L'OCCITANE INTERNATIONAL S.A.

49, Boulevard Prince Henri L-1724 Luxembourg
R.C.S. Luxembourg: B80359
(Incorporated under the laws of Luxembourg with limited liability)
(Stock code: 973)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2021

HIGHLIGHTS

- During a year marked by the significant disruptions caused by COVID-19, the Group's agility and adaptability led to its resilience, with both sales performance and profitability exceeding expectations in FY2021.
- Net sales were €1,537.8 million, representing a decrease of 1.1% on a like-for-like basis (including sales of the US subsidiary in February and March 2021 and excluding ELEMIS's sales in March 2019 of FY2020).
- Operating profit grew by 17.6% to a record €220.2 million, while operating profit margin expanded by 2.9 points to 14.3%. On a like-for-like basis (profit and loss items of L'Occitane, Inc. were treated as if there was no Chapter 11 proceeding), the operating profit margin would be 13.6%.
- The Group delivered its highest ever net profit of €157.0 million, up 36.3% and representing 10.2% to net sales.
- Free cash flow (excluding IFRS 16 impact) reached a record €278.1 million, as compared to €170.5 million last year.
- The Board proposes a final dividend of €0.03687 per share, equivalent to a payout ratio of 35.0% and up 65.5%.

ANNUAL RESULTS

The board of directors (the "**Board**") of L'Occitane International S.A. (the "**Company**" or "**L'Occitane**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2021 ("**FY2021**") together with comparative figures for the year ended 31 March 2020 ("**FY2020**"). The following financial information, including the comparative figures, has been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board and as adopted by the European Union.

CONSOLIDATED STATEMENTS OF INCOME

For the year ended 31 March	Notes	2021 € '000	2020 € '000	% Change
Net Sales	2	**1,537,845**	**1,644,083**	**-6.5**
Cost of sales		(260,711)	(302,853)	-13.9
Gross profit		**1,277,134**	**1,341,231**	**-4.8**
% of net sales		*83.0%*	*81.6%*	
Distribution expenses		(666,154)	(765,569)	-13.0
Marketing expenses		(213,772)	(206,622)	3.5
Research and development expenses		(17,385)	(21,306)	-18.4
General and administrative expenses		(147,837)	(159,968)	-7.6
Share of (loss) from associates and joint ventures accounted for using the equity method	3	(4,136)	–	–
Other (losses), net		(125)	(503)	-75.1
Deconsolidation of L'Occitane, Inc.	4	5,756	–	–
Restructuring expenses		(13,246)	–	–
Operating profit	5	**220,235**	**187,263**	**17.6**
Finance costs, net	6	(18,339)	(22,167)	-17.3
Foreign currency (losses)		(2,961)	(4,556)	-35.0
Profit before income tax		**198,935**	**160,540**	**23.9**
Income tax expense	7	(41,899)	(45,300)	-7.5
Profit for the year		**157,036**	**115,240**	**36.3**
Attributable to:				
Equity owners of the Company		154,579	116,288	32.9
Non-controlling interests		2,457	(1,048)	-334.4
Total		**157,036**	**115,240**	**36.3**
Effective tax rate		21.1%	28.2%	
Earnings per share for profit attributable to equity owners of the Company during the year *(expressed in Euros per share)*				
Basic		0.105	0.080	32.5
Diluted		0.105	0.079	32.4
Number of shares used in earnings per share calculation				
Basic	8	1,466,677,921	1,461,732,521	0.3
Diluted	8	1,470,779,165	1,464,509,877	0.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at	*Notes*	**31 March 2021** *€ '000*	**31 March 2020** *€ '000*
ASSETS			
Property, plant and equipment, net		130,347	180,505
Right-of-use assets		301,271	429,451
Goodwill		754,843	761,926
Intangible assets, net		315,949	341,577
Deferred income tax assets		65,854	76,521
Shares in associates		53,636	–
Other non-current receivables		66,696	65,331
Non-current assets		**1,688,596**	**1,855,311**
Inventories, net	10	198,860	203,966
Trade receivables, net	11	135,338	131,571
Other current assets		52,798	50,565
Derivatives financial instruments		72	604
Cash and cash equivalents		421,216	166,342
Current assets		**808,284**	**553,048**
TOTAL ASSETS		**2,496,880**	**2,408,359**
EQUITY AND LIABILITIES			
Share capital		44,309	44,309
Additional paid-in capital		342,851	342,851
Other reserves		(107,642)	(86,918)
Retained earnings		920,661	798,238
Capital and reserves attributable to the equity owners		**1,200,179**	**1,098,480**
Non-controlling interests		78,699	76,855
Total equity		**1,278,878**	**1,175,335**
Borrowings		19,622	361,493
Lease liabilities		216,189	322,426
Deferred income tax liabilities		52,786	42,021
Other financial liabilities		18,671	17,978
Other non-current liabilities		23,256	22,929
Non-current liabilities		**330,524**	**766,847**
Trade payables	12	161,658	145,994
Salaries, wages, related social items and other tax liabilities		93,539	72,809
Current income tax liabilities		28,504	12,270
Borrowings		502,492	113,556
Lease liabilities		78,538	99,206
Other current liabilities		20,357	20,609
Derivatives financial instruments		713	208
Provisions		1,677	1,525
Current liabilities		**887,478**	**466,177**
TOTAL EQUITY AND LIABILITIES		**2,496,880**	**2,408,359**
NET CURRENT (LIABILITIES)/ASSETS		**(79,194)**	**86,871**
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,609,402**	**1,942,182**

NOTES

1. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and as adopted by the European Union. They are similar, for operations conducted by the Group, to IFRS as adopted by the European Union. IFRS are available on the European Commission's website.

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

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

The Group has applied the following new and amended standards that are effective for the first time for the Group for the financial period beginning 1 April 2020:

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

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

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

Other new and amended standards

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

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

2. Net Sales and 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 performance of the operating segments, has been identified as the Chairman & Chief Executive Officer (CEO) and the Managing Director, who make strategic decisions.

As from financial year 2020, and due to the recent business combinations with ELEMIS and LimeLife, the Group has modified the structure of its internal organisation. The Chairman & CEO and the Group Managing Director primarily review the Group's internal reporting in order to assess performance and allocate resources from a brand perspective four operating segments have been identified:

- L'Occitane en Provence — the sale of fragrances, skincare, haircare and body and bath ranges from the L'Occitane en Provence brand.
- ELEMIS — the sale of skincare products by ELEMIS, a brand for distribution and innovation in the beauty and skincare sectors. Sales are mainly driven by the Sell-in channel through wholesale, e-commerce, department stores, QVC, professional spas and maritime sales.
- LimeLife — the sale of makeup products by LimeLife, a US-based natural skincare and personalised make-up brand. Sales are driven by the Sell-out channel through beauty guides and online presence.

- Other brands — the sale of Erborian, L'Occitane au Brésil and Melvita skincare, makeup, floral water, beauty oils and other products. These brands mostly have the same economic characteristics, primarily in terms of type of product, customer, distribution channel (Sell-in and Sell-out), and financial performance, and they do not individually and cumulatively exceed the quantitative criteria defined in IFRS 8.

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

2.1. Sales and segment information

FY2021

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

FY2020

In thousands of Euros	**L'Occitane en Provence**	**ELEMIS**	**LimeLife**	**Other brands**	**Total**
Net Sales	1,295,199	165,809	84,790	98,285	1,644,083
In % of total	*78.8%*	*10.1%*	*5.2%*	*6.0%*	*100.0%*
Gross profit	1,092,026	110,945	65,494	72,766	1,341,231
% of net sales	*84.3%*	*66.9%*	*77.2%*	*74.0%*	*81.6%*
Distribution expenses	(616,647)	(41,090)	(57,331)	(50,501)	(765,569)
Marketing expenses	(156,636)	(20,083)	(5,393)	(24,510)	(206,622)
Research & development expenses	(15,660)	(2,451)	–	(3,195)	(21,306)
General and administrative expenses	(121,886)	(18,240)	(11,516)	(8,326)	(159,968)
Other (losses), net	(355)	–	–	(148)	(503)
Operating profit/(loss)	**180,842**	**29,081***	**(8,746)**	**(13,914)**	**187,263**
% of net sales	*14.0%*	*17.5%*	*(10.3%)*	*(14.2%)*	*11.4%*

* The operating expenses of ELEMIS include acquisition costs for €5,294,000.

2.2. Performance by geographic area

From a geographical perspective, the management assesses the performance of different geographic areas. Net sales are allocated based on the geographic area of the invoicing subsidiary.

	FY 2021		FY 2020	
In thousands of euros	**Total**	***In % of total***	**Total**	***In % of total***
China	263,642	17.1%	197,159	12.0%
United States [(1)]	242,101	15.7%	295,786	18.0%
Japan	215,273	14.0%	231,870	14.1%
United Kingdom	154,445	10.0%	160,835	9.8%
Hong Kong [(2)]	94,589	6.2%	124,822	7.6%
France	86,688	5.6%	104,148	6.3%
Russia	50,966	3.3%	58,642	3.6%
Taiwan	47,464	3.1%	41,074	2.5%
Luxembourg [(3)]	43,633	2.8%	70,702	4.3%
Brazil	34,452	2.2%	57,591	3.5%
Other geographic areas	304,592	19.8%	301,454	18.3%
Net sales	**1,537,845**	**100.0%**	**1,644,083**	**100.0%**

(1) Excludes sales after filing for Chapter 11 proceedings on 26 January 2021.

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

(3) Sales invoiced by the Company to distributors and travel retail customers in Europe, Middle-East and Americas.

3. Share of losses from associates and joint ventures accounted for using the equity method

	FY2021	**FY2020**
	€ '000	*€ '000*
L'Occitane, Inc. (February and March 2021)	(4,036)	–
L'Occitane Middle East	(99)	–
Total	(4,136)	–

4. Deconsolidation of L'Occitane, Inc.

	FY2021	**FY2020**
	€ '000	*€ '000*
Derecognition of the assets and liabilities of L'Occitane, Inc. at their carrying amounts	2,727	–
Currency translation difference previously recognised in other comprehensive income	3,029	–
Net gain from deconsolidation of L'Occitane, Inc.	5,756	–

5. Operating profit

Operating profit is arrived at after charging the following:

	FY2021 *€ '000*	FY2020 *€ '000*
Employee benefit expenses *	371,992	445,466
Rent and occupancy **	89,229	116,119
Raw materials and consumables used	208,968	194,219
Change in inventories of finished goods and work in progress	(18,495)	10,987
Advertising costs	167,182	167,399
Auditor's remuneration	1,798	1,712
Professional fees	160,115	155,811
Depreciation, amortisation and impairment***	190,701	200,810
Transportation expenses	76,060	68,232
Other expenses	58,309	95,563
Total cost of sales, distribution expenses, marketing expenses, research and development expenses and general and administrative expenses	1,305,859	1,456,318

* included €21.0 million grants and subsidies from local governments due to COVID-19 crisis and €10.9 million employee termination benefits from the global restructuring plan

** included €10.5 million rent concessions due to COVID-19 crisis

*** included amortization of right-of-use assets under IFRS 16

6. Finance costs, net

	FY2021 *€ '000*	FY2020 *€ '000*
Interest on cash and cash equivalents	2,847	2,614
Finance income	2,847	2,614
Interest expense on borrowings	(7,707)	(8,774)
Notional interest and finance expenses for lease liabilities	(11,533)	(14,032)
Unwinding of discount on financial liabilities	(1,946)	(120)
Impairment of financial assets	–	(1,855)
Finance costs	(21,186)	(24,781)
Finance costs, net	(18,339)	(22,167)

7. Taxation

The components of income tax expense are as follows:

	FY2021 *€ '000*	FY2020 *€ '000*
Current income tax	(44,227)	(37,943)
Deferred income tax	2,328	(7,357)
Total income tax expense	**(41,899)**	**(45,300)**

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

	FY2021	FY2020
Profit before income tax and share of profit from joint ventures accounted for using the equity method	203,071	160,540
Income tax calculated at corporate tax rate *(Luxembourg tax rate of 24.94% as at 31 March 2021 and 31 March 2020)*	(50,646)	(40,039)
Effect of different tax rates in foreign countries	19,228	9,965
Changes in tax rates	(79)	(518)
Effect of unrecognised tax assets	(2,819)	(6,428)
Expenses not deductible for taxation purposes	(5,072)	(6,389)
Provision for tax risks	–	(274)
Effect of unremitted tax earnings	(2,509)	(1,520)
Minimum tax payments	(2)	(97)
Income tax expense	**(41,899)**	**(45,300)**

8. Earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to equity owners of the Company of €154.6 million for FY2021 (€116.3 million for FY2020) and the weighted average number of shares in issue of 1,466,677,921 (basic) and 1,470,779,165 (diluted) for the year ended 31 March 2021 and 1,461,732,521 (basic) and 1,464,509,877 (diluted) for the year ended 31 March 2020.

9. Dividends

At the Board meeting held on 28 June 2021, the Board recommended a distribution of gross final dividend of €0.03687 per share for a total amount of €54.1 million or 35.0% of the net profit attributable to the equity owners of the Company.

The amount of the proposed final dividend is based on 1,467,388,221 shares in issue excluding 9,576,670 treasury shares as at 28 June 2021.

10. Inventories, net

Inventories, net consist of the following items:

As at 31 March	**2021** *€ '000*	**2020** *€ '000*
Raw materials and supplies	25,037	28,692
Finished goods and work in progress	189,815	186,936
Inventories, gross	214,852	215,628
Less: allowance	(15,992)	(11,662)
Inventories, net	**198,860**	**203,966**

11. Trade receivables, net

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

As at 31 March	**2021**	**2020**
	€ '000	*€ '000*
Current and past due within 3 months	132,102	129,257
Past due from 3 to 6 months	1,472	2,020
Past due from 6 to 12 months	1,032	282
Past due over 12 months	733	12
Trade receivables, net	**135,339**	**131,571**

The Group's sales to end customers are retail sales and no credit terms are granted to the end customers. For customers in the Sell-in distribution channel, sales are made with credit terms generally from 60 to 90 days.

12. Trade payables

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

As at 31 March	**2021**	**2020**
	€ '000	*€ '000*
Current and past due within 3 months	156,259	144,761
Past due from 3 to 6 months	1,639	733
Past due from 6 to 12 months	2,555	497
Past due over 12 months	1,205	3
Trade payables	**161,658**	**145,994**

MANAGEMENT DISCUSSION & ANALYSIS

Summary:

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

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

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

(3) including impact of IFRS 16.

Definitions:

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

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

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

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

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

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

REVENUE ANALYSIS

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

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

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

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

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

Performance by Brand

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

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

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

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

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

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

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

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

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

Performance by Geographic Area

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

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

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

(2) Includes sales from Luxembourg.

The following table provides a breakdown, by geographic area, of the number of own retail stores, their contribution percentage to Overall Growth and Same Store Sales Growth for FY2021 compared to the same period last year:

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

(1) Represents percentage of overall net sales growth attributable to Non-comparable Stores, Comparable Stores and Total Stores for the geographic area and period indicated.

(2) Excludes foreign currency translation effects.

(3) Includes 35 and 31 Melvita stores as at 31 March 2020 and 31 March 2021 respectively.

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

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

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

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

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

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

Japan

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

Hong Kong

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

China

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

Taiwan

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

France

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

United Kingdom

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

United States

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

Brazil

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

Russia

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

Other geographic areas

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

PROFITABILITY ANALYSIS

COST OF SALES AND GROSS PROFIT

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

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

The increase in gross profit margin was partly offset by:

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

DISTRIBUTION EXPENSES

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

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

This improvement was partly offset by:

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

MARKETING EXPENSES

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

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

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

RESEARCH & DEVELOPMENT EXPENSES

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

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

GENERAL AND ADMINISTRATIVE EXPENSES

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

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

The improvement was mostly offset by:

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

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

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

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

DECONSOLIDATION OF L'OCCITANE, INC.

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

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

RESTRUCTURING COSTS

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

OPERATING PROFIT

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

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

The improvement was partly offset by the following:

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

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

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

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

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

FINANCE COSTS, NET

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

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

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

FOREIGN CURRENCY GAINS/LOSSES

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

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

INCOME TAX EXPENSE

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

The one-time effects comprised of the following:

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

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

Note that the goodwills and trademarks of LimeLife and ELEMIS in the US are amortised in the accounting books of the local entities over a period of 15 years. As the amortisation is tax deductible, the local tax saving was valued at €5.4 million in FY2021, or 2.7% of the Group's pre-tax income. However, in the Group's consolidated account in IFRS, goodwills are not amortised. Such saving is thus reversed by corresponding non-cash deferred tax liabilities.

PROFIT FOR THE YEAR

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

IMPACT OF COVID-19 PANDEMIC

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

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

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

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

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

BALANCE SHEET AND CASH-FLOW REVIEW

LIQUIDITY AND CAPITAL RESOURCES

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

SUMMARISED CASH-FLOW STATEMENT

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

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

CAPITAL EXPENDITURES

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

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

INVESTMENT IN NEW VENTURES, ASSOCIATES AND FINANCIAL ASSETS

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

FINANCING ACTIVITIES

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

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

This was partly offset by the following:

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

INVENTORIES

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

	FY2021	FY2020
Average inventory turnover days(1)	282	245

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

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

TRADE RECEIVABLES

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

	FY2021	FY2020
Turnover days of trade receivables(1)	32	31

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

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

TRADE PAYABLES

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

	FY2021	FY2020
Turnover days of trade payables(1)	215	173

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

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

BALANCE SHEET RATIOS

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

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

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

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

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

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

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

(4) NOPAT/capital employed

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

(6) Current assets/current liabilities

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

(8) Total debt/total assets

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

FOREIGN EXCHANGE RISK MANAGEMENT

The Company enters into forward exchange contracts and currency options to hedge anticipated transactions, as well as receivables and payables not denominated in its presentation currency, the Euro, for periods consistent with its identified exposures. As at 31 March 2021, the Company had foreign exchange derivatives net liabilities of €0.6 million in the form of forward exchange contracts (in accordance with fair market valuation requirements under IFRS). The notional principal amounts of outstanding forward exchange derivatives as at 31 March 2021 were primarily sale of Chinese yuan for an equivalent amount of €23.4 million, US dollar for €10.4 million, Hong Kong dollar for €7.1 million, Mexican peso for €3.6 million, Russian ruble for €3.2 million, Japanese yen for €2.8 million, Great British pound for €2.8 million and Thai baht for €2.7 million.

DIVIDENDS

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

Despite the impact of COVID-19 on business operation, the Group remained solid in generating operating cashflow. In order to maintain a healthy cash position as well as to share the earnings with the Shareholders, the Board is pleased to recommend a final dividend of €0.03687 per share (the "**Final Dividend**"), approximately 165.5% of the dividend in FY2020, or a payout ratio of approximately 35.0%. The total amount of the Final Dividend is €54.1 million.

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

EVENTS SUBSEQUENT TO THE END OF FINANCIAL YEAR

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

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

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

STRATEGIC REVIEW

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

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

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

Online and omni-channel sales drove better profitability

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

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

Core brand resilient in key product segments and Asian markets

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

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

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

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

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

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

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

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

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

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

Two major restructuring actions pave the way for greater operational efficiency

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

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

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

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

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

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

OUTLOOK

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

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

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

AUDIT COMMITTEE

As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 together with external auditor has reviewed the accounting principles and practices adopted by the Group and has also discussed auditing, internal controls and financial reporting matters including the review of the consolidated results and the consolidated financial statements of the Group for FY2021. This annual results announcement is based on the Group's audited consolidated financial statements for the year ended 31 March 2021.

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 fulfil 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' return.

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 FY2021 save as disclosed below:

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

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

Furthermore, Mr. Geiger is supported by the Group Managing Director, Mr. Yves Blouin ("**Mr. Blouin**", appointed on 14 January 2021). Mr. Geiger is responsible to the Board and focuses on Group strategies and Board issues, ensuring a cohesive working relationship between members of the Board and management. Mr. André Hoffmann ("**Mr. Hoffmann**"), Vice-Chairman of the Board, works closely with Mr. Geiger on all important Board issues. Mr. Hoffmann and Mr. Blouin have full executive responsibilities in the business directions and operational efficiency of the business units under their respective responsibilities and are accountable to Mr. Geiger.

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by the Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the code of conduct for dealing in the securities of the Company by the Directors. Having made specific enquiry of all Directors, they have confirmed that they have complied with the Model Code during FY2021.

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

During FY2021, the Company transferred out of treasury a total of 4,945,400 Shares held in treasury pursuant to the employees' free share plans and share option plans of the Company. The Company held 10,286,970 shares in treasury on 31 March 2021. Save as disclosed above, neither the Company nor its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during FY2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 24 September 2021 to Wednesday, 29 September 2021, both days inclusive, during which period no share transfers can be registered. The record date to determine which Shareholders will be eligible to attend and vote at the forthcoming annual general meeting of the Company (the "**AGM**") will be Wednesday, 29 September 2021 (the "**AGM Record Date**"). All transfers accompanied by the relevant share certificate(s) must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 23 September 2021.

Subject to the Shareholders approving the recommended Final Dividend, if any, at the AGM, such Final Dividend will be payable on Friday, 22 October 2021 to Shareholders whose names appear on the register of members on Tuesday, 12 October 2021 (the "**Dividend Record Date**"). To determine eligibility for the Final Dividend, the register of members of the Company will be closed from Thursday, 7 October 2021 to Tuesday, 12 October 2021, both days inclusive, during which period no shares can be registered. In order to be entitled to receive the Final Dividend, all transfers accompanied by the relevant share certificate(s) must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 6 October 2021.

PUBLICATION OF FINAL RESULTS AND FY2021 ANNUAL REPORT

The final results announcement of the Company is published on the websites of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") (www.hkexnews.hk) and the Company (group.loccitane.com). The annual report will be dispatched to the Shareholders and will be available on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (group.loccitane.com) in due course.

ANNUAL GENERAL MEETING

The AGM will be held on 29 September 2021. A notice convening the AGM will be published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (group.loccitane.com) and will be dispatched to the Shareholders in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Directors of the Company are:

Executive Directors
Reinold Geiger *(Chairman and Chief Executive Officer)*
André Hoffmann *(Vice Chairman)*
Yves Blouin *(Group Managing Director)*
Thomas Levilion *(Group Deputy General Manager, Finance and Administration)*
Karl Guénard *(Company Secretary)*
Séan Harrington *(Chief Executive Officer of ELEMIS)*

Non-executive Director
Martial Lopez

Independent Non-executive Directors
Valérie Bernis
Charles Mark Broadley
Pierre Milet
Jackson Chik Sum Ng

By Order of the Board
L'Occitane International S.A.
Reinold Geiger
Chairman

Luxembourg, 28 June 2021

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.