The Company's address is as follows: 49, boulevard Prince Henri, L-1724 Luxembourg.

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

This interim condensed consolidated financial information was approved for issue by the Board of Directors on 30 November 2020.

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

2. BASIS OF PREPARATION

2.1 Basis of preparation

This interim condensed consolidated financial information (the "interim condensed consolidated financial information") for the six month period ended 30 September 2020 ("period ended 30 September 2020") has been prepared in accordance with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. The interim condensed consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 March 2020, which were 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 used to prepare this interim condensed consolidated financial information are consistent with those used to prepare the annual consolidated financial statements for the year ended 31 March 2020, except as described below:

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

Interpretations and amendments to IFRSs effective for reporting periods beginning on or after 1 April 2020 have no material impact on the interim condensed consolidated financial information.

2.2.1 New and amended standards

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

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

This amendment aims to simplify certain provisions of IFRS 16, enabling lessees to recognise concessions granted due to the health crisis on rent initially due up to the end of 2021 as negative variable lease payments (i.e., directly in the income statement), without having to assess whether the concessions were granted pursuant to contractual or legal clauses governing the performance of the lease in question. The impact on the interim condensed consolidated financial information is described in note 22.

2. BASIS OF PREPARATION *(continued)*

2.2 Accounting policies *(continued)*

2.2.1 New and amended standards (continued)

Other new and amended standards

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

- Definition of Material — amendments to IAS 1 and IAS 8
- Definition of a Business — amendments to IFRS 3
- Revised Conceptual Framework for Financial Reporting
- Interest Rate Benchmark Reform — amendments to IFRS 9, IAS 39 and IFRS 7.

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

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

2.3 Estimates

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

In preparing this interim condensed consolidated financial information, the significant judgements and estimates made by management when applying the Group's accounting policies and the key sources of uncertainty were the same as those applicable to the annual consolidated financial statements for the year ended 31 March 2020.

Please refer to note 3 below for more details.

2.4 Seasonality of operations

The Group is subject to significant seasonal variation in its sales, which are substantially higher in its financial third quarter (between 1 October and 31 December) in anticipation of and during the Christmas holiday season. For the period ended 30 September 2019, the sales generated during the period represented 44.2% of the Group's annual sales for the year ended 31 March 2020 and operating profit represented 22.3% of annual operating profit. These ratios are not representative of sales and operating profit expected for the year ended 31 March 2021.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3. IMPACT OF THE COVID-19 PANDEMIC ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020

The measures taken by governments to fight the Covid-19 pandemic disrupted the Group's operations during the half-year period, and significantly affected the interim condensed consolidated financial information. The closure of stores and production facilities in most countries for a number of months, along with the halt in international travel, were responsible for the reduction in revenue and, consequently, the deterioration in profitability.

All of the impacts arising from the COVID-19 pandemic have been recognised in the income statement for first-half 2020 and essentially affect recurring operating income. In particular, the costs related to health measures put in place (purchases of hand sanitiser and face masks, exceptional measures for regularly disinfecting premises, etc.) have been accounted for as expenses.

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

Fair value and/or recoverable amount of non-current assets as at 30 September 2020

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

Management has reviewed the indicators for impairment of those assets related to stores. When necessary, impairment calculations were updated. This resulted in the recognition of an impairment loss amounting to €4,720,000.

An impairment test has been performed on Melvita goodwill and trademark and considering the impact of COVID-19 in the future cash flows no impairment loss was recorded. Please refer to note 10.2 for more details.

For other goodwill and trademarks, the Group did not identify material discrepancies between the future cash flows used for the impairment test as at 31 March 2020 and the actual performance as at 30 September 2020. Management has considered that there is no indicator for impairment. Consequently, no impairment testing was performed and no impairment loss was recorded.

Foreign exchange risk

The Group conducts its distribution activities worldwide. Sales made by the subsidiaries are denominated in their local currency. The production sites are located in France and a proportion of the production and purchasing costs is therefore denominated in euros. The Group is thus exposed to foreign exchange risk on its commercial transactions, whether known or forecasted (notes 4.1 and 17.6).

Credit risk

The Group assessed that the credit risk increased for counterparts located in impacted areas as at 30 September 2020. Where applicable the expected credit loss measurement was adjusted to align with the future economic conditions forecasted by the Group. The impact recorded in the interim consolidated statement of income amounted to €2,624,000 as at 30 September 2020 (€2,674,000 as at 31 March 2020) (note 14).

3. IMPACT OF THE COVID-19 PANDEMIC ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020 *(continued)*

Net realisable value of inventories

As at 30 September 30, the Group adjusted the net realisable value of inventories to reflect slower inventory turnover and more limited sales prospects. The impact of those additional allowances on inventories were recorded in the interim consolidated statement of income amounted to €19,500,000 (€11,700,000 as at 31 March 2020) (note 13).

COVID-19 impact on lease expenses

The rent concessions negotiated with lessors due to the consequences of the COVID-19 pandemic were immediately recognised in the income statement as negative variable lease payments rather than as an amendment to the associated leases. This accounting method complies with the simplification measure provided for in the Amendment to IFRS 16 — Leases, issued by the IASB on 28 May 2020. As a result, a €8,200,000 was recognised as deduction of variable rents directly in the interim consolidated statement of income (note 22).

Grants/subsidies from government

The Group received grants or subsidies from local governments for a total amount of €19,024,000. These measures mainly aimed at protecting jobs and correspond to savings in employee benefit expenses (note 22).

Liquidity risk

As at 31 March 2020, in addition to the €166 million cash and cash equivalents, the Group had an undrawn amount of €230 million under its revolving credit facility.

During the half year ended 30 September 2020, the Group's access to liquidity was preserved:

- In April 2020, the Group drew €100 million on its existing revolving credit facility (FY2015 Revolving Facility);
- In May and June 2020, the Group has secured a new financing of €253 million: €203 million new revolving credit facility on L'Occitane International S.A. and €50 million new term loan on Laboratoires M&L, 90% guaranteed by the French State ("Prêt Garanti par l'Etat", PGE).

As at September 30, 2020, the total liquidity reserves (cash and cash equivalents net of bank overdrafts and undrawn borrowing facilities amount to €698.6 million.

Other significant events of the period ended 30 September 2020

Reduction in dividend per share for 2020

In order to maintain a healthy cash position as well as to share the earnings with the Shareholders, there was a decrease in the dividend. The final dividend of €0.02228 per share represented approximately 75% of the dividend in FY2019. The total amount of the final dividend was €32.6 million.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

4. FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements and should therefore be read in conjunction with the annual consolidated financial statements for the year ended 31 March 2020.

(a) Market risk

Foreign exchange risk

The Group conducts its distribution activities worldwide. Sales made by the subsidiaries are denominated in their local currency. The production sites are located in France and a major part of the production and purchasing costs is therefore denominated in EUR for L'Occitane. For ELEMIS and LimeLife the cost of goods sold are respectively purchased to third parties in GBP and USD and the production and purchasing are denominated in GBP. The Group is thus exposed to foreign exchange risk on its commercial transactions, whether known or forecasted.

The Group invoices its subsidiaries in their local currencies, whenever possible, in order to centralise foreign exchange risk at the Group level. The Group's foreign exchange risk is split between trading operations related to commercial transactions with subsidiaries and financing operations related to intercompany financing.

Commercial transactions

The Group treasury's risk management policy is to hedge systematically the transaction risk (amounts invoiced) at a minimum of 80%.

The economic risk (amounts forecasted) is hedged depending on market conditions and anticipations from management. All decisions to hedge economic risk are formally approved by the Group CFO.

The Group uses forward contracts to hedge the main part of its foreign risk exposure and currency options on a maximum of 40% of its exposure on its main currencies (USD, GBP, JPY, CNY and RUB). All decisions to use foreign exchange derivatives based products are formally approved by the Group CFO.

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

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

Financing operations

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

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

4. FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(a) Market risk (continued)

Cash flow and fair value interest rate risk

The Group's cash is currently invested in short-term treasury deposits to take advantage of any increase in euro interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The analysis of the borrowings by category of rate is provided in Note 19.

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

In accordance with debt covenants described in note 18.2, the margin of certain bank borrowings can change.

Price risk

The Group is not significantly exposed to commodity price risk.

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

On 30 September 2020, the Group owned 31.1% of MyGlamm, a non-listed company, which operates in the distribution of cosmetic products mainly in India. This investment is classified in the interim consolidated balance sheet at fair value through other comprehensive income (note 4.3). An increase or decrease of 5% of the share price would have an estimated impact of €700,000 in the consolidated interim statement of comprehensive income.

The amounts recognised in the interim consolidated statement of comprehensive income in relation to the investments held by the Group are disclosed in note 4.3.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

4. FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(b) Credit risk

Credit risk is managed on a Group basis, except where it relates to accounts receivable balances. Each local entity is responsible for monitoring and analysing the credit risk of its customers. Standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments, carried at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL), derivative financial instruments and deposits with bank and financial institutions, as well as credit exposures to wholesale and retail customers.

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

- For customers in the Sell-in and B-to-B distribution channels, sales are made with credit terms generally between 60 and 90 days. The Group maintains adequate allowances for potential credit losses and monitors the solvency of its counterparts. As at 30 September 2020 and 2019, the Group did not have any significant concentrations of business conducted with a particular customer that could, if suddenly eliminated, severely impact its operations;

- For customers in the Sell-out distribution channel, the Group's sales to end customers are made in cash or via major credit cards and no credit terms are generally granted. When the Sell-out sales are generated in department stores, a credit term is granted to the department store until the cash is transferred to the Group. This credit term is generally from 30 to 90 days;

- All significant cash deposits are made with major financial institutions with an investment grade rating and are invested in fixed-term deposits with negotiated terms and conditions and interest rates, or in mutual funds. The Group has temporary exposure to non-investment grade institutions on payments made by customers in certain countries, until the related amounts to investment grade institutions. Cash and cash equivalents and derivative financial instruments are concentrated with a few independently rated parties with a minimum rating of "BBB-" (investment Grade) except in countries rated below BBB-.

4. FINANCIAL RISK MANAGEMENT *(continued)*

4.1 Financial risk factors *(continued)*

(c) Liquidity risk

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

On 18 July 2014, the Company signed a multi-currency revolving facility agreement for an amount of €400 million with a five-year maturity and the option to extend for two additional years was exercised.

In addition and to face COVID crisis impact on its operations, in May and June 2020, the Group has successfully secured €253 million new revolving credit facility.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facilities and cash and cash equivalents) based on expected cash flows. The liquidity reserves as at 30 September 2020 were as follows:

In thousands of euros	**30 September 2020**	**31 March 2020**
Cash and cash equivalents and bank overdrafts	252,781	166,342
Undrawn borrowing facilities *(Note 18.2)*	445,839	230,689
Liquidity reserves	**698,620**	**397,031**

Surplus cash held by the Group is invested in call accounts, certificates of deposit, money market funds and securities or any other financial assets authorised by the Financial Investments Policy.

The repayment of certain bank borrowings depends on a financial covenant (note 18.2).

4.2 Capital risk management

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

4. FINANCIAL RISK MANAGEMENT *(continued)*

4.3 Fair value measurement hierarchy

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

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

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

	30 September 2020			31 March 2020		
In thousands of euros	Level 1 (a)	Level 2 (b)	Level 3 (c)	Level 1 (a)	Level 2 (b)	Level 3 (c)
Assets						
Derivatives at fair value *(Note 16)*	–	75	–	–	604	–
Financial assets at fair value through other comprehensive income (FVOCI) *(Note 12)*	–	14,206	15,963	–	13,671	14,480
Total assets	**–**	**14,964**	**15,963**	**–**	**14,275**	**14,480**
Liabilities						
Derivatives at fair value *(Note 16)*	–	1,064	–	–	(208)	–
Total liabilities	**–**	**1,064**	**–**	**–**	**(208)**	**–**

(a) The fair value of financial instruments traded in active markets (such as equity securities) is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by external counterparties using methods and assumptions that are based on market conditions existing at each balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is included in level 2.

(c) If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There were no transfers between the levels of the fair value hierarchy in the period ended 30 September 2020. No changes were made to any of the valuation techniques applied as at 31 March 2020.

4. FINANCIAL RISK MANAGEMENT *(continued)*

4.3 Fair value measurement hierarchy *(continued)*

Fair value measurements using significant unobservable inputs (level 3)

The following table presents the change in level 3 instruments for the period ended 30 September 2020:

In thousands of euros	Balance as at 31 March 2020	Disposals	Acquisitions	Unwinding of discount	Gain/(loss) recognized in other comprehensive income	Balance as at 30 September 2020
Assets						
Financial assets at fair value through other comprehensive income (FVOCI) *(Note 12)*	14,480	-	1,483	-	-	15,963
Total assets (level 3)	**14,480**	**-**	**1,483**	**-**	**-**	**15,963**

Those financial assets correspond to the investment in MyGlamm (note 12) and the following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

in thousands of euros	Fair value at 31 March 2020	Fair value at 30 September 2020	Unobservable inputs	Range of inputs 31 March 2020	Range of inputs 30 September 2020	Relationship of unobservable inputs to fair value
Financial assets at FVOCI	14,480	15,963	Recent price value of shares used for increase in capital ocurred in the fiscal year ended 31 March 2020 and translated with the exchange rate as at 30 September 2020			Increasing or decreasing the price value of shares by 500 basis points would increase or decrease the fair value by €700,000.

Fair value of other financial instruments (unrecognised)

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5. SEGMENT INFORMATION

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

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

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

Due to the recent business combinations with ELEMIS and LimeLife, the Group has modified the structure of its internal organisation. The Chairman & CEO and the Managing Director primarily review the Group's internal reporting in order to assess performance and allocate resources from a brand perspective. Four operating segments were identified:

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

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

5. SEGMENT INFORMATION *(continued)*

5.1 Operating segments

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

	30 September 2020				
In thousands of euros	**L'Occitane en Provence**	**ELEMIS**	**LimeLife**	**Other brands**	**Total**
Net sales	**462,367**	**64,698**	**54,318**	**35,254**	**616,637**
In % of total	*75.0%*	*10.5%*	*8.8%*	*5.7%*	*100.0%*
Gross profit	**390,038**	**49,655**	**41,619**	**24,922**	**506,234**
% of net sales	*84.4%*	*76.7%*	*76.6%*	*70.7%*	*82.1%*
Distribution expenses	(244,939)	(12,466)	(33,425)	(19,428)	(310,258)
Marketing expenses	(68,461)	(8,774)	(1,607)	(9,663)	(88,505)
Research & development expenses	(5,880)	(727)	-	(1,236)	(7,843)
General and administrative expenses	(53,284)	(7,627)	(4,384)	(3,831)	(69,126)
Share of profit / (losses) from joint operations	1,364	-	-	-	1,364
Other gains/(losses), net	1,386	(348)	-	(5)	1,033
Operating profit/(loss)	**20,224**	**19,713**	**2,203**	**(9,241)**	**32,899**
% of net sales	*4.4%*	*30.5%*	*4.1%*	*(26.2%)*	*5.3%*

	30 September 2019 (*)				
In thousands of euros	**L'Occitane en Provence**	**ELEMIS**	**LimeLife**	**Other brands**	**Total**
Net sales	**554,889**	**84,207**	**40,702**	**47,359**	**727,157**
In % of total	*76.3%*	*11.6%*	*5.6%*	*6.5%*	*100.0%*
Gross profit	**466,194**	**57,292**	**32,536**	**34,088**	**590,110**
% of net sales	*84.0%*	*68.0%*	*79.9%*	*72.0%*	*81.2%*
Distribution expenses	(292,516)	(21,063)	(28,409)	(24,257)	(366,245)
Marketing expenses	(69,771)	(8,587)	(2,724)	(11,621)	(92,703)
Research & development expenses	(7,500)	(1,341)	-	(1,471)	(10,312)
General and administrative expenses	(59,454)	(10,614)	(5,702)	(3,565)	(79,335)
Other gains/(losses), net	237	-	-	19	256
Operating profit/(loss)	**37,190**	**15,687**	**(4,299)**	**(6,807)**	**41,771**
% of net sales	*6.7%*	*18.6%*	*(10.6%)*	*(14.4%)*	*5.7%*

(*) *restated for comparison purposes due to the above changes described in the operating segments.*

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5. SEGMENT INFORMATION *(continued)*

5.2 Geographic areas

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

	Period ended 30 September			
	2020		2019	
In thousands of euros	**Total**	***In %***	**Total**	***In %***
United States	113,924	*18.5%*	133,555	*18.4%*
China	97,445	*15.8%*	76,653	*10.5%*
Japan	88,308	*14.3%*	107,255	*14.7%*
United Kingdom	65,545	*10.6%*	76,810	*10.6%*
France	37,538	*6.1%*	48,657	*6.7%*
Hong Kong	32,345	*5.2%*	58,298	*8.0%*
Luxembourg — Swiss branch	18,739	*3.0%*	36,863	*5.1%*
Taiwan	17,936	*2.9%*	15,067	*2.1%*
Russia	17,106	*2.8%*	22,370	*3.1%*
Brazil	10,997	*1.8%*	26,457	*3.6%*
Other geographic areas	116,754	*18.9%*	125,172	*17.2%*
Net sales	**616,637**	***100%***	**727,157**	***100%***

6. INFORMATION RELATING TO CHANGES IN THE GROUP STRUCTURE

6.1 For the period ended 30 September 2020

Creation of a joint venture in the Middle East region

On 17 October 2019, the Group signed a letter of intent with the current distributor for the Middle East region to create a new company "L'Occitane Middle East" that would be held by L'Occitane International S.A. for 51% and by the distributor for 49%. The shareholder and distribution agreements were signed on 3 June 2020. The consideration paid for the 51% amounts to €10,103,000 and the acquisition costs are nil.

The joint venture agreement requires unanimous consent from all parties for the main relevant activities. The Group has therefore determined that it has a joint control over this entity which implies the equity method for the measurement of the shares.

As at 30 September 2020, the Group share in L'Occitane Middle East profit or loss has been recognised in the interim consolidated statement of income in the caption "Share of profit/(loss) from equity-accounted joint ventures" for an amount of €1,364,000.

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

6.1 For the period ended 30 September 2020 *(continued)*

Transaction with 86 Café Retail

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

In millions of euros	**Value as at August**	**Fair value adjustment**	**Provisional fair value**
Net equity acquired	(1.4)	–	(1.4)
Borrowings with L'Occitane International	2.5	–	2.5
Net identifiable assets acquired	1.1	–	1.1
Acquisition price	0.6	–	0.6
Excess of the fair value of acquired net assets over the cost of an acquisition *(note 23)*	0.6	–	0.6

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

The above badwill was recognised in the line "Other (losses)/gains, net" (note 23) in the Consolidated interim statements of income.

The new subsidiary generated a loss for the period for an amount of €1,339,000.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

6.2 For the year ended 31 March 2020

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

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

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

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

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

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

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

The fair value adjustment on intangible assets related to:

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

The tax value of the goodwill, trademark and backlog which are deductible over 15 years amount to €341 million. No deferred tax is recognised on the goodwill at the date of the acquisition and then a deferred tax liability is recognised for any difference between the tax value and the carrying amount of the goodwill. This means that the positive effect of the tax amortisation of the tax value of the goodwill on the current income tax expense will be compensated by the recognition of deferred income tax expense and liabilities.

Goodwill was attributable to the profitability of the acquired business. This acquisition allows the Group to strengthen its strong position in the skincare market worldwide, enter new markets and broaden cross selling opportunities.

The final goodwill as of 31 March 2020 amounts to €514 million (note 10).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

7. OTHER FINANCIAL LIABILITIES

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

In thousands of euros	31 March 2020	Increase	Payments relating to the excessive exercise of put options	Change in estimates in the valuation of the exercise price	Unwinding of discount *(Note 24)*	30 September 2020
Put on L'Occitane GmbH non-controlling interests	4,178	–	–	–	188	4,366
Put on Elemis non-controlling interests	13,800	–	–	–	800	14,600
Total other financial liabilities	**17,978**	**–**	**–**	**–**	**988**	**18,966**

The minority interest of the Austrian subsidiary owns 30% of the subsidiary.

Non-controlling interests of ELEMIS (four individuals) acquired 1.38% of ELEMIS shares on 20 March 2020. The value of the related put option is €13,800,000.

The following table summarises the quantitative information about the significant unobservable inputs used in the measurement of the present value of the redemption amount:

in thousands of euros	Present value of the redemption amount 31 March 2020	Present value of the redemption amount 30 September 2020	Unobservable inputs	Range of inputs 31 March 2020	Range of inputs 30 September 2020	Relationship of unobservable inputs to value
Other financial liabilities — Put on L'Occitane GmbH non-controlling interests	4,178	4,366	Discount rate	8%	8%	Increasing the discount rate by 100 basis points and decreasing the annual EBITDA growth rate by 100 basis points would increase the fair value by €47,000.
			Annual EBITDA growth rate	2%–4%	2%–4%	Decreasing the discount rate by 100 basis points and increasing the annual EBITDA growth rate by 100 basis points would decrease the fair value by €53,000.
Other financial liabilities — Put on Elemis non-controlling interests	13,800	14,600	Discount rate	11.5%	11.5%	Increasing the post-tax discount rate by 100 basis points and decreasing the EBITDA by 100 basis points would decrease the fair value by €392,000.
			Annual EBITDA growth rate	Same unobservable inputs as the ones used in the Elemis business plan and disclosed in note 4.1.		Decreasing the post-tax discount rate by 100 basis points and increasing the EBITDA by 100 basis points would increase the fair value by €403,000.

7. OTHER FINANCIAL LIABILITIES *(continued)*

Assumptions	Approach used to determine values
Discount rate	Reflect current market assessments of the time value and the risk specific to the liabilities.
Time periods	Management assumed exercise of the put option as from the beginning of the exercisable period.
Annual EBITDA growth factor	Estimated based on plan for the company without the effects of IFRS 16

8. PROPERTY, PLANT AND EQUIPMENT

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

In thousands of euros

Net book value as at 31 March 2020	**180,505**
Additions	8,402
Disposals	(1,050)
Acquisition of subsidiaries	1,463
Depreciation *(Note 22.3)*	(26,412)
Impairment loss *(Note 23)*	(562)
Reversal of impairment loss *(Note 22.3)*	314
Other movements	(519)
Exchange differences	(4,192)
Net book value as at 30 September 2020	**157,949**

The additions of the period ended 30 September 2020 mainly relate to 42 store openings and refurbishments for €4,425,000.

The disposals of the period ended 30 September 2020 mainly relate to 80 store closings.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

9. LEASES

9.1 Right-of-use assets

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

In thousands of euros	Stores	Offices	Other	Total
Net book value as at 31 March 2020	**357,204**	**56,569**	**15,678**	**429,451**
Additions	43,122	12,105	1,035	56,262
Disposals	(14,596)	(781)	(195)	(15,572)
Depreciation *(Note 22.3)*	(51,167)	(7,924)	(3,140)	(62,231)
Impairment loss net of reversals *(note 23)*	(3,661)	–	–	(3,661)
Reclassification	(575)	–	(94)	(669)
Exchange differences	(8,752)	(2,188)	(293)	(11,233)
Net book value as at 30 September 2020	**321,575**	**57,781**	**12,991**	**392,347**

During the period ended 30 September 2020, the additions mainly related to the new stores, the renegotiation of lease agreements, increase in lease expenses and renewal options.

9.2 Lease liabilities

Maturities of lease liabilities can be analysed as follows:

In thousands of euros	30 September 2020	31 March 2020
Within 1 year	97,803	99,206
Between 1 and 2 years	75,851	79,152
Between 2 and 5 years	119,915	132,577
Over 5 years	99,596	110,697
Total	**393,165**	**421,632**

10. GOODWILL

10.1 Changes in goodwill

Change in goodwill can be analysed as follows:

In thousands of euros	31 March 2020	Additions	Exchange differences	30 September 2020
L'Occitane en Provence (a)	88,365	–	(3,158)	85,207
Elemis	514,910	–	(21,213)	493,697
LimeLife	121,336	–	(7,984)	113,352
Melvita	35,931	–	–	35,931
Erborian	2,384	–	–	2,384
Total cost	**762,926**	**–**	**(32,355)**	**730,571**
Accumulated impairment loss	(1,000)	–	–	(1,000)
Total cost, net	**761,926**	**–**	**(32,355)**	**729,571**

(a) Goodwills related to L'Occitane en Provence are related to the past acquisitions of exclusive distributors in specific countries.

10.2 Goodwill impairment testing

Goodwill and trademarks are allocated to group of the cash-generating units (CGU) by operating segment defined as one or several brands under the responsibility of a dedicated management team.

CGUs to which goodwill and trademarks have been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, an impairment loss is recognised.

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

For LimeLife, ELEMIS and L'Occitane en Provence, as there were no indicators for impairment of any of the CGUs, management has not updated any of the impairment calculations of the financial year ended 31 March 2020. Management notably considered the actual performance over the half-year period ended 30 September 2020 and prior year estimated value in use that significantly exceeded the carrying amount of goodwill.

For Melvita, considering the prior year limited headroom between the recoverable value and the carrying amount of all the assets used by the Group to operate the trademark, management has recalculated the recoverable amount of the CGU. The recoverable amount of the CGU was determined based on value-in-use calculations, consistently with the methods used as at 31 March 2020. For details see note 4.1 of our Annual report. The following table sets out the key assumptions for the CGU Melvita where the impairment calculation was updated as at 30 September 2020. The 5-year plan drawn up previously has been adjusted to take into account the reduced business activity observed in the period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

10. GOODWILL *(continued)*

10.2 Goodwill impairment testing *(continued)*

	30 September 2020	31 March 2020
Business plan time frame	5 years	5 years
Net sales annual growth rate over the plan	10.1%	13.2%
Budgeted EBITDA over the plan	9.7%	4.3%
Long term growth rate	1.2%	1.3%
Post-tax discount rate *(%)*	7.5%	7.5%
Carrying amounts of assets — mainly including		
Goodwill	36	36
Trademark	14	14
Recoverable value	99	82
Headroom available	45	16

The recoverable amount of the Melvita CGU exceeds the carrying amount of the CGU assets. No impairment was therefore required for this CGU. The increase in the headroom between March 2020 and September 2020 is notably explained by an updated forecasted performance for FY21, the revised business plan for the remaining fiscal years (with an accelerated transformation of business channels and increased forecasts for the web sales) and a decrease in the total carrying amount of assets to be tested.

Sensitivity analysis

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

	30 September 2020	31 March 2020
CAGR	8.7%	8.2%
% of EBITDA for each of the business plan decreased by	3.63 points	1.07 points
WACC	11.42%	8.63%
Long term growth rate	–4.98%	–0.27%

11. INTANGIBLE ASSETS

Intangible assets include:

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

Changes in intangible assets can be analysed as follows:

In thousands of euros

Net book value as at 31 March 2020	**341,577**
Additions	5,063
Disposals	(46)
Amortisation *(Note 22.3)*	(8,291)
Exchange differences	(18,903)
Net book value as at 30 September 2020	**319,400**

Additions mainly concern software for an amount of €2,750,000.

12. OTHER NON-CURRENT ASSETS

Other non-current assets can be analysed as follows:

In thousands of euros	**30 September 2020**	**31 March 2020**
Deposits	26,914	29,491
Equity investments at fair value through other comprehensive income (FVOCI)	30,169	28,151
Tax receivables	8,781	4,466
Financial assets	186	846
Other	2,337	2,377
Other non-current assets	**68,387**	**65,331**

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

- MyGlamm for an amount of €15,963,000. The Group owns 31.1% of MyGlamm which operates in the distribution of cosmetic products mainly in India.
- Real estate investments funds for an amount of €14,206,000.

The fair value adjustment as at 30 September 2020 amounting to €236,000 was recorded in the consolidated interim statement of comprehensive income.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

13. INVENTORIES

Inventories can be analysed as follows:

In thousands of euros	**30 September 2020**	**31 March 2020**
Raw materials and supplies	26,322	28,692
Finished goods and work in progress	208,333	186,936
Inventories, gross	**234,655**	**215,628**
(Deduct) allowance	(19,529)	(11,662)
Inventories	**215,126**	**203,966**

14. TRADE RECEIVABLES

The trade receivables ageing analysis report is as follows:

In thousands of euros	**30 September 2020**	**31 March 2020**
Current and past due within 3 months	143,773	130,996
Past due 3 to 6 months	2,000	2,327
Past due 6 to 12 months	996	537
Past due over 12 months	–	385
Allowance for doubtful accounts	(2,624)	(2,674)
Trade receivables	**144,145**	**131,571**

The carrying amounts of the Group's trade receivables approximate their fair value. At the balance sheet date, there is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, dispersed internationally. The maximum exposure to credit risk at each balance sheet date is the fair value of receivables set out above. The Group does not hold any collateral as security.

15. OTHER CURRENT ASSETS

The following table presents details of other current assets:

In thousands of euros	**30 September 2020**	**31 March 2020**
Value added tax receivable and other taxes and payroll items receivable	13,684	16,285
Prepaid expenses	17,477	16,496
Income tax receivable (a)	5,932	4,482
Advance payments to suppliers	7,498	7,611
ELEMIS non-controlling interests receivables on shares purchased	–	2,239
Other current assets	6,904	3,452
Total other current assets	**51,495**	**50,565**

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

16. DERIVATIVE FINANCIAL INSTRUMENTS

(a) Analysis of derivative financial instruments

Derivative financial instruments can be analysed as follows:

In thousands of euros	**30 September 2020**		**31 March 2020**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Foreign exchange derivatives at fair value through profit and loss	758	927	1,024	208
Sub-total derivative financial instruments at fair value through profit and loss	**758**	**927**	**1,024**	**208**
Interest rate derivatives at fair value through other comprehensive income	–	137	(420)	–
Sub-total derivative financial instruments designated as hedging instruments	**–**	**137**	**(420)**	**–**
Current portion of derivative financial instruments	**758**	**1,064**	**604**	**208**

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

16. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

(b) Notional amounts of derivative financial instruments

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

Currencies	30 September 2020	31 March 2020
Sale of currencies		
CNY	39,664	27,614
JPY	20,870	16,557
HKD	13,759	4,555
USD	13,594	1,195
GBP	6,549	2,296
RUB	5,143	2,359
BRL	4,826	3,244
AUD	4,244	1,305
MXN	3,384	2,041
THB	2,344	2,273
CZK	673	309
HUF	420	175
NOK	299	218
PLN	267	221
SEK	197	111
ZAR	174	122

17. CAPITAL AND RESERVES

L'Occitane International S.A. is a *société anonyme* incorporated in the Grand Duchy of Luxembourg. The Company's authorised capital is €1,500,000,000 of which €44,309,000 was issued as at 30 September 2020. At the same date, 73.02% of the Company's share capital was held by L'Occitane Groupe S.A. ("LOG" or the "parent company").

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

17.1 Share capital and additional paid-in capital

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

	Number of shares	Share capital	Additional paid-in capital
At 31 March 2020	**1,476,964,891**	**44,309**	**342,851**
At 30 September 2020	**1,476,964,891**	**44,309**	**342,851**

17. CAPITAL AND RESERVES *(continued)*

17.2 Treasury shares

As at 31 March 2020 and 30 September 2020, the Company held 15,232,370 shares in treasury and the aggregate price of the purchased shares is deducted from equity as "Treasury shares reserve" for an amount of €24,376,000.

17.3 Share-based payments

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

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

The stock option plans can be summarised as follows:

	30 September 2020		31 March 2020	
	Average exercise price in HKD per stock option	**Number of options**	**Average exercise price in HKD per stock option**	**Number of options**
At the beginning of the period	15.94	19,535,672	16.15	24,696,747
Exercised during the period	–	–	17.62	(370,250)
Cancelled/lapsed during the period	15.80	(325,800)	16.93	(4,790,825)
At the end of the period	**15.94**	**19,209,872**	**15.94**	**19,535,672**

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

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

			Number of share options	
Grant date	**Expiry date**	**Exercise price**	**30 September 2020**	**31 March 2020**
26 October 2012	26 October 2016	HKD 23.60	807,500	831,000
28 November 2012	29 November 2016	HKD 24.47	672,422	672,422
4 December 2013	4 December 2017	HKD 17.62	2,971,750	3,021,750
23 February 2015	23 February 2019	HKD 19.22	238,000	238,000
21 March 2016	21 March 2020	HKD 14.36	3,728,800	3,806,300
02 February 2017	02 February 2021	HKD 15.16	5,790,700	5,888,400
29 March 2018	29 March 2022	HKD 14.50	5,000,700	5,077,800
Total			**19,209,872**	**19,535,672**

17. CAPITAL AND RESERVES *(continued)*

17.3 Share-based payments *(continued)*

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

The free share plans can be summarised as follows:

	30 September 2020		31 March 2020	
	Average fair value in HKD per free share	Number of free shares	Average fair value in HKD per free share	Number of free shares
At the beginning of the period	14.50	3,371,400	14.49	5,941,900
Vested during the period	–	–	14.36	(311,500)
Forfeited during the period	14.50	(8,100)	15.50	(2,259,000)
At the end of the period	**14.50**	**3,363,300**	**14.50**	**3,371,400**

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

			Number of free shares	
Grant date	**Expiry date**	**Exercise price**	**30 September 2020**	**31 March 2020**
29 March 2018	29 March 2022	–	3,363,300	3,371,400
Total			**3,363,300**	**3,371,400**

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

L'Occitane International S.A. granted rights to LimeLife equity instruments to LimeLife's minority shareholders. This free shares plan is based on a presence condition for a four-year period, starting from 12 December 2017. There are no performance criteria.

This plan can be summarised as follows:

	30 September 2020		31 March 2020	
	Average fair value in EUR per free shares	Number of free shares	Average fair value in EUR per free shares	Number of free shares
As at 1 April	6.4	844,594	6.4	422,297
Vested during the year	6.4	422,297	6.4	422,297
As at 31 March	**6.4**	**1,266,891**	**6.4**	**844,594**

17. CAPITAL AND RESERVES *(continued)*

17.3 Share-based payments *(continued)*

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

		Number of free shares	
Grant date	**Vesting date**	**30 September 2020**	**31 March 2020**
12 December 2017	12 December 2018	422,297	422,297
12 December 2017	12 December 2019	422,297	422,297
12 December 2017	12 December 2020	422,297	422,297
12 December 2017	12 December 2021	422,297	422,297
Total		**1,689,188**	**1,689,188**

The shares will vest gradually in four instalments of 25% over a four-year period (graded vesting period).

The assessed fair value at the grant date of the shares was determined based on the enterprise value of LimeLife (through discounted future cash flows) as at 12 December 2017.

(iii) Main characteristics and details of the plans with LOG equity instruments

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

(iv) Total share-based compensation expense

During the periods ended 30 September 2020 and 30 September 2019, the share-based compensation expense recognised within employee benefits was as follows:

	Period ended 30 September	
In thousands of euros	**2020**	**2019**
LOI equity instruments	1,432	1,042
LOG equity instruments	1,323	486
LimeLife equity instruments	603	1,248
Social charges	355	186
Total	**3,713**	**2,962**

As at 30 September 2020, an amount of €286,000 had been recorded as share-based payments for the minority shareholders of LimeLife.

17.4 Distributable reserves

As at 30 September 2020, the distributable reserves of L'Occitane International S.A. amounted to €737,821,114.

17.5 Dividend per share

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

17. CAPITAL AND RESERVES *(continued)*

17.6 Currency translation differences

Over the period ended 30 September 2020, currency translation differences are mainly composed of currency translation differences from subsidiaries with a functional currency in USD, RUB and BRL, mainly on goodwill and some non-current assets.

18. BORROWINGS

Borrowings include the following items:

In thousands of euros	**30 September 2020**	**31 March 2020**
FY 2021 PGE Bank borrowing (COVID)	50,076	–
FY 2021 Affiliates borrowing (COVID)	709	–
FY 2020 NEU CP facility	116,000	105,000
FY 2019 Term loan	275,007	275,008
FY 2019 Long-term loan	18,588	20,114
FY 2015 Revolving facility	52,409	64,797
FY 2012 bank borrowing	5,000	5,000
Other bank borrowings	7,941	5,130
Total	**525,730**	**370,049**
(Deduct) current portion:		
— FY 2021 PGE Bank borrowing (COVID)	(50,076)	–
— FY 2021 Affiliates borrowing (COVID)	(247)	–
— FY 2020 NEU CP facility	(116,000)	(105,000)
— FY 2019 Term loan	(7)	(8)
— FY 2019 Long-term loan	(1,988)	(2,519)
— FY 2015 Revolving facility	(52,409)	(185)
— FY 2012 bank borrowing	(714)	(714)
— Other bank borrowings	(7,941)	(5,130)
Total current portion	**(229,382)**	**(8,556)**
Total non-current portion	**296,348**	**361,493**

18. BORROWINGS *(continued)*

18.1 Maturity of non-current borrowings

For the period ended 30 September 2020 and for the year ended 31 March 2020, maturity of non-current borrowings, excluding the current portion, can be broken down as follows:

In thousands of euros	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
FY 2021 Affiliates borrowings (COVID)	–	463	–	463
FY 2019 Term loan	275,000	–	–	275,000
FY 2019 Long-term loan	2,005	6,134	8,460	16,599
FY 2012 bank borrowing	714	2,143	1,429	4,286
Maturity at 30 September 2020	**277,719**	**8,740**	**9,889**	**296,348**
FY 2019 Term loan	275,000	–	–	275,000
FY 2019 Long-term loan	1,996	6,104	9,495	17,595
FY 2015 Revolving facility	64,612	–	–	64,612
FY 2012 bank borrowing	714	2,143	1,429	4,286
Maturity at 31 March 2020	**342,322**	**8,247**	**10,924**	**361,493**

18.2 Credit facility agreements

FY2021 Revolving Facility (COVID-19)

To face COVID crisis impact on its operations, on 31 May 2020, the Company signed a revolving facility agreement for an amount of €203 million with a one-year initial maturity, and up to a six months extension option (December 2021). No amount has been drawn as at 30 September 2020.

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

The FY 2021 Revolving Facility includes a repricing option. The interest rate is based on Euribor plus a margin rate due on February, May and November.

The directly attributable transaction costs related to the issuance of this FY 2021 Revolving Facility and the six months extension option amounted to €684,000. As there is no evidence that some or all the facility will likely be drawn down, the fees were capitalised as a deferred charge and amortised over the term of the facility.

FY2021 PGE Bank borrowing (COVID-19)

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

The full amount has been drawn as at 30 September 2020.

The FY2021 PGE Bank borrowing is not subject to any financial covenant.

The FY2021 PGE Bank borrowing includes a repricing option if the extension option is activated.

The interest rates is nil, there is only a 0.50% bullet payment for the cost of the guarantee associated.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

18. BORROWINGS *(continued)*

18.2 Credit facility agreements *(continued)*

FY2020 NEU CP facility

On 17 October 2019, the Group signed a programme to issue of short-term marketable debt instrument ("NEU CP") on a commercial paper market in the eurozone governed by the Banque de France. The total amount available is equal to €300,000,000.

Multiple short-term marketable debt instruments were drawn during the first semester of year ended 31 March 2021 for a total amount of €282,000,000.

As at 30 September 2020, the balance amounts to €116,000,000 for a weighted average rate of 0,05% for initial maturities comprising between 5 and 138 days.

FY2019 Term Loan

On 31 January 2019, the Company signed a Term Loan Agreement for an amount of €300,000,000 with a three year maturity related to the ELEMIS acquisition. The full amount of €300,000,000 had been drawn as at 31 March 2019. An amount of €25,000,000 was reimbursed during the year ended 31 March 2020.

No additional amount was reimbursed during the period ended 30 September 2020.

Therefore, the outstanding amount as at 30 September 2020 is still €275,007,000.

The FY2019 Term Loan Agreement is subject to an annual financial covenant: if the Company fails to maintain its leverage ratio below a given level, this will trigger a default event and the early repayment of the loan. The leverage ratio, which is based on the Group's annual consolidated financial statements, is calculated by dividing consolidated net debt by EBITDA. For the measurement of this ratio, the following definitions are used:

Consolidated net debt	Current and non-current borrowings (including finance leases and other commitments but excluding lease commitments within the scope of IFRS 16, long-term employee benefits, raw materials commitments and grants to a foundation) — cash and cash equivalents
EBITDA	Operating profit before depreciation, amortisation and impairment and before net movements in provisions (excluding the impact of IFRS 16)

The leverage ratio must be lower than 2.0.

The FY 2019 Term Loan Agreement includes a repricing option. The interest rates depend on the above-described leverage ratio calculated annually after the consolidated financial statements of the Company are issued. The interest rate is repriced in line with the change in the ratio, as follows:

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

During the period ended 30 September 2020, the interest rate was based on Euribor + Margin.

The directly attributable transaction costs related to the issuance of this FY 2019 Term Loan Agreement amounted to €1,200,000. As this financing is a Term Loan, the fees were capitalised as a deferred charge and amortised over the term of the Loan.

18. BORROWINGS *(continued)*

18.2 Credit facility agreements *(continued)*

FY2019 Long-Term Loan

On 4 September 2018, the Group signed a long-term loan agreement for an amount of €22.5 million with an 11-year maturity and that can be drawn by M&L Distribution France. As at 31 October 2018, the bank borrowing was fully drawn. This loan is amortised quarterly and three repayments were made in June 2019, in September 2019, and in December 2019 for amounts of €487,543, €488,725 and €489,910 respectively.

Due to the Covid-19 crisis, banks had authorized the payment of respectively €491,098 € due in March 2020 and €492,289 due in June 2020, to be postponed until September 2020.

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

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

FY2015 Revolving Facility

On 18 July 2014, the Company signed a multi-currency revolving facility agreement for an amount of €400 million with a five-year maturity and an option to extend for two additional year, which was exercised 24 June 2016. An amount of €52,162,432 had been drawn as at 30 September 2020.

The FY2015 Revolving Facility Agreement is subject to an annual financial covenant: if the Company fails to maintain its leverage ratio below a given level, this will trigger a default event and the early repayment of the loan. The leverage ratio, which is based on the Group's annual consolidated financial statements, is calculated by dividing consolidated net debt by EBITDA. For the measurement of this ratio, the following definitions are used:

Consolidated net debt	Current and non-current borrowings (including finance leases and other commitments but excluding lease commitments within the scope of IFRS 16, long-term employee benefits, raw materials commitments and grants to a foundation) cash and cash equivalents
EBITDA	Operating profit before depreciation, amortisation and impairment and before net movements in provisions (excluding the impact of IFRS 16)

The leverage financial ratio initially had to be lower than 3.5. Since 5 April 2017, it must be lower than 2.0.

The FY 2015 Revolving Facility includes a repricing option. The interest rates depend on the above-described leverage ratio calculated annually after the consolidated financial statements of the Group are issued. The interest rate is repriced in line with the change in the ratio, as follows:

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

During the period ended 30 September 2020, the interest rate was firstly based on Euribor/Libor + Margin -0.35 till end of July 2020, and based on Euribor/Libor + Margin — 0.50 from August 2020 to September 2020.

The directly attributable transaction costs related to the issuance of this FY 2015 Revolving Facility and the two-year extension option amounted to €1,300,000. As there is no evidence that some or all the facility will likely be drawn down, the fees were capitalised as a deferred charge and amortised over the term of the facility.

18. BORROWINGS *(continued)*

18.2 Credit facility agreements *(continued)*

FY2012 bank borrowing

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

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

The FY 2012 bank borrowing is secured by a pledge on the land and building acquired by Laboratoires M&L to build the new logistics platform in Manosque, France.

19. OTHER CURRENT AND NON-CURRENT LIABILITIES

Other current and non-current liabilities include the following:

In thousands of euros	**30 September 2020**	**31 March 2020**
Retirement indemnities	13,424	12,168
Provisions for dismantling and restoring	8,339	8,863
Long-term employment benefits	58	891
Other	1,033	1,007
Total non-current liabilities	**22,854**	**22,929**
Dividends payable to equity owners of the Company *(note 17.5)*	32,618	–
Deferred revenue (a)	21,496	18,509
Grants to a foundation	25	66
Right to returned goods	2,297	2,034
Total current liabilities	**56,436**	**20,609**

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

20. TRADE PAYABLES

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

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

In thousands of euros	**30 September 2020**	**31 March 2020**
Current and past due within 3 months	145,566	144,761
Past due from 3 to 6 months	7,466	733
Past due from 6 to 12 months	1,474	497
Past due over 12 months	85	3
Trade payables	**154,591**	**145,994**

21. PROVISIONS

Provisions can be analysed as follows:

		Charged/(credited) to the statement of income				
In thousands of euros	**31 March 2020**	**Additional provisions**	**Unused amounts reversed**	**Used amounts reversed**	**Exchange differences**	**30 September 2020**
Social litigations (a)	983	60	(20)	(83)	(66)	874
Commercial claims (b)	188	635	–	(56)	40	807
Tax risks	354	2	(3)	(2)	(37)	314
Total	**1,525**	**697**	**(23)**	**(141)**	**(63)**	**1,995**

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

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

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

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

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

22. EXPENSES BY NATURE

22.1 Breakdown of expenses by nature

Expenses by nature include the following amounts:

	Period ended 30 September	
In thousands of euros	**2020**	**2019**
Employee benefits expenses *(a)*	173,484	218,562
Rent and occupancy *(b)*	35,808	55,428
Raw materials and consumables used	91,005	97,994
Change in inventories of finished goods and work in progress	(24,841)	(22,593)
Advertising costs *(c)*	65,298	72,892
Professional fees *(d)*	72,622	72,028
Depreciation, amortisation and impairment *(Note 22.3) (b)*	100,843	95,427
Transport expenses	32,908	30,951
Other expenses *(e)*	39,008	64,953
Total cost of sales, distribution expenses, marketing expenses, research and development expenses, general and administrative expenses	**586,135**	**685,642**

22. EXPENSES BY NATURE *(continued)*

22.1 Breakdown of expenses by nature *(continued)*

(a) Employee benefits include wages, salaries, bonuses, share-based compensation, social security, post-employment benefits and temporary staff expenses. Due to Covid-19 crisis, several subsidiaries received grants or subsidies from local governments for a total amount of €16,162,000 that was recorded as a decrease in employee benefit expenses.

(b) The rent and occupancy amount as at 30 September 2020 mainly includes variable lease payments based on sales for €18,172,000, rent and occupancy costs relating to short-term leases for €2,566,000 and low-value leases for €1,207,000. This amount also includes a €8,200,000 of rent concessions recorded as negative variable rents (note 2.2.1).

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

(d) Professional fees include mainly payments made to warehouse management companies, marketing agencies, lawyers and beauty guides commissions for LimeLife.

(e) Other expenses notably include travel out-of-pocket expenses, IT services, telephone and postage. The decrease is mainly explained by travel expenses due to COVID-19 and IT services.

22.2 Workforce

	Period ended 30 September	
In thousands of euros	**2020**	**2019**
Workforce (full-time equivalent)	**8,801**	**9,284**

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

22.3 Breakdown of depreciation, amortisation and impairment

Depreciation, amortisation and impairment include the following:

	Period ended 30 September	
In thousands of euros	**2020**	**2019**
Depreciation of property, plant and equipment *(Note 8)*	26,412	28,273
Impairment on property, plant and equipment *(Note 8)*	248	(686)
Depreciation of right-of-use assets *(Note 9)*	62,231	63,082
Impairment loss net of reversals of right-of-use assets *(Note 9)*	3,661	–
Amortisation of intangible assets *(Note 11)*	8,291	4,758
Depreciation, amortisation and impairment	**100,843**	**95,427**

23. OTHER GAINS/(LOSSES), NET

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

	Period ended 30 September	
In thousands of euros	**2020**	**2019**
Net profit/(loss) on sale of assets	(68)	(447)
Government grants for research and development costs	665	703
Excess of the fair value of acquired net assets over the cost of an acquisition (a)	494	–
Other items	(58)	–
Other gains/(losses), net	**1,033**	**256**

(a) This is related to 86 Café Retail acquisition during the period.

24. FINANCE INCOME AND FINANCE COSTS

Finance income and finance costs break down as follows:

	Period ended 30 September	
In thousands of euros	**2020**	**2019**
Interest on cash and cash equivalents	829	915
Finance income	**829**	**915**
Interest expense	(3,850)	(4,588)
Interest and finance expenses paid/payable for lease liabilities *(Note 10)*	(6,384)	(6,843)
Unwinding of discount on other financial liabilities *(Note 8)*	(988)	(175)
Finance costs	**(11,222)**	**(11,606)**
Finance costs, net	**(10,393)**	**(10,691)**

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

25. FOREIGN CURRENCY GAINS/(LOSSES)

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

	Period ended September	
In thousands of euros	**2020**	**2019**
Foreign exchange differences	(3,260)	2,296
Fair value gains/(losses) on derivatives	(565)	(678)
Foreign currency gains/(losses)	**(3,825)**	**1,618**

Foreign exchange differences mainly correspond to:

- Unrealised net foreign exchange gain: €0.6 million (net losses amounting to €2.3 million for the period ended 30 September 2019);
- Realised net foreign exchange loss: €4.4 million (net losses amounting to €0.7 million for the period ended 30 September 2019).

26. INCOME TAX

26.1 Income tax expense

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

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

	Period ended 30 September	
In thousands of euros	**2020**	**2019**
Profit before income tax excluding profit/(loss) from joint ventures	17,317	32,698
Income tax calculated at corporate tax rate *(Luxembourg tax rate of 24.94% as at 30 September 2020 and 2019)*	(4,319)	(8,155)
Effect of different tax rates in foreign countries	8,553	7,479
Effect of unrecognised tax assets	(3,478)	(6,310)
Expenses not deductible for tax purposes	(2,002)	(572)
Effect of unremitted tax earnings	(167)	98
Income tax (expense)/credit	**(1,413)**	**(7,460)**

26.2 Deferred income tax assets and liabilities

The increase in deferred income tax assets mainly corresponds to the losses generated in a tax jurisdiction over the period ended 30 September 2020.

27. EARNINGS PER SHARE

27.1 Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity owners of the Company by the weighted average number of ordinary shares outstanding during the period, excluding ordinary shares purchased by the Group and held as treasury shares (note 17.2).

	Period ended 30 September 2020	2019
Profit for the period attributable to equity owners of the Company *(in thousands of euros)*	**15,613**	**24,992**
Weighted average number of ordinary shares outstanding	1,461,732,521	1,461,052,171
Basic earnings per share *(in € per share)*	**0.011**	**0.017**

27.2 Diluted earnings per share

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

	Period ended 30 September 2020	2019
Profit for the period attributable to equity owners of the Company *(in thousands of euros)*	**15,613**	**24,992**
Weighted average number of ordinary shares outstanding	1,461,732,521	1,461,052,171
Adjustment for share options	–	127,114
Adjustment for free shares	2,514,730	4,740,798
Weighted average number of ordinary shares for diluted earnings per share	1,464,247,251	1,465,920,083
Diluted earnings per share *(in € per share)*	**0.011**	**0.017**

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

28. CONTINGENCIES

28.1 Legal proceedings

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

28.2 Other contingent liabilities

The Group has contingent liabilities in respect of bank, other guarantees and other matters arising in the ordinary course of business. The Group's management does not anticipate that any material liabilities will arise from these contingent liabilities. All guarantees given by the Group are described in note 29.

29. COMMITMENTS

29.1 Capital and other expenditure commitments

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

In thousands of euros	**30 September 2020**	**31 March 2020**
Property, plant and equipment	927	2,499
Intangible assets	72	67
Raw materials	2,355	3,940
Total	**3,354**	**6,506**

The amounts as at 30 September 2020 and 31 March 2020 mainly related to the plants in France.

29.2 Other commitments

In thousands of euros	**30 September 2020**	**31 March 2020**
Pledge over property (land and buildings)	21,521	25,114
Total	**21,521**	**25,114**

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

30. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are described below.

30.1 Key management compensation

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

Compensation paid to key management can be analysed as follows:

	Period ended 30 September	
In thousands of euros	**2020**	**2019**
Executive directors	1,879	2,005
Non-executive directors	76	82
Senior management	2,909	3,137
Total key management compensation	**4,864**	**5,224**

During the periods ended 30 September 2020 and 30 September 2019, no stock options were granted to the directors.

As at 30 September 2020, the number of executive directors was 6 as compared to 5 as at 30 September 2019.

30.2 Other transactions with related parties

Sales of goods and services

	30 September	
In thousands of euros	**2020**	**2019**
Sales of goods and services		
— Sales of L'Occitane products to Les Minimes (a)	31	42
— Management fees to parent (b)	116	116
— Sales of services to LOG Investments	168	141
— Sales of services to Pierre Hermé SAS (c)	653	1,083
Total Sales of products	**968**	**1,382**

Receivable to related parties in connection with the above sales of products	**September 2020**	**March 2020**
— Receivables from Les Minimes (a)	6	6
— Receivables from LOG Investments	323	26
— Receivables from Pierre Hermé SAS (c)	1,052	494
Total receivables	**1,381**	**526**

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

(b) Management fees invoiced by the Company to the parent company amounted to €116,000 (€116,000 for the financial year ended 30 September 2020).

(c) The Company sales Pierre Hermé products in two stores (in Paris and London). Pierre Hermé is an associate of L'Occitane Group S.A.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30. TRANSACTIONS WITH RELATED PARTIES *(continued)*

30.2 Other transactions with related parties *(continued)*

Purchases of goods and services

In thousands of euros	30 September 2020	30 September 2019
Purchases		
— Services from Directors (a)	(4)	–
— Goods and services from Pierre Hermé (c)	(657)	(1,054)
Total purchases	**(661)**	**(1,054)**

Payables to related parties in connection with the above services	**September 2020**	**March 2020**
— Services from Directors (a)	–	3
— Services from Les Minimes (b)	(2)	(8)
— Goods and services from Pierre Hermé (c)	(231)	(754)
Total payables	**(233)**	**(759)**

(a) L'Occitane International has a contract for financial consulting services with the company Esprit-fi Eurl, wholly owned by Mr. Martial Lopez.

(b) Laboratoires M&L a French subsidiary, has a contract for communication and marketing, services with the company Les Minimes SAS, which is indirectly owned by the parent company as to 74.3%, by Mr. Reinold Geiger as to 25.7%. The hotel is also invoicing nights for trainings and events.

(c) The Company runs two stores (in Paris and London) with Pierre Hermé SAS, which is an associate of L'Occitane Group S.A. The Company buys to Pierre Hermé SAS pastries for take-away sales.

Other transactions

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

31. POST-BALANCE SHEET EVENTS

In October 2020 the Group announced a restructuring plan that will result in the loss of approximately 10% of Group Corporate positions in several countries. The total estimated staff restructuring costs that will be incurred in the second half-year amounts to €10 million. Total annual savings for a full year are estimated to €20 million.

The COVID-19 crisis and the recent corresponding restrictive measures, such as travel bans, partial lockdowns, and shop closures in some of the Group's key markets continue to affect business operation notably in Europe. Given the unpredictability of the future development of COVID-19, the impact to the Group in the first half-year is not indicative of the impact for the financial year ending 31 March 2021 ("FY2021"). The Company will continue to follow the sanitary measures and closely monitor the situation. The estimated financial effects, if any, will be reflected in the Group's future financial statements.

Disclaimer: some information presented in tables has been rounded to the nearest whole number or the nearest decimal. Consequently, the sum of the numbers presented in a given column may not correspond exactly to the total figure given for that column. In addition, some percentages presented in the tables reflect calculations based upon the underlying information prior to rounding and, accordingly, may not correspond exactly to the percentages that would be presented if the relevant calculations had been based upon the rounded numbers.

OTHER INFORMATION

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

As at 30 September 2020, the following directors (the "Directors") or chief executive of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) (i) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provision of the SFO), (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or (iii) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"):

(a) Interests in the shares of the Company

Name of Director	*Capacity and Nature of Interest*	*Number of Shares/ Underlying Shares Held or Controlled*	*Approximate % of Shareholding (Note 2)*
Reinold Geiger (Note 1)	Interest in controlled corporation, beneficial interest and deemed interest	1,095,207,972 (long position)	74.15%
André Hoffmann	Beneficial interest	2,772,461 (long position)	0.19%
Thomas Levilion	Beneficial interest	1,840,300 (long position)	0.12%
Karl Guénard	Beneficial interest	354,400 (long position)	0.02%
Pierre Milet	Beneficial interest	150,000 (long position)	0.01%
Martial Lopez	Beneficial interest	60,000 (long position)	0.00%
Jackson Chik Sum Ng	Beneficial interest	30,000 (long position)	0.00%

Notes:

(1) *Mr. Reinold Geiger is the ultimate beneficial owner of the entire issued share capital of CIME S.C.A. which in turn has 100% interest in Société d'Investissements CIME S.A. ("CIME"), which in turn has beneficial interest and deemed interest in approximately 77.23% of the entire issued share capital of LOG (being beneficial owner of 10,751,062 shares, having deemed interest in 1,097,108 treasury shares being held by LOG and directly in 253 shares). Mr. Reinold Geiger is therefore deemed under the SFO to be interested in all the shares registered in the name of LOG, which holds 1,078,549,641 shares and controls 15,232,370 treasury shares held by the Company. Mr. Geiger is also the beneficial owner of 1,148,750 shares and has a beneficial interest in shares under option (277,211 underlying shares). See details in Share Option Plan section.*

(2) *Based on guidance received from the Securities and Futures Commission (the "SFC"), the disclosure of interest calculations shown in the table above have been calculated on the basis of the Company's total issued share capital including 15,232,370 shares that are held in treasury and do not have voting rights whilst they are held in treasury.*

(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	11,848,423 (Note 1)	77.23%
André Hoffmann	Beneficial interest and deemed interest	2,868,676	18.70%
Silvain Desjonquères	Beneficial interest	33,900	0.22%
Thomas Levilion	Beneficial interest	28,431	0.19%
Martial Lopez	Beneficial interest	12,800	0.08%
Karl Guénard	Beneficial interest	8,100	0.05%

Notes:

(1) Comprised of 253 shares held by Mr. Reinold Geiger, 10,751,062 shares held by CIME and 1,097,108 treasury shares held by LOG. Mr. Geiger is the ultimate beneficial owner of the entire issued share capital of CIME; Mr. Geiger is therefore deemed under the SFO to be interested in all the shares in LOG held by CIME. As ultimate controlling shareholder of LOG, Mr. Geiger is also deemed to be interested in the treasury shares being held by LOG.

(2) The approximate percentage shareholdings in the share capital of LOG are calculated on the basis of the total number of 15,341,954 shares issued, inclusive of 1,097,108 treasury shares held by LOG.

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

Name of Director	*Capacity and Nature of Interest*	*Number of Shares/ Underlying Shares Held or Controlled*	*Approximate % of Shareholding*
Séan Harrington	Beneficial interest	132	1.10%

Save as disclosed herein, as at 30 September 2020, none of the Directors and chief executive of the Company, or any of their spouses, or children under 18 years of age, had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations recorded in the register required to be kept by the Company under section 352 of the SFO or required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

OTHER INFORMATION

INTERESTS IN THE SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS

As at 30 September 2020, the register of substantial Shareholders maintained under section 336 of the SFO showed that the Company had been notified of the following substantial Shareholders' interests or short positions, other than a Director or chief executive of the Company, in the shares or underlying shares of the Company:

Name of Shareholder	*Capacity and Nature of Interest*	*Number of Shares/ Underlying Shares Held or Controlled*	*Approximate % of Shareholding* (Note 3)
Cime Management Sarl	Interest in controlled corporation and deemed interest	1,093,782,011 (long position) (Note 1)	74.06%
Cime S.C.A.	Interest in controlled corporation and deemed interest	1,093,782,011 (long position) (Note 1)	74.06%
Sociètè d'Investissements CIME S.A.	Interest in controlled corporation and deemed interest	1,093,782,011 (long position) (Note 1)	74.06%
LOG	Interest in controlled corporation and deemed interest	1,093,782,011 (long position) (Note 1)	74.06%
ACATIS Investment Kapitalverwaltungsgesellschaft mbH	Executor or administrator	104,000,000 (long position) (Note 2)	7.04%

Notes:

(1) *Each of Cime Management Sarl (indirectly) and Cime S.C.A. (directly) has 100% interest in shareholding of CIME and CIME has an interest in approximately 77.23% of the total issued share capital of LOG (being beneficial owner of 10,751,062 shares and having deemed interest in 1,097,108 treasury shares being directly or indirectly held by LOG). Cime S.C.A. is the controlling corporation of CIME and CIME is the controlling corporation of LOG and Cime S.C.A. and CIME are therefore deemed under the SFO to be interested in all the 1,078,549,641 shares held by LOG. As suggested by SFC, being the controlling corporations of the Company, Cime Management Sarl, Cime S.C.A., CIME and LOG have deemed interest in the 15,232,370 treasury shares being held by the Company.*

(2) *The shares were first acquired by Universal-Investment-Gesellschaft mbH and then subsequently transferred to the new investment management company Acatis KVG.*

(3) *Based on guidance from the SFC, the disclosure of interest calculations shown in the table above have been calculated on the basis of the Company's total issued share capital including 15,232,370 shares that are held in treasury and do not have voting rights whilst they are held in treasury.*

Save as disclosed herein, as at 30 September 2020, the Company had not been notified of any substantial Shareholder (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept by the Company under section 336 of the SFO.

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. This Share Option Plan 2016 expired on 27 September 2019 and was replaced by another share option plan (the "Share Option Plan 2020") which was adopted on 30 September 2020.

The purpose of the Share Option Plan 2020 is to provide employees of the Group, all its Directors (including non-executive Directors) and Shareholders (together, the "Eligible Persons") with an opportunity to have a proprietary interest in the Company through being granted share options under the Share Option Plan 2020 rules (the "Options"), which will motivate the Eligible Persons to optimise their performance, effectiveness and efficiency for the benefit of the Group and attract and retain or otherwise maintain ongoing business relationships with those Eligible Persons whose contributions are or will be beneficial to the long-term growth of the Group. The maximum number of Shares in respect of which Options may be granted under the Share Option Plan 2020 shall not exceed 21,925,987 shares, being 1.5% of the Company's issued share capital (excluding shares held in treasury) as at 30 September 2020. Particulars and movements of share options granted under the Share Option Plans 2010, 2013, 2016 and 2020 (the "2010, 2013, 2016 and 2020 Options") during the six months ended 30 September 2020 were as follows. No share options were granted under the Share Option Plan 2020 during this period.

OTHER INFORMATION

Name/Category of Participant	*As of 01/04/2020*	**Number of share options** *Granted during the period*	*Cancelled or forfeited during the period*	*Exercised during the period*	*As of 30/09/2020*	*Date of grant*	*Exercise period* (Note 1)	*Exercise price per share (HK$)*	*Price immediately preceding the date of grant* (Note 2) *(HK$)*
Directors									
Reinold Geiger	277,211	–	–	–	277,211	28-Nov-12	28/11/2016-28/11/2020	24.47	24.35
André Hoffmann	277,211	–	–	–	277,211	28-Nov-12	28/11/2016-28/11/2020	24.47	24.35
Thomas Levilion	118,000	–	–	–	118,000	28-Nov-12	28/11/2016-28/11/2020	24.47	24.35
	311,500	–	–	–	311,500	4-Dec-13	04/12/2017-03/12/2021	17.62	17.62
	91,000	–	–	–	91,000	24-Feb-15	24/02/2019-23/02/2023	19.22	19.22
	488,200	–	–	–	488,200	23-Mar-16	23/03/2020-22/03/2024	14.36	14.00
	418,600	–	–	–	418,600	10-Feb-17	10/02/2021-10/02/2025	15.16	15.03
	413,000	–	–	–	413,000	29-Mar-18	29/03/2022-29/03/2026	14.50	14.50
Karl Guénard	90,500	–	–	–	90,500	4-Dec-13	04/12/2017-03/12/2021	17.62	17.62
	97,600	–	–	–	97,600	23-Mar-16	23/03/2020-22/03/2024	14.36	14.00
	83,700	–	–	–	83,700	10-Feb-17	10/02/2021-10/02/2025	15.16	15.03
	82,600	–	–	–	82,600	29-Mar-18	29/03/2022-29/03/2026	14.50	14.50
Sub-total (Note 3)	2,749,122	–	–	–	2,749,122				
Others									
Employees	831,000	–	(23,500)	–	807,500	26-Oct-12	26/10/2016-26/10/2020	23.60	23.60
	2,619,750	–	(50,000)	–	2,569,750	4-Dec-13	04/12/2017-03/12/2021	17.62	17.62
	147,000	–	–	–	147,000	24-Feb-15	24/02/2019-23/02/2023	19.22	19.22
	3,220,500	–	(77,500)	–	3,143,000	23-Mar-16	23/03/2020-22/03/2024	14.36	14.00
	5,386,100	–	(97,700)	–	5,288,400	10-Feb-17	10/02/2021-10/02/2025	15.16	15.03
	4,582,200	–	(77,100)	–	4,505,100	29-Mar-18	29/03/2022-29/03/2026	14.50	14.50
Sub-total (Note 3)	16,786,550	–	(325,800)	–	16,460,750				
Total	19,535,672	–	(325,800)	–	19,209,872				

Notes:

(1) As a general rule, the vesting period of the 2010, 2013, 2016 and 2020 Options is set at four years and the exercise period is set at four years after the date of vesting. The Share Option Plan 2010 was terminated on 29 September 2013, the Share Option Plan 2013 was terminated on 24 September 2016 and the Share Option Plan 2016 was terminated on 27 September 2019. The Board was however entitled to grant Options to Eligible Persons under the Share Option Plan 2020 subject to such conditions as the Board may think fit, including in respect to the vesting and exercise of such 2020 Options.

(2) Being the higher of the closing price of the Shares quoted on the Hong Kong Stock Exchange on the trading day immediately prior to the date of grant of the 2010, 2013, 2016 or 2020 Options; and the average closing price for the five business days immediately preceding the date of grant.

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

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

In total, share-based compensation expense of €1,432,000 was included in the interim consolidated statements of comprehensive income for the six months ended 30 September 2020 (six months ended 30 September 2019: €1,042,000). These expenses included the amortisation of the fair value of the share-based awards in the form of Options granted to the Directors and employees under our Share Option Plans 2013 and 2016.

FREE SHARE PLAN

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

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

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

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

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

None of the Free Shares had been granted under the Free Share Plan 2018 as at 30 September 2020.

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 2020, the Company was in compliance with the conditions of the Waiver.

The Company holds as at 30 September 2020, 15,232,370 ordinary shares as treasury shares, and the total number of ordinary shares in issue (excluding shares held as treasury shares) is 1,461,732,521.

HUMAN RESOURCES

As at 30 September 2020, the Group had 8,801 employees (30 September 2019: 9,284 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 2020.

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 2020 save as disclosed below:

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

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

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

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

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

CHANGES IN DIRECTORS' INFORMATION

Prior to 30 September 2020, the following change has occurred in Directors' information:

— Mr. Séan Harrington was appointed as an executive Director with effect from 30 September 2020.

Save as disclosed above, no change has occurred in Directors' information during the six months ended 30 September 2020 which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

OTHER INFORMATION

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct for dealing in the securities of the Company by the Directors. Having made specific enquiry of all Directors, they have confirmed that they have complied with the required standard of the Model Code during the six months ended 30 September 2020.

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 2020.


Groupe
L'OCCITANE