



L'OCCITANE  
EN PROVENCE  
L'OCCITANE INTERNATIONAL S.A.

(Incorporated under the laws of Luxembourg with limited liability)

Stock code : 973

FY2016  
Annual Report

L'OCCITANE  
EN PROVENCE

Melvita  
french organic beauty care since 1983



Le COUVENT des MINIMES

 **erborian**  
KOREAN SKIN THERAPY  
PARIS · SEOUL

L'OCCITANE  
AU BRÉSIL







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# CORPORATE INFORMATION



## Executive Directors

Reinold Geiger

*(Chairman and Chief Executive Officer)*

André Hoffmann

*(Vice-Chairman and Managing  
Director Asia-Pacific)*

Domenico Trizio

*(Group Managing Director and Chief Operating  
Officer)*

Thomas Levilion

*(Group Deputy General Manager,  
Finance and Administration)*

Karl Guénard

*(Joint Company Secretary)*

## Non-Executive Director

Martial Lopez

## Independent Non-Executive Directors

Charles Mark Broadley

Jackson Chik Sum Ng

Valérie Bernis

Pierre Millet

## Joint Company Secretaries

Karl Guénard

Ming Wai Mok

## Authorised Representatives

André Hoffmann

Jackson Chik Sum Ng

## Company Legal Name

L'Occitane International S.A.

## Date of Incorporation

22 December 2000

## Date of Listing in Hong Kong

7 May 2010

## Registered Office

49, Boulevard Prince Henri  
L-1724 Luxembourg

## Headquarter Offices

49, Boulevard Prince Henri  
L-1724 Luxembourg

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

## Principal Place of Business in Hong Kong

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

## Stock Code

973

## Company Website

group.loccitane.com

## Audit Committee

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

## Remuneration Committee

Pierre Milet (*Chairman*)  
Charles Mark Broadley  
Domenico Trizio



## Nomination Committee

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

## Principal Bankers

Groupe Crédit Agricole  
Crédit Agricole CIB  
Le Crédit Lyonnais (LCL)  
Caisse Régionale du Crédit Agricole Mutuel  
Provence Côte d'Azur  
HSBC France  
BNP Paribas  
Groupe Société Générale  
Société Générale  
Crédit du Nord  
Barclays  
Natixis  
CIC Lyonnaise de Banque

## Auditor

PricewaterhouseCoopers

## Principal Share Registrar and Transfer Office

49, Boulevard Prince Henri L-1724 Luxembourg

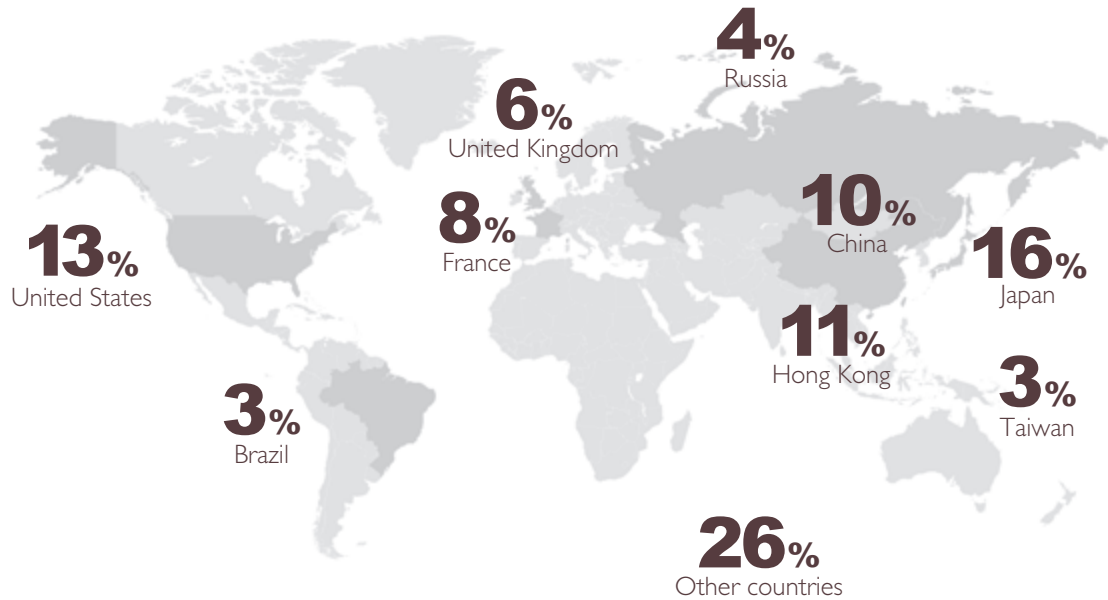
## Hong Kong Share Registrar

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

# FINANCIAL HIGHLIGHTS

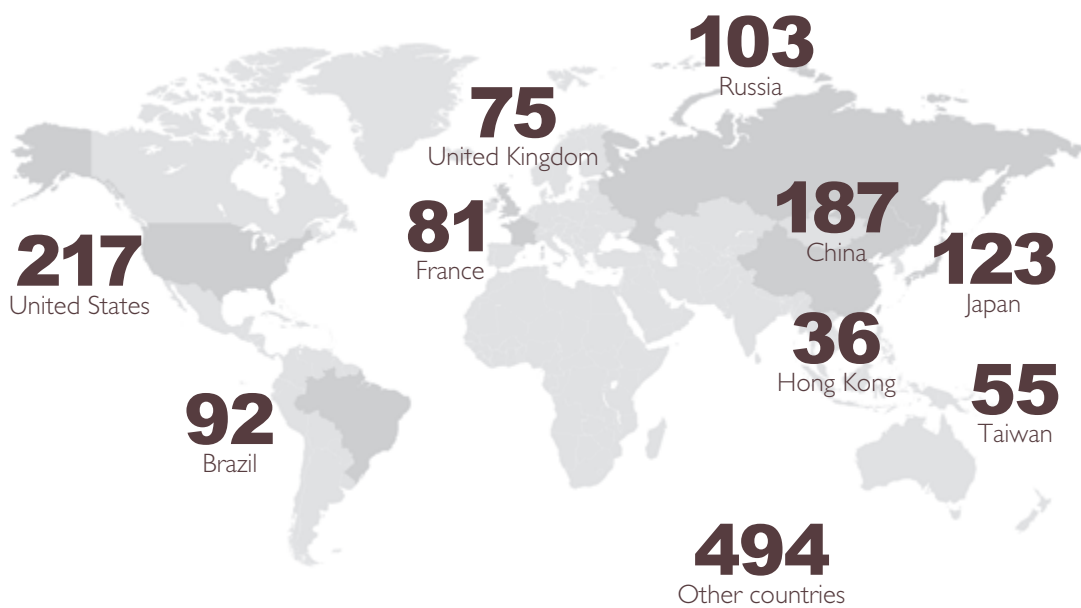
## OUR ACTIVITY WORLDWIDE

NET SALES (%) BY GEOGRAPHIC AREAS



## OUR STORES WORLDWIDE

2,924 RETAIL LOCATIONS AND 1,463 STORES OPERATED DIRECTLY BY THE GROUP





## KEY FINANCIAL HIGHLIGHTS

<i>For the year ended 31 March</i>	<b>2016</b>	<i>2015</i>
Net sales (€ million)	<b>1,282.7</b>	1,177.9
Operating profit (€ million)	<b>168.0</b>	164.1
Profit for the year (€ million)	<b>113.6</b>	125.6
Gross profit margin	<b>82.8%</b>	81.8%
Operating profit margin	<b>13.1%</b>	13.9%
Net profit margin	<b>8.9%</b>	10.7%
Net operating profit after tax (€ million) (NOPAT) <sup>(1)</sup>	<b>115.5</b>	129.0
Capital employed (€ million) <sup>(2)(11)</sup>	<b>519.6</b>	575.2
Return on capital employed (ROCE) <sup>(3)(11)</sup>	<b>22.2%</b>	22.4%
Return on equity (ROE) <sup>(4)</sup>	<b>13.0%</b>	14.3%
Current ratio (times) <sup>(5)</sup>	<b>3.5</b>	3.6
Gearing ratio <sup>(6)</sup>	<b>7.5%</b>	9.1%
Average inventory turnover days <sup>(7)</sup>	<b>245</b>	262
Turnover days of trade receivables <sup>(8)</sup>	<b>29</b>	30
Turnover days of trade payables <sup>(9)</sup>	<b>151</b>	153*
Total number of own stores <sup>(10)</sup>	<b>1,463</b>	1,384
Profit attributable to equity owners (€ million)	<b>110.3</b>	122.4
Basic earnings per share (€)	<b>0.075</b>	0.083

### Notes:

(1)  $(\text{Operating profit} + \text{foreign currency net gains or losses}) \times (1 - \text{effective tax rate})$ .

(2)  $\text{Non-current assets} - (\text{deferred tax liabilities} + \text{other non-current liabilities}) + \text{working capital}$ .

(3)  $\text{NOPAT} / \text{Capital employed}$ .

(4)  $\text{Net profit attributable to equity owners of the Company} / \text{shareholders' equity excluding minority interest}$ .

(5)  $\text{Current assets} / \text{current liabilities}$ .

(6)  $\text{Total debts} / \text{total assets}$ .

(7)  $\text{Average inventory turnover days equals average inventory divided by cost of sales and multiplied by 365}$ . Average inventory equals the average of net inventory at the beginning and end of a given period.

(8)  $\text{Turnover days of trade receivable equals average trade receivables divided by net sales and multiplied by 365}$ . Average trade receivables equals the average of net trade receivables at the beginning and end of a given period.

(9)  $\text{Turnover days of trade payables equals average trade payables divided by cost of sales and multiplied by 365}$ . Average trade payables equals the average of trade payables at the beginning and end of a given period.

\* restated due to reclassification

(10) L'Occitane, Melvita, Erborian and Au Brésil branded boutiques and department stores corners directly managed and operated by us.

### Disclaimer

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

# CHAIRMAN'S STATEMENT



Message  
from

**Reinold  
Geiger**

Chairman and  
Chief Executive  
Officer

6 June 2016

Coupled with the brand awareness investment and 40th year anniversary, FY2016 was a year of great changes for L'Occitane; a year to be marked by digital evolutions for stronger future growth. We've conducted a series of investments with an ambition to become the best in natural skincare, unlock growth potential for L'Occitane and emerging brands, as well as to spread natural lifestyle through our true stories embedded in great products.

Our strong commitment and stringent execution in FY2016 were rewarded, beyond expectations, by superior growth and decent margins. Under the backdrop of global political and economic unrest, we've delivered a strong 8.9% sales growth fueled by omni-channel strategy. Part of the growth is also attributable to our capability to innovate and enrich product offerings, as well as to the outperforming emerging brands. Melvita and L'Occitane au Brésil contributed marvelous growth in France, Japan, and Brazil. The inauguration of our Erborian boutique in Taiwan in April 2016 gained lasting traction, following the openings in France, Russia and Korea earlier during the year.

With the continuous passion in quality skin care products in the finest natural ingredients and curiosity to the secret of natural beauty, our strong new product pipelines from Reine Blanche, Shea Face, Cédrat, Divine to limited collection such as Pierre Hermé cross-over, one by one excited our loyal customers, penetrated to new users, and revolutionized the natural, premium beauty market. Reine Blanche was again in-house developed by our state-of-the-art laboratory, featuring a whitening solution to illuminate skin in the gentlest way with organic Reine des Prés that sourced from south of France. We shall continue to attract good followings in the coming quarters with superior additions to our signature Divine collection- Harmonie Divine, as well as the sexy new perfume line - Terre de Lumiere.

Our most valuable assets and persistent core values under this ever-changing world are entrepreneurship and cohesive team. Our entrepreneurial spirit guided us through many significant moments, in particular our digital revolution and the "Brand Awareness Program" to celebrate our 40th year anniversary. With the eagerness to explore and unveil our growth potential, we've formulated a secret recipe for innovative marketing campaigns under this new digital era. After "skin care

campaign”, we will also be launching “living beauty campaign” to actively engage more premium skincare users with our iconic anti-aging best seller - Divine range.

In order to enhance in-store experience so as to bring our customization to an even higher level, we've upgraded our international E-Commerce platform and refined mobile commerce interface. We are pleased to see the migration and integration of our online platform and CRM system in Japan achieved great progress, which will facilitate a stronger long term growth there. We will also continue infuse “digical” (digital + physical) concept to our on-line and physical touch points and open a digical flagship at the prime location. The success of our omni-channel strategy is well endorsed by outperforming E-commerce business and good store traffic backed by new interest and loyal clientele.

Within the context of the growth of our Group, respect for environment, community and human capital is equally important as business. The ongoing engagement with all of our stakeholders enriched our core value while embracing great initiatives. From product development, production to sales and distribution, all of our activities are covered by ISO 14001-certified management system, which endorsed our efforts to decrease environmental impact. I am proud to see that our Union for Vision programme to unite employees for eye care charity activities reached an impressive results: two million people have received eye care. We are aiming to raise this number to 10 million beneficiaries by year 2020. Most important of all, this caring culture also cultivated a sustainable and balanced talent pool to support our growth. We are dedicated to making our Group a great place to work and have launched the study across countries to support such initiatives.

COUPLED WITH THE  
BRAND AWARENESS  
INVESTMENT AND 40TH  
YEAR ANNIVERSARY,  
FY2016 WAS A YEAR OF  
GREAT CHANGES FOR  
L'OCCITANE

With a wide range of offerings focused on natural lifestyle and experience to cater the burgeoning demand for premium cosmetics, L'Occitane is well prepared to boost great performance in the coming years. We reckoned the growing crave for comforting, well-being products will continue to fuel our business growth in a more stressful world. 90% of our products launched during the past year contained at least 90% naturally derived ingredients, showing our commitment and capability of making our formulas even more natural.

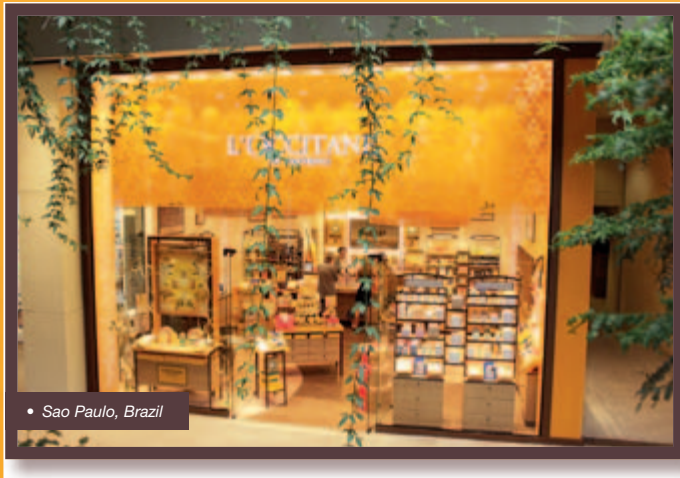
The terror attacks in Europe and natural disasters in some regions did not quite tear apart our confidence and solidarity; we instead experienced a worldwide unity within our company which reaffirmed that we are well positioned to tap into growth opportunities in the face of challenging times. Our exciting face care product pipelines in the months to come shall demonstrate our innovative capability and is expected to unveil a tremendous start to our peak season. In addition to the professional and dedicated management team, the recent three awards L'Occitane garnered at the 2016 Investor Relations Awards organised by HKIRA further testified our commitment to investors. We believe our focused and disciplined investment will create lasting value in return of the unwavering support from our shareholders.

# STRONG GLOBAL PRESENCE



STRONG  
GLOBAL  
PRESENCE





A landscape photograph showing a lush green field in the foreground, with rolling hills and mountains in the distance under a clear blue sky. The text is centered within a white square frame.

MANAGEMENT  
DISCUSSION  
& ANALYSIS



L'OCCITANE  
CREME MAINS  
20%  
HAND CREAM

L'OCCITANE  
shampooing  
réparateur

L'OCCITANE  
shampooing  
réparateur

LAVANDE  
DE HAUTE-PROVENCE

L'OCCITANE  
LAIT LIQUIDE  
NOURISSANT ET LIÉGANT  
POUR  
CORPS ET CHEVEUX

L'OCCITANE  
CRÈME DÉVELOPPANTE  
LAVANDE

L'OCCITANE  
CRÈME PROTECTRICE  
LAVANDE

40  
#ATRUESTORY

# MANAGEMENT DISCUSSION & ANALYSIS

## Summary:

	<b>FY2016</b> <b>€' million</b> <b>or %</b>	<i>FY2015</i> <i>€' million</i> <i>or %</i>
Net sales	<b>1,282.7</b>	1,177.9
Operating profit	<b>168.0</b>	164.1
Profit for the year	<b>113.6</b>	125.6
Gross profit margin	<b>82.8%</b>	81.8%
Operating profit margin	<b>13.1%</b>	13.9%
Net profit margin	<b>8.9%</b>	10.7%
Net cash inflow from operations	<b>209.0</b>	206.1

## Definitions:

**Comparable Stores** means existing retail stores which have been opened before the start of the previous financial year, including the Company owned ecommerce websites and excluding renovated stores.

**Non-comparable Stores & others** means all stores that are not Comparable Stores, i.e. stores opened, closed and renovated during the previous or the current financial period under discussion. This also includes other sales from mail order and marketplace.

**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 Stores 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 net sales were € 1,282.7 million in FY2016, an increase of € 104.8 million or 8.9% as compared to the financial year ended 31 March 2015 ("FY2015"). In FY2016, net sales in Sell-out and Sell-in segments (representing 75.0% and 25.0% of total net sales, respectively) increased by 5.1% and 4.6% respectively, excluding foreign currency translation effects. At constant exchange rates, the net sales growth was 5.0%. The Company increased the total number of retail locations from 2,797 as at 31 March 2015 to 2,924 as at 31 March 2016, an increase of 127 or 4.5%. The Company maintained its selective global retail expansion during FY2016 and increased the number of its own retail stores from 1,384 as at 31 March 2015 to 1,463 as at 31 March 2016, representing a net increase of 79 own stores or 5.7%. The net own store openings included 52 in Asia Pacific, 22 in the Americas and 5 in Europe and South Africa. The Group had accelerated the expansion of the emerging brands, with net 26 openings. At the end of March 2016, emerging brands had a total of 66 own-stores.

At constant exchange rates, Comparable Stores, Non-comparable Stores & others and Sell-in segments contributed 13.2%, 63.9% and 22.9% respectively to Overall Growth in FY2016. The Company's sales in China, France, Japan, Brazil and Russia were the driving factors of net sales growth in FY2016.

## Business Segments

The following table provides a breakdown of the net sales year-on-year growth (including and excluding foreign currency translation effects as indicated) by business segment for FY2016:

	Year-on-year growth			Contribution to Overall Growth <sup>(2)</sup>
	Growth €'000	Growth %	Growth <sup>(2)</sup> %	
<b>Sell-out</b>	<b>79,055</b>	<b>8.9</b>	<b>5.1</b>	<b>77.1</b>
Comparable Stores	32,733	5.2	1.2	13.2
Non-comparable Stores & others <sup>(1)</sup>	46,322	18.3	14.9	63.9
<b>Sell-in</b>	<b>25,744</b>	<b>8.7</b>	<b>4.6</b>	<b>22.9</b>
<b>Overall Growth</b>	<b>104,799</b>	<b>8.9</b>	<b>5.0</b>	<b>100.0</b>

(1) Others include marketplaces, mail-orders and other service sales.

(2) Excludes the impact of foreign currency translation effects

# MANAGEMENT DISCUSSION & ANALYSIS

## **Sell-out**

The Sell-out business segment accounted for 75.0% of the Group's total sales and amounted to € 962.4 million, an increase of 8.9% as compared to FY2015 and a 5.1% increase at constant exchange rates. The growth was mainly contributed by Non-comparable Stores & others.

There was a net addition of 79 own-stores during FY2016, including net additions of 26 stores in China, 12 stores in Japan, 11 stores in Brazil, 3 stores in the USA and 2 stores in the UK. In Russia, there was a net decrease of 4 stores after transfer of certain stores to franchisees.

Sell-out segment contributed 77.1% to Overall Growth in FY2016, with 13.2% from Comparable Stores and 63.9% from Non-comparable Stores & others, which was mainly driven by new stores opened and renovated in these two years and the marketplace operators in China and Korea. The Group's own E-commerce channel achieved a 14.5% growth at constant exchange rates for FY2016 and reached 9.8% as compared to the retail sales.

## **Sell-in**

The Sell-in business segment accounted for 25.0% of the Group's total sales and amounted to € 320.2 million, an increase of 8.7% as compared to FY2015 and a 4.6% increase at constant exchange rates. Sell-in segment contributed 22.9% to Overall Growth. The growth was mainly contributed by wholesales, distributors, B2B and web partners channels. In particular, strong growth was posted in wholesale business for all brands in France, and other European countries and in distribution business for L'Occitane au Brésil in Brazil.



## Geographic Areas

The following table presents the net sales growth for FY2016 and contribution to overall sales growth (including and excluding foreign currency translation effects as indicated) by geographic area:

	Net Sales Growth FY2016 compared to FY2015			Contribution to Overall Growth <sup>(1)</sup>
	Growth €'000	Growth %	Growth <sup>(1)</sup> %	Growth <sup>(1)</sup> %
Japan	18,371	9.8	4.5	14.2
Hong Kong <sup>(2)</sup>	4,386	3.3	(9.3)	(21.0)
China	28,344	27.5	16.8	29.4
Taiwan	2,475	6.3	(0.7)	(0.5)
France	10,076	11.0	11.0	17.1
United Kingdom	7,641	11.4	3.2	3.6
United States	19,537	12.7	(1.3)	(3.5)
Brazil	(5,792)	(11.8)	11.5	9.6
Russia	(5,461)	(10.8)	10.0	8.6
Other countries <sup>(3)</sup>	25,221	8.4	8.3	42.5
<b>All countries</b>	<b>104,799</b>	<b>8.9</b>	<b>5.0</b>	<b>100.0</b>

(1) Excludes the impact of foreign currency translation effects and reflects growth from all business segments, including growth from the own retail store sales.

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

(3) Includes sales from Luxembourg.

# MANAGEMENT DISCUSSION & ANALYSIS

The following table provides a breakdown, by geographic area, of the number of own retail stores, their contribution percentage to Overall Growth and the same store sales growth for FY2016:

	Own Retail Stores				% contribution to Overall Growth <sup>(1) (2)</sup>			Same Store Sales Growth % <sup>(2)</sup>
	31 Mar 2016	Net openings YTD Mar 2016	31 Mar 2015	Net openings YTD Mar 2015	Non-comparable Stores	Comparable Stores	Total Stores	
Japan <sup>(3)</sup>	123	12	111	5	11.2	3.5	14.6	1.8
Hong Kong <sup>(4)</sup>	36	—	36	4	(5.5)	(9.8)	(15.2)	(17.2)
China <sup>(5)</sup>	187	26	161	25	12.4	2.5	14.9	2.1
Taiwan	55	—	55	1	(0.8)	(1.1)	(1.9)	(2.8)
France <sup>(6)</sup>	81	—	81	6	2.4	4.8	7.1	6.8
United Kingdom	75	2	73	5	2.2	1.2	3.3	1.9
United States	217	3	214	17	2.0	(2.4)	(0.4)	(1.3)
Brazil <sup>(7)</sup>	92	11	81	3	4.2	4.0	8.2	9.1
Russia <sup>(8)</sup>	103	(4)	107	(3)	2.9	3.9	6.8	8.1
Other countries <sup>(9)</sup>	494	29	465	26	17.4	6.7	24.1	2.6
<b>All countries</b>	<b>1,463</b>	<b>79</b>	<b>1,384</b>	<b>89</b>	<b>48.4</b>	<b>13.2</b>	<b>61.5</b>	<b>1.2</b>

(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 13 and 20 Melvita stores as at 31 March 2015 and 31 March 2016 respectively.

(4) Includes 3 L'Occitane stores in Macau and 10 Melvita stores in Hong Kong as at 31 March 2015 and 3 L'Occitane stores in Macau and 8 Melvita stores in Hong Kong as at 31 March 2016.

(5) Includes 8 Melvita stores as at 31 March 2016.

(6) Includes 5 Melvita stores as at 31 March 2015 and 4 Melvita stores and 1 Erborian store as at 31 March 2016.

(7) Includes 6 L'Occitane au Brésil stores as at 31 March 2015 and 12 L'Occitane au Brésil stores as at 31 March 2016.

(8) Includes 1 Erborian store as at 31 March 2016.

(9) Includes 7 L'Occitane stores from the acquisition of distributor in Norway and 6 Melvita stores as at 31 March 2015 and 10 Melvita and 2 Erborian stores as at 31 March 2016.

### Japan

Japan's net sales for FY2016 were € 206.7 million, an increase of 9.8% as compared to FY2015. At constant exchange rates, the growth was 4.5%, contributing 14.2% to Overall Growth. The decent growth outperformed the weak and flat market environment. Sell-out sales growth in local currency was 4.7%, contributing 14.0% to Overall Growth. The growth was driven by both Comparable Stores and Non-comparable Stores. Same Store Sales Growth was 1.8% in FY2016, contributing 3.5% to Overall Growth. During FY2016, Japan had a net addition of 12 stores, including 5 for L'Occitane and 7 for Melvita. Non-comparable Stores & others contributed 10.6% to Overall Growth. Sell-in sales increased by 1.0% at constant exchange rates, contributing 0.2% to Overall Growth.

### Hong Kong

Hong Kong's net sales for FY2016 were € 138.6 million, an increase of 3.3% as compared to FY2015. At constant exchange rates, the growth was -9.3%, posting a negative contribution of 21.0% to Overall Growth. Sell-out segment growth was -14.8%, posting a negative contribution of 15.0% to Overall Growth. Same Store Sales Growth was -17.2%. Hong Kong retail market remained depressed due to the drop in mainland Chinese tourists and the relatively strong Hong Kong dollar. Sell-in sales decreased by 4.8% at constant exchange rates, posting a negative 6.0% to Overall Growth. The decrease was mainly due to softer sales to Travel Retail operators in the greater China region. The outbreak of MERS in Korea during the year had also affected the sales to Korea duty free operators.



# MANAGEMENT DISCUSSION & ANALYSIS

## *China*

China's net sales for FY2016 were € 131.3 million, an increase of 27.5% as compared to FY2015. At constant exchange rates, the growth was 16.8%, contributing 29.4% to Overall Growth. Sell-out sales growth was 18.0% at constant exchange rates, mainly contributed by both Non-Comparable Stores and others including sales from T-mall. The Group's own retail network in China reached 187 stores at the end of FY2016, with a net increase of 26 stores during the year, including 18 for L'Occitane and 8 for Melvita. In April 2015, the Company inaugurated the first Melvita shop in Beijing. China remained the fastest growing country of the Group. Sell-in sales also performed well with an increase of 9.2% in local currency, contributing a 2.1% to Overall Growth, mainly contributed by B2B and web partner channels.

## *Taiwan*

Taiwan's net sales for FY2016 were € 41.5 million, an increase of 6.3% as compared to FY2015. At constant exchange rates, the growth was -0.7%, posting a negative contribution of 0.5% to Overall Growth. The growth rates in local currency for Sell-out and Sell-in were -1.2% and 3.7% respectively. Business in Taiwan was challenging in a flattish economy and retail sentiment was weak especially during the typhoon attacks in summer time and the earthquake before Chinese New Year. Yet sales recorded good growth in other service sales, i.e. L'Occitane café and spa services in FY2016, and offset part of the decrease in retail.



## *France*

France's net sales for FY2016 were € 101.4 million, an increase of 11.0% as compared to FY2015, contributing 17.1% to Overall Growth. Sales in Paris area were affected by lower traffic in the touristic districts after the terrorist attacks in November 2015. Despite all these, Same Store Sales Growth remained at a resilient pace of 6.8%. Sell-in segments also performed well in major wholesale channels such as department stores, pharmacies, web partners and distributors. Under aggressive expansion of the wholesale networks, the emerging brands of the Group were also key contributors to the Sell-in growth in France.



### *United Kingdom*

United Kingdom's net sales for FY2016 were € 74.8 million, an increase of 11.4% as compared to FY2015. At constant exchange rates, the growth was 3.2%, contributing 3.6% to Overall Growth. The Sell-out segment contributed 3.3% to Overall Growth, driven by own E-commerce and Non-comparable Stores & others. Same Store Sales Growth was 1.9% in local currency, contributing 1.2% to Overall Growth. Non-comparable Stores & others contributed 2.2% to Overall Growth, mainly from the net openings in FY2016 and FY2015. Sell-in sales increased by 1.1% at constant exchange rates, contributing 0.3% to Overall Growth.

### *United States*

United States' net sales for FY2016 were € 173.1 million, an increase of 12.7% as compared to FY2015. At constant exchange rates, the growth was -1.3%, posting a negative contribution of 3.5% to Overall Growth. The retail sentiment was soft in particular under the strong US dollars. Some of our touristic stores and outlet shops had posted significant decline in traffic. Yet the digital channels such as the own E-commerce platform and web partners remained strong. Sell-in segment decreased by 8.6% in local currency, which was mainly affected by the exit of Nordstrom.



# MANAGEMENT DISCUSSION & ANALYSIS



## **Brazil**

Brazil's net sales for FY2016 were € 43.5 million, a decrease of 11.8% as compared to FY2015. At constant exchange rates, the growth was 11.5%, contributing 9.6% to Overall Growth. The results at actual rates were affected by the weak Brazilian Real against Euro. However, the growth at constant rates remained strong under the challenging economic situation, with 12.1% growth in Sell-out and 8.8% in Sell-in. The growth in Sell-out was contributed by both the Same Store Sales Growth of 9.1%, and the new stores opened in these two years. Sell-in also posted a good growth of 8.8%. The overall good results were contributed by the new store openings and successful products launches coupled with CRM, digital initiatives and advertising campaigns for both L'Occitane en Provence and L'Occitane au Brésil brands. The new products and festive season launches were well received in the market. Network expansion of L'Occitane au Brésil accelerated during the year, with 6 net own-stores openings and a significant increase in franchise stores.

## **Russia**

Russia's net sales for FY2016 were € 44.9 million, a decrease of 10.8% as compared to FY2015. At constant exchange rates, the growth was 10.0%, contributing 8.6% to Overall Growth. Consumer spending remained weak under the impact of economic depression, sanctions and sharp depreciation of the Russian Ruble against major world currencies. Sell-out posted a growth of 8.4% in local currency, with contribution from both the Same Store Sales Growth of 8.1% including strong growth in own E-commerce channel and the new stores opened during the past two years. Sell-in also recorded a good growth of 19.1%, mainly contributed by the successful development of a franchise network.



### Other countries

Other countries' (including Luxembourg) net sales for FY2016 were € 326.9 million, an increase of 8.4% as compared to FY2015. At constant exchange rates, the growth was 8.3%, contributing 42.5% to Overall Growth. The Sell-out segment contributed 27.3% to Overall Growth, with 6.7% contributed by Comparable stores and 20.7% by Non-comparable Stores & others. Same Store Sales Growth was 2.6%. During FY2016, the net openings in Other countries were 29 (14 in Asia, 8 in Americas and 7 in Europe & Africa). Net sales in Canada, Australia and Germany grew by 18.5%, 14.3% and 9.6%, respectively, in local currency. At constant exchange rates, Sell-in sales increased by 9.2% and contributed 15.1% to Overall Growth. This was mainly due to an increase in sales to wholesalers.

## PROFITABILITY ANALYSIS

### COST OF SALES AND GROSS PROFIT

Cost of sales increased by 3.0%, or € 6.5 million, to € 221.2 million in FY2016. The gross profit margin rose by 1.0 points to 82.8%, as a result of the following factors:

- favourable foreign exchange effect for 0.7 points;
- favourable price mix effect for 0.4 points;
- reduction in obsolescence from tighter inventory management for a total of 0.3 points; and
- saving in labelling and freights & duties also from tighter inventory management for 0.2 points.

The rise in gross profit margin was partly offset by higher investment in Mini Products and Pouches (the "MPPs") for 0.2 points, production costs for 0.2 points and unfavourable brand mix and other for 0.2 points.

### DISTRIBUTION EXPENSES

Distribution expenses increased by 10.0%, or € 54.3 million, to € 598.6 million in FY2016. As a percentage of net sales, distribution expenses increased by 0.5 points to 46.7%. The higher cost percentage is attributable to a combination of:

- investment in travel retail and wholesale activities, international supply chain team and development of emerging brands retail networks for 0.4 points; and
- lower leverage on rental and personal costs for 0.6 points.



This deterioration was partly offset by efficiency and savings for 0.2 points, favourable channel mix for 0.2 points and favourable exchange rates for 0.1 points.

### MARKETING EXPENSES

Marketing expenses increased by 23.4%, or € 30.5 million, to € 160.8 million in FY2016. As a percentage of net sales, marketing expenses increased by 1.5 points to 12.5% of net sales. This increase was attributable to:

- L'Occitane en Provence brand awareness investment in advertising and digital media, tools and resources for 1.1 points;
- increase investment in emerging brands for 0.8 points notably in Melvita and L'Occitane au Brésil; and
- re-classification for 0.2 points;

This was mitigated by leverage on sales level and savings in other advertising costs for 0.4 points, favourable exchange rates for 0.1 points and other factors for 0.1 points.

# MANAGEMENT DISCUSSION & ANALYSIS

## RESEARCH & DEVELOPMENT EXPENSES

Research and development (“R&D”) expenses increased by 11.6%, or € 1.5 million, to € 14.6 million in FY2016, mainly due to increased investments dedicated to special projects for L’Occitane brand. As a percentage of net sales, those investments represented 0.1 points and were offset by efficiency gains and leverage on higher sales.

## GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses increased by 6.0%, or € 6.6 million, to € 117.7 million in FY2016. As a percentage of net sales, general and administrative expenses decreased by 0.3 points. The improvement was mainly due to leverage effects and favourable exchange impact in FY2016.

## OTHER GAINS AND LOSSES

Other losses were € 1.7 million in FY2016 (FY2015: € 0.3 million), including € 3.0 million losses mainly related to the reassessment of the Company’s legal profit sharing plus social charges with its employees in France for the financial years ended March 2009, 2010 and 2011. The losses were partly offset by net gains principally relating to the R&D tax credit of € 1.2 million granted by the French government.



## OPERATING PROFIT

Operating profit increased by 2.4%, or € 3.9 million, to € 168.0 million in FY2016, and the operating profit margin decreased by 0.8 points of net sales to 13.1%. The decrease in the operating profit margin is explained by:

- investments for future sales growth and increased efforts in R&D, digital, L’Occitane en Provence brand awareness and other for a total 1.5 points;
- investments in the development of our emerging brands combined with brand mix effects for 1.3 points; and
- one-offs and other factors for 0.1 points.

This was partly offset by favourable effects:

- leverage on higher sales, savings and efficiency gains for 0.6 points;
- price and product mix for 0.2 points;
- favourable channel mix effects for 0.2 points; and
- exchange rate effects for 1.1 points.





## FINANCE COSTS, NET

Net finance costs were € 2.7 million in FY2016, as compared to € 4.6 million in FY2015, which was impacted by a provision of € 4.1 million relating to a bank deposit placed with a Russian bank whose business license was revoked by the Russian Central Bank.

In FY2016, the net of interest income on cash balances and interest expenses on borrowings and leases resulted in an income of € 0.6 million, as compared to an income of € 0.1 million in FY2015. There was also an increase in non-cash bookings of € 0.8 million at the year-end of FY2016, principally due to the recognition of increased liabilities in relation to put options granted to minority shareholders. In addition, a late payment interest of € 2.5 million was accounted in relation to the tax and profit reassessments.

# MANAGEMENT DISCUSSION & ANALYSIS



## FOREIGN CURRENCY GAINS/LOSSES

Net foreign currency losses amounted to € 6.9 million in FY2016 and were composed of € 2.3 million realized gains and € 9.2 million unrealized losses.

The unrealized losses were mainly resulted from year-end conversion of intercompany loans and trade balances into euro, at relatively stronger euro rates against various foreign currencies at the end of March 2016 as compared to those rates at the end of March 2015, leading to unrealized foreign exchange losses on these loans and trade balances, notably with subsidiaries in Russia, China, the UK and Korea. The realized gains of € 2.3 million were largely related to US dollar, Japanese yen and Singaporean dollar.

## INCOME TAX EXPENSE

The effective income tax rate was 28.3% for FY2016, as compared to 25.5% for FY2015. This increase in effective income tax rate of 2.8 points is explained by:

- unfavourable exchange rates effects for 3.1 points;
- the net effect of the tax litigation with the French tax authorities ("FTA") for a negative 1.0 points;
- unfavourable country mix impacting by 1.0 points;

This was partly offset by favourable effects:

- the effect on the change in deferred tax assets of higher gross margins partly balanced by lower inventories for a net 0.5 points; and
- the recognition of previously unrecognized tax assets, as a consequence of improved profits in some subsidiaries, and other effects, for 1.8 points.

Reference is made to the announcement of the Company posted on 3 May 2016, regarding the settlements of two tax disputes with the FTA. The total financial consequence of these settlements on FY2016 was € 14.6 million, with € 3.0 million on operating expenses, € 2.5 million on finance costs and € 9.1 million on income tax expenses.

## PROFIT FOR THE PERIOD

For the aforementioned reasons, profit for FY2016 decreased by 9.6% or € 12.0 million to € 113.6 million, as compared to FY2015. Both basic and diluted earnings per share in FY2016 decreased by 9.6% to € 0.075 (FY2015: € 0.083). The numbers of basic and diluted shares used in the calculations of earnings per share in FY2016 were 1,468,616,721 and 1,470,859,116 respectively (FY2015: basic 1,470,309,391 and diluted 1,471,886,682).

## BALANCE SHEET AND CASH-FLOW REVIEW

### LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2016, the Group had cash and cash equivalents of € 424.8 million, as compared to € 395.1 million as at 31 March 2015.

As at 31 March 2016, the aggregate amount of undrawn borrowing facilities was € 330.6 million.

As at 31 March 2016, total borrowings, including finance lease liabilities, current accounts with non-controlling interests and related parties and bank overdrafts, amounted to € 88.9 million, as compared to € 110.2 million as at 31 March 2015. The decrease was mainly due to lower needs of operating funds in local currencies of certain subsidiaries.

## SUMMARIZED CASH-FLOW STATEMENT

<i>For the year ended 31 March</i>	<b>2016</b>	<i>2015</i>
	<b>€ '000</b>	<b>€ '000</b>
Profit before tax, adjusted for non-cash items	<b>227,884</b>	247,647
Changes in working capital	<b>36,196</b>	486
Income tax paid	<b>(55,111)</b>	(42,085)
Net cash inflow from operating activities	<b>208,969</b>	206,108
Net cash (outflow) from investing activities	<b>(60,631)</b>	(69,027)
Free cash flow	<b>148,338</b>	137,081
Net cash (outflow) from financing activities	<b>(121,881)</b>	(45,291)
Effect of exchange rate changes	<b>3,233</b>	(15,915)
Net increase in cash, cash equivalents and bank overdrafts	<b>29,690</b>	75,875

Free cash flow increased by € 11.3 million, to € 148.3 million, as compared to € 137.1 million in FY2015. The strong performance, despite lower profit before tax and higher tax paid, is explained by the lower level of capital expenditures and the improvement in working capital contributing € 36.2 million to the net cash, particularly from tighter inventory management. The increase in financing activities was mainly due to a payout of final and special dividends of € 93.1 million.

## INVESTING ACTIVITIES

Net cash used in investing activities was € 60.6 million in FY2016, as compared to € 69.0 million in FY2015, representing a decrease of € 8.4 million. This reflected capital expenditures primarily related to:

- the additions of leasehold improvements, other tangible assets, key moneys and changes in deposits related to stores for € 29.8 million;
- the additions in information technology software and equipment for € 10.2 million, including € 1.1 million for the implementation of SAP as the Group's enterprise resources planning system and € 6.3 million for the renewal, extension and security of the IT equipment;
- the additions of machinery, equipment, construction, fittings and others to the Group's factories, R&D and warehousing facilities for € 13.3 million; among which € 4.2 million were in progress for Nord Lorgorce project; and
- investment in Myglamm for € 1.9 million and final payment for the acquisition of the Norway distributor for € 0.7 million.



# MANAGEMENT DISCUSSION & ANALYSIS

## FINANCING ACTIVITIES

Net cash used in financing activities in FY2016 was € 121.9 million (FY2015: € 45.3 million). Net cash used during the year mainly reflected the following:

- dividend payments to non-controlling interests in subsidiaries, for € 4.1 million;
- payment of final and special dividend during the year for € 93.1 million; and
- net repayment of borrowing for € 21.3 million due to reduction in needs of financing at subsidiary level.

## INVENTORIES

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

	<b>FY2016</b>	<i>FY2015</i>
Average inventory turnover days <sup>(1)</sup>	<b>245</b>	262

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

Inventory value reduced by € 23.0 million to € 137.0 million as at 31 March 2016, or 14.4% below FY2015. Inventory turnover improved by 17 days as a result of:

- reduced turnover days of raw materials, components and finished goods at the factories for 16 days, in relation to improvement in production forecast, inventory management and the anticipation of deliveries; and
- reduced turnover days of finished goods for 15 days in countries such as the USA, Brazil, Japan and the UK.

The improvement was partly offset by unfavourable exchange rate impacts for 10 days and a reduction in inventory allowances for 4 days.

## TRADE RECEIVABLES

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

	<b>FY2016</b>	<i>FY2015</i>
Turnover days of trade receivables <sup>(1)</sup>	<b>29</b>	30

*(1) Turnover days of trade receivable 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 reduced by 1 day to 29 days for FY2016 as compared to FY2015. Improvement was mainly contributed from the Sell-in segment.

## TRADE PAYABLES

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

	<b>FY2016</b>	<i>FY2015</i>
Turnover days of trade payables <sup>(1)</sup>	<b>151</b>	153*

(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.

\* restated due to reclassification

The decrease in turnover days of trade payables was mainly due to a decrease in trade payables at the factory level.

## BALANCE SHEET RATIOS

Return on capital employed slightly decreased by 0.2 points in FY2016 as compared to FY2015. The decrease in net operating profit after tax by 10.5% accompanied by a drop of 9.7% in capital employed which was mainly contributed by a lower working capital, ended with the slight decrease in return on capital employed. The capital and reserves attributable to the equity owners decreased by € 3.2 million from 31 March 2015 to 31 March 2016 primarily due to a combination of the Group's profit during this period offset by the final and special dividend payment during the year and an unfavourable foreign currency translation effect. As a result the return on equity ratio decreased to 13.0%. The Group remained in high net cash position with favourable liquidity and capital adequacy ratio. The gearing ratio dropped to 7.5%, mainly due to a decrease in net borrowing for the financing needs at subsidiary level.

		<b>FY2016</b>	<i>FY2015</i>
<b>Profitability</b>			
Net operating profit after tax (NOPAT) <sup>(1)</sup>	€ '000	<b>115,490</b>	128,991
Capital employed <sup>(2)</sup>	€ '000	<b>519,616</b>	575,238
Return on capital employed (ROCE) <sup>(3)</sup>		<b>22.2%</b>	22.4%
Return on equity (ROE) <sup>(4)</sup>		<b>13.0%</b>	14.3%
<b>Liquidity</b>			
Current ratio (times) <sup>(5)</sup>		<b>3.50</b>	3.55
Quick ratio (times) <sup>(6)</sup>		<b>2.83</b>	2.76
<b>Capital adequacy</b>			
Gearing ratio <sup>(7)</sup>		<b>7.5%</b>	9.1%
Debt to equity ratio <sup>(8)</sup>		<b>Net cash position</b>	Net cash position

(1)  $(\text{Operating profit} + \text{foreign currency net gains or losses}) \times (1 - \text{effective tax rate})$

(2)  $\text{Non-current assets} - (\text{deferred tax liabilities} + \text{other non-current liabilities}) + \text{working capital}^*$

\* excluded current financial liabilities to show only working capital relating to operations

(3)  $\text{NOPAT} / \text{Capital employed}$

(4)  $\text{Net profit attributable to equity owners of the Company} / \text{shareholders' equity at year end excluding minority interest}$

(5)  $\text{Current assets} / \text{current liabilities}$

(6)  $(\text{Current assets} - \text{inventories}) / \text{current liabilities}$

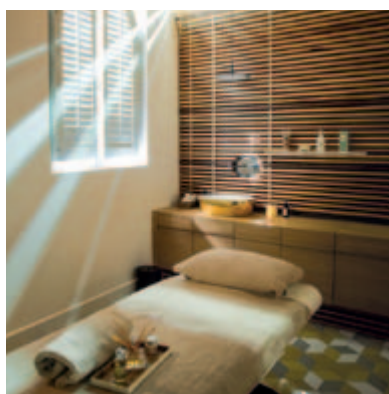
(7)  $\text{Total debt} / \text{total assets}$

(8)  $\text{Net debt} / (\text{total assets} - \text{total liabilities})$

# MANAGEMENT DISCUSSION & ANALYSIS



*Award winning Spa L'Occitane at Le Couvent des Minimes Hotel*



## FOREIGN EXCHANGE RISK MANAGEMENT

The Company enters into forward exchange contracts 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 2016, the Company had foreign exchange derivatives net assets of € 0.4 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 2016 were primarily Japanese Yen for an equivalent of € 9.4 million, Chinese Yuan for € 3.5 million, Australia Dollar for € 2.1 million, US Dollar for € 2.0 million, Mexican Peso for € 0.8 million, Polish Zloty for € 0.6 million and Czech Republic Koruna for € 0.1 million.

## CONTINGENCIES

In July 2012, the FTA started an audit of the tax returns filed by Laboratoires M&L S.A. ("M&L"), formerly known as L'Occitane S.A. in France, a subsidiary of the Company, for the three financial years ended 31 March 2009, 2010 and 2011. The FTA questioned the level of intercompany transactions. After consulting its tax advisors, the Company made a provision of € 8,000,000 tax liabilities for the financial year ended 31 March 2015. On 30 November 2015, the FTA and M&L reached a € 10,500,000 settlement for years ended 31 March 2009, 2010 and 2011. The amount was paid in January 2016.

The under-provided € 2,500,000 is recognized as income tax expense in the financial year ended 31 March 2016. Furthermore, in June 2015, the FTA started another audit of the tax returns filed by M&L for the three financial



years ended 31 March 2012, 2013 and 2014. As mentioned in the interim report for the six months ended 30 September 2015, the Company could not assess any reliable estimate for the risk related to those fiscal years and no provision had been recorded in the previous annual and interim reports. In April 2016, the FTA and M&L reached an agreement on the level of intercompany transactions with approximately € 6,600,000 of additional income tax and other taxes for years ended 31 March 2012 and 2013 and a tax relief for year ended 31 March 2014. The € 6,600,000 is provided for as income tax expense as at 31 March 2016.

In accordance with the related French law, a tax re-assessment triggers a re-assessment of the Company's legal profit sharing with its employees in France. Accordingly, the Company records additional profit sharing plus social charges of € 3,000,000 as "other losses" in the operating profit as at 31 March 2016. The additional profit sharing will be paid out during the financial year ending 31 March 2017.



In relation to the aforementioned tax and profit sharing re-assessments, M&L also recognizes late payment interests of € 2,500,000 as finance costs as at 31 March 2016.

In summary, the total financial impact of the one-off items listed above for year ended 31 March 2016 is € 14,600,000, with € 3,000,000 on operating expenses, € 2,500,000 on finance costs and € 9,100,000 on income tax expenses.

The FTA are about to start the audit of the tax return filed by M&L for the year ended 31 March 2015. After consulting its tax advisors, the Company considers no risks for the

years ended 31 March 2015 and 2016 and does not record any provision in the year ended 31 March 2016.

In November 2015, the US tax authorities started an audit of the tax returns filed by L'Occitane Inc. for the year ended 31 March 2014. At the present time, L'Occitane Inc. received an information document request for the years ended 31 March 2013 and 2014. The probability and moreover the amount of an obligation cannot be reliably assessed. Consequently, no provision has been recorded.

# MANAGEMENT DISCUSSION & ANALYSIS



Erborian boutique opened on 7th April 2016 in Taipei, Taiwan



## DIVIDENDS

At the meeting of the board of directors of the Company (the “Board”) held on 1 June 2015, the Board recommended a gross dividend distribution of € 0.0291 per share of the Company (“Share”) for a total amount of € 42.8 million or 35.0% of the net profit attributable to the equity owners of the Company. The Board further recommended a distribution of special dividend of € 0.034 per Share for a total amount of € 50.0 million or 40.9% of the net profit attributable to the equity owners of the Company. The amount of the proposed final and special dividends was based on 1,470,309,391 Shares in issue as at 1 June 2015 excluding 6,655,500 treasury Shares. The shareholders of the Company (the “Shareholders”) approved this dividend at a meeting held on 30 September 2015. The dividend was paid on 22 October 2015.

Considering the performance delivered during FY2016, the Board is pleased to recommend a gross final dividend of € 0.0291 per Share (the “Final Dividend”), same as that of last year. The total amount of the dividend is € 42.7 million, representing 38.7% of the net profit attributable to the equity owners of the Company.

The Final Dividend is based on 1,468,616,721 Shares in issue as at 6 June 2016 excluding 8,348,170 treasury Shares.

## EVENTS SUBSEQUENT TO THE END OF FINANCIAL YEAR

There are no events subsequent to the end of financial year that require to be reported.

## STRATEGIC REVIEW

In FY2016, the Group reaffirmed its commitment to investing for long-term, sustainable growth. Most of its key markets, especially China, posted good growth despite the challenging global economic backdrop, backed by management team's efforts to pursue innovative approaches in product development, marketing, CRM initiatives and operations re-engineering. The improved store efficiency, quality new stores it opened selectively over the past two years, as well as on-line channels expanded strategically under its omni-channel expansion strategy have also added on to the growth globally. The Group's focused investment in its emerging brands, particularly Melvita and L'Occitane au Brésil, has empowered the impressive growth and secured a lucrative opportunity in the long term. Overall, the Group posted good financial performance anchored by its committed team which has delivered operational excellence.

### Optimized Omni-Channel Expansion

As part of the selective omni-channel strategy, the Group grew the total number of own retail stores to 1,463 and upgraded 116 stores in FY2016. 4 Erborian own boutiques were opened in fashion capitals including Paris, Seoul and Moscow while 6 L'Occitane au Brésil own boutiques were added to our portfolio, further boosting their brand identity in the regions. Net opening for emerging brands totaled 26 stores, bringing their overall presence to 66 stores. Besides the expansion of quality physical touch points self-

owned or operated by distributors, the Group has achieved continuous success with its digital outreach through own websites, marketplaces, web partners as well as social networking platforms. The expansion and upgrade of retail network has driven a balanced growth across channels, with China, France, Japan, Brazil and Russia being the growth contributors.

### Upgraded Customer Satisfaction and Experience

Customer-centric is at the core of L'Occitane's success. In France and the UK, the new "order online, pick in stores" services proved its caring way of customer services and elevated shopping experience at every touch point. The Group further enlightened such experience by embracing in-store technologies and digital features at a number of its flagship stores, combining its online/offline strategy to lift overall traffic.

### Focused Investment in Brand Awareness and Digital Marketing

Under the brand awareness program to raise L'Occitane's awareness and relevance to skincare products, the Group continued rolled out "Skin Care Campaign" to reveal value of its face care products, in a hope to boost awareness and recruit more customers in an efficient manner. To facilitate the spread of L'Occitane's true stories, it had also engaged top beauty bloggers and vloggers (video bloggers) as our brand ambassadors to interact with targeted consumers through multimedia, "emotional" branding contents.



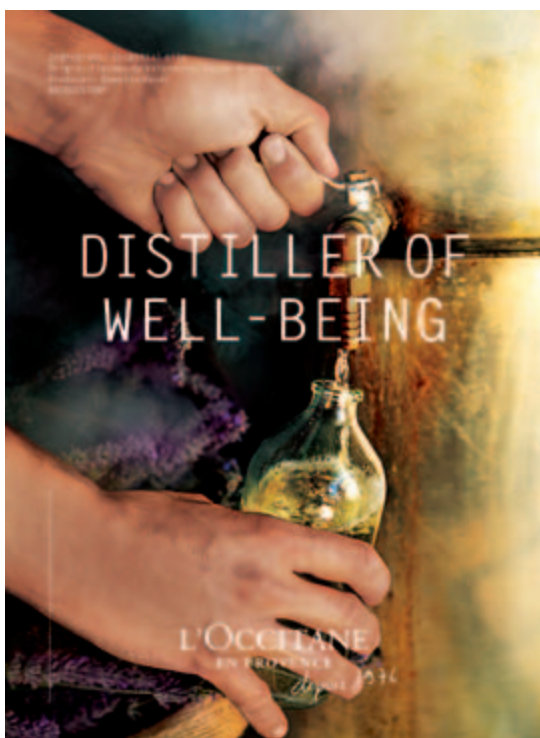
# MANAGEMENT DISCUSSION & ANALYSIS

The marketing teams in some of the key markets have also continued to initiate innovative collaboration with social networking platforms, such as Line in Japan, Kakao Talk in Korea, as well as Wechat in China, with an aim to further integrate its physical and digital platforms to enhance brand experience so as to engage new and re-engage existing consumers. Among other branding initiatives, the limited product collaboration with Line in Japan generated great interest both on-line and in-store.

## Evolved E-Commerce Business and CRM Development

At the Group level, own E-Commerce business continued to drive the affluent growth at a rate of 14.5% and was 9.8% as compared to retail sales. The impressive performance of on-line business in most of its key countries showcased the Group's digital capability and commitment. Since the grand opening in December 2014, the amazing result of our digital flagship boutique on Tmall marketplace in China has demonstrated L'Occitane's appeal to sophisticated shoppers in emerging countries.

The successful implementation and integration of own e-commerce platforms, user-friendly mobile sites, physical POS system and on-line CRM programs are the keys to tap into the growing on-line beauty market. The Group has reached initial success in integrating our digital and CRM platform in Japan.



## Enriched Brand Portfolio and Product Offerings

Great progress was witnessed under the group's multi-brand growth strategy. With a focused natural and organic positioning and marketing on key ranges including Argan Oil and Floral Water, Melvita saw good performance in Japan, Hong Kong and France markets. Erborian brands gained more popularity with attractive products that carry sophisticated Korean-French fusion features and the quality openings in FY2016. The ramp-up of L'Occitane au Brésil brand was also well on track, with more sales points opened and number of SKUs doubled in 2 years to over 130. The recent launch of L'Occitane au Brésil's own e-commerce website in turn generated tremendous interest.



Within its core brand, L'Occitane en Provence, the Group's ongoing dedication to research & development capability amplified and uplifted its product portfolio by sourcing nature's finest ingredients. The breakthrough whitening range Reine Blanche and successful holiday offerings also reinforced L'Occitane's brand identity and fostered an outperforming retail growth in the midst of deteriorating economic conditions.

### **Delivered Operational Excellence under Volatile Environment**

Under its guideline of "Operations roadmap" and after the successful implementation of SAP, the Group continued its process re-engineering initiatives. Better efficacies were found in particular with supply chain and inventory management which contributed nicely to gross profit. Its solid pricing strategy and discount control initiatives in turn ensured the optimal sales/store efficiency whilst safeguarded and strengthened brand integrity, proposition and profitability.

### **OUTLOOK**

With a vision to become the no.1 brand in natural beauty with product offerings that are increasingly respectful of people and environment, the Group will continue grow alongside its entrepreneurship and team spirit. L'Occitane aims to offer indulgent beauty experiences inspired by the power of nature, so as to remain as the most competitive brand in this space.

The Group will continue roll out refined format stores selectively in quality locations, especially in Asia, to replace those in weaker locations and positions. As an integral part of its omni-channel strategy to drive more traffic to both its on-line channels and physical stores, the Group's key focus in the coming year shall remain the investment in digital platforms, such as own e-commerce websites, mobile sites and marketplaces.

The recent grand opening of the Group's Erborian boutique in Taiwan coincided with L'Occitane's 40th year anniversary roadshows, created a buzz in the market. It will continue its selective expansion for all emerging brands, especially L'Occitane au Brésil.

The Group's committed investment in brand awareness and digitalisation has brought initial success and saved it from the fear of global slowdown in consumer demand. It plans to further boost relevance to shoppers with more exciting, high-end product offerings in face care and perfume categories. The Group believes the efforts to drive quality growth and improve efficiencies with focused investment will secure its position as a growing player in the premium natural cosmetics space, which in turn will create lasting value for its Shareholders.

CORPORATE  
GOVERNANCE  
R E P O R T





# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

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

As set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), "The Corporate Governance Code and Corporate Governance Report" (the "Code"), there are two levels of corporate governance practices, namely: code provisions that a listed company must comply with or explain its non-compliance, and recommended best practices that a listed company is encouraged to comply with but need not disclose in the case of non-compliance.

On 17 June 2013, the Board adopted its own corporate governance manual which is based on the principles, provisions and practices set out in the Code; this is available on the Company's website [group.loccitane.com](http://group.loccitane.com). Please select "Leadership" under "Investor Relations".

## DEVIATIONS FROM THE CODE

Throughout FY2016 (the "Review Period"), the Company was in compliance with the mandatory provisions of the Code, with the exception of the deviations as set out below.

Code provision A.2.1 of the 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 Board committees (Audit Committee, Nomination Committee and Remuneration Committee) and each committee is composed of a majority of independent non-executive directors of the Company (the "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 Mr. André Hoffmann, the Managing Director Asia-Pacific (Vice-Chairman of the Board since 19 April 2016) and by Mr. Domenico Trizio, the Group Chief Operating Officer (Group Managing Director of the Company since 26 January 2016). Mr Geiger is responsible to the Board and focuses on Group strategies and Board issues, and ensures a cohesive working relationship between members of the Board and management. The Managing Director has full executive responsibilities in the business directions and operational efficiency of the business units under his responsibilities and is accountable to Mr. Geiger.

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

Mr. Karl Guénard ("Mr Guénard"), joint 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. Ms. Ming Wai Mok, another joint company secretary of the Company, is based in Hong Kong. Ms. Ming Wai Mok works in coordination with Mr. Guénard in the discharge of the company secretarial duties.

## 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 of the Listing Rules as the code of conduct for dealing in the securities of the Company by the Directors. Having made specific enquiry of all Directors, they have confirmed that they have complied with the Model Code during the Review Period.





## BOARD OF DIRECTORS

The Board is responsible for long term development and strategy as well as controlling and evaluating the Company's daily operations. In addition, the Board has appointed a Chairman who is responsible for ensuring that the Board receives regular reports regarding the Group's business development, its results, financial position and liquidity and events of importance to the Group. Directors are elected for a period of three years, but can serve any number of consecutive terms.

# CORPORATE GOVERNANCE REPORT

The duties of the Board are partly exercised through its three committees:

- the Audit Committee
- the Nomination Committee
- the Remuneration Committee

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

## Corporate Governance Structure



## Composition of the Board

The Board consists of ten Directors, comprising five executive Directors (“ED”), one non-executive Director (“NED”) and four independent non-executive Directors (“INED”). All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director are set out on pages 51 to 57 of the Annual Report.

## Board Diversity Policy

The Board adopted the Board Diversity Policy which aims to enhance the effectiveness of its Board and to maintain the highest standards of corporate governance and recognises and embraces the benefits of diversity in the boardroom. The Company sees diversity as a wide concept and believes that a diversity of perspectives can be achieved through consideration of a number of factors, including but not limited to skills, regional and industry experience, background, race, gender and other qualities.

The Company endeavours to ensure that its Board has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy and in order for the Board to be effective. The Board will review this policy on a regular basis to ensure its continued effectiveness.

## Directors' Attendance at Board, Board Committee and General Meetings

The following is the attendance record of Directors at the Board, Board committee and general meetings held during FY2016:

Name	Category	Attendance:				
		Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	General Meeting
		<i>Meeting</i>	<i>Meeting</i>	<i>Meeting</i>	<i>Meeting</i>	<i>Meeting</i>
		<i>Attended/</i>	<i>Attended/</i>	<i>Attended/</i>	<i>Attended/</i>	<i>Attended/</i>
		<i>Eligible to</i>	<i>Eligible to</i>	<i>Eligible to</i>	<i>Eligible to</i>	<i>Eligible to</i>
		<i>Attend</i>	<i>Attend</i>	<i>Attend</i>	<i>Attend</i>	<i>Attend</i>
Reinold Geiger	ED	4/7				1/1
André Hoffmann	ED	5/7		1/1		1/1
Domenico Trizio	ED	7/7			2/2	1/1
Thomas Levillion	ED	7/7				1/1
Karl Guénard	ED	7/7				1/1
Nicolas Véto (resigned on 26 February 2016)	ED	5/6				1/1
Martial Lopez	NED	7/7	4/4			1/1
Mark Broadley	INED	6/7	4/4		2/2	1/1
Jackson Ng	INED	7/7	4/4	1/1		1/1
Valérie Bernis	INED	7/7		1/1		0/1
Pierre Millet	INED	7/7			2/2	1/1

Minutes of the Board meetings are kept by the Joint Company Secretary; all Directors have a right to access board papers and related materials and are provided with adequate information in a timely manner; this enables the Board to make informed decisions on matters placed before it.

### Responsibilities of the Board

The Board is responsible for:

- Reviewing and approving the strategic direction of the Group established by the ED in conjunction with the management;
- Reviewing and approving objectives, strategies and business development plans;
- Monitoring the performance of the CEO and the senior management;
- Assuming responsibility for corporate governance; and
- Reviewing the effectiveness of the internal control system of the Group.

### Responsibilities of the Senior Management

The senior management under the leadership of the CEO is responsible for:

- Formulating strategies and business development plans, submitting to the Board for approval, and implementing such strategies and business development plans thereafter;
- Submitting annual budgets to the Board on regular basis;
- Reviewing salary increment proposals and remuneration policy and submitting to the Board for approval; and
- Assisting the Board in conducting the review of the effectiveness of the internal control systems of the Group.

# CORPORATE GOVERNANCE REPORT

## Joint Company Secretaries

On 24 March 2016, Ms. Ming Wai Mok, director of KCS Hong Kong Limited, replaced Ms. Mei Yee Yung as joint company secretary. She is located in Hong Kong.

Mr. Karl Guénard was appointed as joint company secretary on 1 September 2013. He is located in Luxembourg.

Mr. Karl Guénard and Ms. Ming Wai Mok have complied with the company secretary training requirements in Rule 3.29 of the Listing Rules. Ms. Ming Wai Mok's primary corporate contact person at the Company is Mr. Karl Guénard.

## NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTORS

The NED has his term of appointment coming to an end of three years after his appointment to the Board, subject to re-election at the end of his three-year term.

The four INEDs are each person of high experience, with academic and professional qualifications in the field of accounting, finance or marketing. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. They have his/her term of appointment coming to an end of three years after his/her appointment to the Board, subject to re-election at the end of his/her three-year term. Each INED gives an annual confirmation of his/her independence to the Company and the Company considers each of them to be independent. They all fulfill the criteria of independence under Rule 3.13 of the Listing Rules.

## INDUCTION AND ONGOING DEVELOPMENT

Newly appointed Directors receive an induction course to ensure their understanding of the Company's business and their awareness of a Director's responsibilities and obligations. Each member of the Board attended training on corporate governance, regulatory developments and other relevant topics during FY2016 and is frequently updated on developments in the statutory and regulatory regime and the business environment to assist in the discharge of their responsibilities.

## COMMITTEES

As an integral part of good corporate governance, the Board has established audit, nomination and remuneration committees, each of which has adopted terms of reference. During FY2016, each committee met and carried out its duties in accordance with its terms of reference. The authorities, functions, composition and duties of each committee are set out below:



## Audit Committee

The Audit Committee has three members, Mr. Mark Broadley (Chairman), Mr. Jackson Ng and Mr. Martial Lopez. Mr. Martial Lopez is a NED, and the other two members are INEDs.

In compliance with Rule 3.21 of the Listing Rules, at least one member of the Audit Committee possesses appropriate professional qualifications in accounting or related financial management expertise in discharging the responsibilities of the Audit Committee.

All members have sufficient experience in reviewing audited financial statements as aided by the auditors of the Group whenever required.

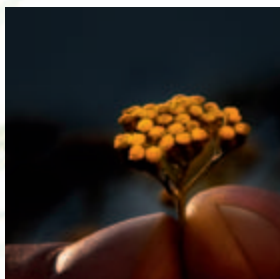
The primary duties of the Audit Committee are to assist the Board in providing an independent view of the effectiveness of the Group's financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

The following is a summary of the work performed by the Audit Committee during FY2016:

- i. Review of the report from the auditors on the audit of the final results of the Group for FY2015;
- ii. Review of the draft financial statements of the Group for FY2015;
- iii. Review of the draft results announcement and annual report of the Group for FY2015;
- iv. Review of the audit fees payable to the external auditors for FY2015;
- v. Review of the external auditors' independence and transmission of a recommendation to the Board for the re-appointment of the external auditors at the forthcoming annual general meeting ("AGM");
- vi. Review of the draft results announcement and interim report of the Group for the period ended 30 September 2015;
- vii. Review of the financial statements for the period ended 31 December 2015;



# CORPORATE GOVERNANCE REPORT



- viii. Review of the internal control system including the internal audit results analysis and the internal audit plan for 2015-2016, and report to the Board;
- ix. Review of the Listing Rules modification affecting the Group in order to monitor appropriate corporate governance and oversee the implementation of the Company's corporate governance manual. Under its terms of reference, the Audit Committee oversees the Company's corporate governance.

There have been four meetings of the Audit Committee during the Review Period: two of them were held prior to the publication of the financial reports (annual report and interim report) and two other meetings were specific to the internal control and corporate governance of the Company.

## **Nomination Committee**

The terms of reference of the Nomination Committee were amended on 29 March 2012 to comply with the provisions set out in the Code. The Nomination Committee has three members, who are Mr. Jackson Ng (Chairman), Mr. André Hoffmann and Mrs. Valérie Bernis. Mr. André Hoffmann is an ED, and the other two members are INEDs.

The primary function of the Nomination Committee is to make recommendations to the Board on the appointment and removal of Directors.

Regarding the nomination proposal of Mr. Domenico Trizio as Group Managing Director and the proposal of re-election of Mr. Reinold Geiger, Mr. André Hoffmann, Mr. Karl Guénard and Mr. Martial Lopez as the Directors, at the FY2015 AGM, one Nomination Committee meeting was held during the FY 2016.

## Remuneration Committee

The terms of reference of the Remuneration Committee were amended on 29 March 2012 to comply with the provisions set out in the Code. The Remuneration Committee has three members, who are Mr. Pierre Milet (Chairman), Mr. Mark Broadley, and Mr. Domenico Trizio. Mr. Domenico Trizio is an ED, and the other two members are INEDs.

The primary duties of the Remuneration Committee are to evaluate the performance of and make recommendations to the Board on the remuneration packages of the Directors and senior management and evaluate and make recommendations to the Board on employee benefit arrangements.

The following is a summary of the work performed by the Remuneration Committee during FY2016:

- i. Review of the repartition and cost of the New Long Term Incentive Plan 2013 (stock options and free share plans).
- ii. Consideration of a share (stock options and free shares) and bonus plan with recommendation to the Board for general guidelines.
- iii. Review of the Directors' and senior management's compensation, with recommendation to the Board for approval.

There have been two meetings of the Remuneration Committee during the Review Period.

The following is a general description of the emolument policy and long term incentive schemes of the Group as well as the basis of determining the emoluments payable to the Directors:

- i. The remuneration of the Directors is determined by the Board which receives recommendations from the Remuneration Committee. Under our current compensation arrangements, the EDs receive compensation in the form of salaries, bonus subject to performance and share-based payments. Some of our EDs received Directors' fees and one of the EDs received service fees. All the INEDs received Directors' fees.
- ii. The remuneration the Directors have received (including fees, salaries, discretionary bonus, share based payments, housing and other allowances, service fees and other benefits in kind) for FY2016 was approximately €3,673,000. The aggregate amount of fees, salaries, discretionary bonus, share-based payments, housing and other allowances, and other benefits in kind paid to the five highest paid individuals of the Group, including certain Directors, for FY2016 was approximately €3,797,000.

We have not paid any remuneration to the Directors or the five highest paid individuals as inducement to join or upon joining us as a compensation for loss of office in respect of FY2016. Further, none of the Directors has waived any remuneration during the same period.

## AUDITORS' REMUNERATION

The fees in relation to the audit and related services for FY2016 provided by PricewaterhouseCoopers, the external auditors of the Company, amounted to approximately €967,000 and €240,000 respectively.

	<b>€'000</b>
Annual audit and interim review services	967
Audit related services	240
<b>TOTAL</b>	<b>1,207</b>

# CORPORATE GOVERNANCE REPORT

## **DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The Board acknowledges that it holds responsibility for:

- Overseeing the preparation of the financial statements of the Group with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group; and
- Selecting suitable accounting policies and applying the selected accounting policies consistently with the support of reasonable and prudent judgment and estimates.

The Board ensures the timely publication of the financial statements of the Group.

The management provides explanations and information to the Board to enable it to make an informed assessment of the financial and other information to be approved.

The Board endeavours to ensure a balanced, clear and understandable assessment of the Group's position and prospects to extend the Group's financial reporting including annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as information required to be disclosed pursuant to statutory requirements and applicable accounting standards.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 72 to 73 of this Annual Report.

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

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

## **INTERNAL CONTROL**

The Board places great importance on internal controls and is responsible for establishing and maintaining adequate internal controls over the Group's financial reporting and assessing the overall effectiveness of those internal controls.

The Internal Audit Department provides an independent review of the adequacy and the effectiveness of the internal control system. The audit plan is discussed and agreed every year with the Audit Committee. In addition to its agreed annual schedule of work, the Internal Audit Department conducts other special reviews as required. Internal Audit reports are sent to relevant Directors, external auditors and management of the audited entity. Moreover, summary reports of each audit are sent to all members of the Audit Committee.

The system of internal control is designed to provide reasonable assurance against human errors, material misstatements, losses, damages, or fraud, and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives. During FY2016, the internal control deviations were addressed effectively and action plans implemented to reduce the risks. The Audit Committee was satisfied that appropriate actions were undertaken and the overall internal control system has functioned effectively as intended.

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

## **INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS**

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



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

No significant changes have been made to the Company's constitutional documents during the year under review.

## SHAREHOLDERS' RIGHTS

### Procedure for Shareholders to convene a General Meeting

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

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

### Procedure for Shareholders to make enquiries to the Board

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

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

### Procedure for Shareholders to put forward proposals at General Meetings

Upon a written request by (i) one or more Shareholder(s) representing not less than 2.5 per cent of the total voting rights of all Shareholders who at the date of such request have a right to vote at the meeting to which the request relates, or (ii) not less than 50 Shareholders holding shares in the Company on which there has been paid up an average sum, per Shareholder, of not less than HKD 2,000, the Company shall, at the expense of the Shareholders making the request, (a) give to Shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may be properly moved and is intended to be moved at that meeting, and (b) circulate to Shareholders entitled to receive notice of any general meeting a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with in the meeting.

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

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

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

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

# CORPORATE GOVERNANCE REPORT

## Procedure for election to the office of Director upon Shareholder proposal

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





*L'Occitane and its foundation support Orbis project to fight against avoidable blindness in China*

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

In accordance with Article 10.1 of the articles of association of the Company (the "Articles of Association"), the appointment of the Director will be made by way of a general shareholders' meeting of the Company and by ordinary resolution adopted at a simple majority of the votes cast.

## Corporate Social Responsibility (CSR) Report

To answer to its ambition, the Group has developed a sustainable policy and since the financial year ended 31 March 2011, the Group has been establishing an annual CSR report. This report with philanthropy and sustainable sourcing reports are accessible on the website of the company on the following address: [group.loccitane.com](http://group.loccitane.com), under the section of "commitments/reports". This report will follow the recommendation of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") especially Appendix 27 of the Listing Rules. Consequently KPIs have been identified and progress indicators will be put in place in the coming financial years.

### Registered Office

49, Boulevard Prince Henri  
L-1724 Luxembourg

### Principal Place of Business in Hong Kong

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





DIRECTORS  
AND SENIOR  
MANAGEMENT

# DIRECTORS AND SENIOR MANAGEMENT



## DIRECTORS

The Board is responsible for and has general powers over the management and conduct of the Company's business. The table below shows certain information in respect of the Board:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Reinold Geiger	68	Executive Director, Chairman and Chief Executive Officer
André Hoffmann	60	Executive Director, Vice-Chairman and Managing Director, Asia Pacific
Domenico Trizio	54	Executive Director, Group Managing Director and Chief Operating Officer
Thomas Levilion	56	Executive Director and Group Deputy General Manager, Finance and Administration
Karl Guénard	49	Executive Director and Joint Company Secretary
Martial Lopez	56	Non-Executive Director
Pierre Milet	73	Independent Non-Executive Director
Charles Mark Broadley	52	Independent Non-Executive Director
Jackson Chik Sum Ng	55	Independent Non-Executive Director
Valérie Bernis	57	Independent Non-Executive Director

**Reinold Geiger**

*Executive Director,  
Chairman and  
Chief Executive Officer*

**Mr. Reinold Geiger** was appointed as an executive Director with effect from 22 December 2000 and is the Company's Chairman and Chief Executive Officer. Mr. Geiger is primarily responsible for the Group's overall strategic planning and the management of the Group's business. Mr. Geiger joined the Group in 1996 as Chairman and controlling shareholder. Mr. Geiger is a director and managing director ("administrateur délégué") of the Company and L'Occitane Groupe S.A. ("LOG"), a director of L'Occitane (Suisse) S.A., L'Occitane Inc., L'Occitane Australia Pty Ltd., L'Occitane Japon KK, L'Occitane Russia and L'Occitane Mexico S.A. de C.V., a member of the board of managers of L'Occitane LLC and Oliviers & Co. LLC, chairman of Les Minimés SAS and a director ("membre du conseil d'administration") of the Fondation d'entreprise L'Occitane. Since joining L'Occitane, Mr. Geiger has developed the Group from a largely domestic operation based in France to an international business. He has spent time travelling to the Group's worldwide locations in order to implement this growth strategy, where he has established the Group's subsidiaries and strong relationships with the local management. In June 2008, Mr. Geiger was awarded the accolade of "INSEAD entrepreneur of the year" for his international development strategy of the Group. Mr. Geiger began his career at the American Machine and Foundry Company in 1970. In 1972 he left to start his own business, involved in the distribution of machinery used in the processing of rubber and plastic, which he sold in 1978. Mr. Geiger then established and developed AMS Packaging SA, which specialised in packaging for the high end perfumes and cosmetics market. This company was floated on the Paris stock exchange in 1987 and Mr. Geiger left the company entirely in 1990. Between 1991 and 1995, he worked for a packaging company with operations primarily based in France and developed it into an international business. Mr. Geiger graduated from the Swiss Federal Institute of Technology in Zürich, Switzerland with a degree in engineering in 1969 and from INSEAD in Fontainebleau, France with a master's degree in business administration in 1976.

## DIRECTORS AND SENIOR MANAGEMENT



**André Hoffmann**

*Executive Director,  
Vice-Chairman and  
Managing Director,  
Asia Pacific*



**Domenico Trizio**

*Executive Director,  
Group Managing Director and  
Chief Operating Officer*

**Mr. André Hoffmann** was appointed as an executive Director with effect from 2 May 2001 and was further appointed as Vice-Chairman with effect from 19 April 2016. Mr. Hoffmann has been primarily responsible for the Group's strategic planning and the management of the Group's business in Asia-Pacific since June 1995. Mr. Hoffmann is the managing director of L'Occitane (Far East) Limited, L'Occitane Singapore Pte. Limited and L'Occitane Trading (Shanghai) Co Limited, president of L'Occitane (Korea) Limited and a director of L'Occitane Australia Pty. Limited, L'Occitane Japon K.K., L'Occitane Taiwan Limited, L'Occitane (China) Limited and L'Occitane (Macau) Limited. He has over 30 years' experience in the retail and distribution of cosmetics, luxury products and fashion in Asia-Pacific. He is a director of Pacifique Agencies (Far East) Limited, which was a joint venture partner with the Company for the distribution of L'Occitane products in the Asia-Pacific region between 1995 and 2004. Between 1979 and 1986, Mr. Hoffmann worked as the sales manager at the GA Pacific Group, a business specialising in the investment and management of retailing, wholesaling, trading, manufacturing and distribution operations and the hotel and tourism trade in Asia-Pacific. Mr. Hoffmann graduated from the University of California at Berkeley, USA in 1978 with a bachelor of arts degree in economics.

**Mr. Domenico Trizio** was appointed as an executive Director with effect from 30 September 2011. Mr. Trizio joined the Group in November 2010 as Chief Operating Officer and was further appointed as Group Managing Director with effect from 26 January 2016. He is responsible for the overall operational management of the Company and oversees the Company's supply chain, management information systems, finance and SAP project. He is the chairman of the board of directors ("président du Conseil d'administration") of Laboratoires M&L S.A.. Prior to joining the Company, Mr. Trizio was a vice president at Coty, Inc. from 2007 to 2008 and was subsequently promoted to senior vice president from 2008 to October 2010, where he was in charge of the global supply chain for the Prestige division. Prior to that, he held supply chain positions at Colgate-Palmolive Company from 1987 to 1997, Johnson & Johnson from 1997 to 2001, Levi Strauss & Co. from 2001 to 2005 and Cadbury-Schweppes from 2005 to 2007. Mr. Trizio has over 15 years of experience in operational management. Mr. Trizio graduated in chemical engineering at Rome University in 1986 and received the International Executive Program General Management Certificate at INSEAD in April 2001.





**Thomas Levilion**

*Executive Director and  
Group Deputy General Manager,  
Finance and Administration*

**Mr. Thomas Levilion** was appointed as an executive Director with effect from 30 September 2008 and is the Group Deputy General Manager, Finance and Administration. He is primarily responsible for the Group's finance functions worldwide. Mr. Levilion joined the Group in March 2008 and is the managing director ("administrateur délégué") of the Company. Furthermore, he is a manager (a "gérant") of Relais L'Occitane S.à.r.l. as well as the President of Verveina SAS. Between 1988 and 2007, Mr. Levilion worked at Salomon S.A., which was a subsidiary of Adidas AG and was subsequently acquired by the Amer Sports Corporation, where he was the controller and the VP controller and subsequently the chief financial officer. During this time he gained experience in global supply chains, turn-arounds, re-engineering of organisations and mergers and acquisitions. He has a master's degree in business administration from the Ecole des Hautes Etudes Commerciales in Paris, France, where he majored in finance, and a postgraduate degree in scientific decision making methods from the University of Paris-Dauphine, France.



**Karl Guénard**

*Executive Director and  
Joint Company Secretary*

**Mr. Karl Guénard** was a non-executive Director of the Group from 30 June 2003. Mr. Guénard joined the Group in September 2013. Since 1 September 2013, he is an executive Director and Joint Company Secretary of the Group. Between 2000 and 2013, Mr. Guénard worked at Edmond de Rothschild Group, where he was a senior vice president of the Banque Privée Edmond de Rothschild Europe and responsible for the financial and engineering department. Between 1998 and 2000, he was a manager of the financial engineering department at Banque de Gestion Privée Luxembourg (a subsidiary of Crédit Agricole Indosuez Luxembourg). Prior to this, between 1993 and 1998, Mr. Guénard was a funds and corporate auditor. Mr. Guénard is a chartered accountant. He holds a master's degree in economics and management sciences from the University of Strasbourg, France.

# DIRECTORS AND SENIOR MANAGEMENT

## **Martial Lopez**

*Non-Executive Director*

**Mr. Martial Lopez** was appointed as a non-executive Director with effect from 30 September 2009 and is a consultant of the Group. Prior to that, Mr. Lopez had been an executive Director since 22 December 2000. Mr. Lopez takes care of specific finance projects. Mr. Lopez joined the Group in April 2000 as our Group's chief financial officer and was promoted to senior vice president in charge of audit and development in 2008 before he became a consultant of the Group. Mr. Lopez gained over 15 years' audit experience prior to joining the Group. He spent three years at Ankaoua & Grabli in Paris, France and 12 years at Befec-Price Waterhouse in Marseille, France as a senior manager. Between 1996 and 1998, he was the senior manager in charge of Price Waterhouse, Marseille until the merger between Price Waterhouse and Coopers & Lybrand. Mr. Lopez graduated from the Montpellier Business School ("Ecole Supérieure de Commerce") in France in 1983 and holds a diploma in accounting and finance ("Diplôme d'Etudes Supérieures Comptables et Financières").

## **Pierre Milet**

*Independent Non-Executive Director*

**Mr. Pierre Milet** has been appointed as an independent non-executive Director with effect from 29 January 2013. Mr. Milet was a member of the executive board and a managing director of Clarins from 1988 until 10 March 2010. On 8 February 2010, Mr. Milet was appointed the deputy managing director of Financière FC, the holding company of Clarins and as the representative of Financière FC, in its capacity as a member of the supervisory board of Clarins. Clarins is a French cosmetics company that was listed on the Paris Stock Exchange from 1984 to 2008, and is now a privately owned company controlled by the Courtin-Clarins family and is no longer listed on any stock exchange. He also served as company secretary of Clarins from 1983 to 1988 when he was appointed the corporate chief financial officer of Clarins. In these capacities, Mr. Milet oversaw all accounting and financial aspects of the Clarins Group's business, as well as negotiated acquisitions and joint ventures. Mr. Milet also has substantial experience in the cosmetics industry gained partly from experience at Max Factor, serving successively as the chief financial officer and president of their French subsidiary from 1975 to 1982. Mr. Milet has a master's degree in business administration from Ecole des Hautes Etudes Commerciales (France) where he majored in finance.

Mr. Milet was a non-executive director of the Company from 25 January 2010 until 27 November 2012, when he resigned to create a casual vacancy which enabled the Board to appoint Mrs. Bernis as an independent non-executive Director. Mr. Milet was initially appointed as a non-executive Director because of his extensive experience in the cosmetic sector. At the time of his initial appointment to the Board, he was designated a non-executive Director and not an independent non-executive Director due to his connections with Clarins and their substantial shareholding in the Company. From August 2011, Clarins ceased to be a shareholder of the Company and also ceased all commercial relationships with the Company. Mr. Milet has also ceased acting in the majority of his roles in connection with the Clarins Group. For this reason he has been appointed as an independent non-executive Director and both the Board and the Nomination Committee have confirmed that they believe he is independent of the Company. Other than in relation to his past role on the Board, Mr. Milet fulfils all of the indicative criteria of independence set out in Rule 3.13 of the Listing Rules.

**Charles Mark Broadley***Independent Non-Executive  
Director*

**Mr. Charles Mark Broadley** was appointed as an independent non-executive Director with effect from 30 September 2008. He started his career in Investment Banking in Europe and Asia before becoming the Finance Director of The Hong Kong & Shanghai Hotels. Subsequently, he founded a private equity business focused on the hotel sector and is now an active investor in a number of businesses. Mr. Broadley graduated in law from Cambridge University, England.

**Jackson Chik Sum Ng***Independent Non-Executive  
Director*

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

**Valérie Bernis***Independent Non-Executive  
Director*

**Mrs. Valérie Bernis** was appointed as an independent non-executive Director with effect from 28 November 2012. She was responsible for Public Relations and Press for French Prime Minister Edouard Balladur (1993-95) (after being a member of his team when he was Minister of the Economy, Finance and Privatization (1986-88)). In 1988, she became Executive Vice President — Communications of Cerus, part of the De Benedetti Group. In 1996 she joined Compagnie de SUEZ as Executive Vice President — Communications, then in 1999, she became Executive Vice-President Financial and Corporate Communications and Sustainable Development. During the same period, she served for 5 years as Chairman and CEO of Paris Première, an iconic French TV channel. From 2001 until May 2016, Mrs. Bernis was an Executive Vice-President of GDF SUEZ (recently renamed as Engie), in charge of Marketing and Communications. She was also the Vice-President of the Engie's Foundation. She is a Member of the boards of Euro Disney (since 2006), Suez Environnement Company (since 2008), L'Arop (since 2013), Palais de Tokyo (since 2014) and Atos (since 2015). She is Officier de l'Ordre National de la Légion d'Honneur (2011), Officier de l'Ordre National du Mérite (2008) and Chevalier des Palmes académiques et des Arts et Lettres. Mrs. Bernis graduated from Paris Institut Supérieur de Gestion (ISG) in 1982.

# DIRECTORS AND SENIOR MANAGEMENT

## SENIOR MANAGEMENT

### **Marcin Jasiak**

**Mr. Marcin Jasiak**, aged 49, is the Group Managing Director for STREAM Region comprising of Russia, Poland, Scandinavia and Central Europe subsidiaries as well as Export & worldwide Duty Free divisions for Asia, Europe, Middle East, Africa and Americas. Mr. Jasiak manages also the Group's B-to-B division. Mr. Jasiak joined the Group in March 2003 as a director for export in Geneva and subsequently became the managing director in Geneva in 2005. Prior to joining the Group, Mr. Jasiak was a junior consultant at KPMG specializing in due diligence and audit. He joined Procter & Gamble, Inc. in 1993 for 10 years, based in Poland, Germany and Switzerland serving different management positions. Mr. Jasiak graduated from the University of Warsaw, Poland with two master's degrees, in English Philology and management and marketing, and from the University of Illinois at Urbana-Champaign, USA with a master's degree in business administration.

### **Jean-François Gonidec**

**Mr. Jean-François Gonidec**, aged 59, is the Group's Deputy General Manager principally in charge of supply chain management. From January 2014, he is a "General Manager" ("Directeur Général") of Laboratoires M&L. Mr. Gonidec joined the Group in March 2009 and has extensive experience in project management and in managing a production plant and its supply chain. In addition, he has also assumed responsibilities as financial controller in the course of his career. After having worked in different functions and for different legal entities of the Danone Group during a period of 18 years, he gained further experience at other organisations including the Group Madrange between March 2007 and February 2009 and at Pierre Fabre Dermo Cosmétique between March 2001 and February 2007. Mr. Gonidec graduated from INSA LYON with a degree in engineering in 1981.

### **Bénédicte Le Bris**

**Ms. Bénédicte Le Bris**, aged 50, is the head of Research & Development and Quality. Ms. Le Bris joined the Group in November 2012. She has more than 24 years of experience in leading and strengthening international Research and Development organizations in the Consumer Good sector. From 1989 to 1993, Ms. Le Bris worked in Product Development at Procter & Gamble Technical Center in Germany; from 1994 to 2001 at Johnson & Johnson, she was in charge of creating the R&D Skincare Center in Europe, and till 2010 at L'Oreal she was leading the R&D organization dedicated to skincare innovations and then created the Natural & Organic R&D department. Ms. Le Bris graduated from Ecole Nationale Supérieure de Chimie de Paris in 1989.

**Maddie Smith**

**Maddie Smith**, aged 49, is the newly appointed Regional Managing Director for North America, covering US, Canada and Mexico. Ms. Smith joined the Company in 2007 as the Marketing Director for the UK affiliate and in charge of International Operational Marketing Co-Ordination across the Group. She then moved to the role of VP of Marketing & Merchandising for the US affiliate and finally the Managing Director of UK and Ireland, before returning to the US in November 2015. Prior to joining the Group, Ms. Smith held various international retail roles with ASWatson based in Hong Kong, in charge of own label and general merchandise development, and Boots both in the UK and Japan, in retail marketing and category management roles.

**Anne-Valérie Guidollet**

**Ms. Anne-Valérie Guidollet**, aged 44, is the Chief Marketing Officer for the L'Occitane en Provence brand. She is responsible for the global brand vision and strategy, product innovation and design, communication campaigns, brand content development, and merchandising. Ms. Guidollet joined the Group in September 2014 as Vice-President of International Marketing and Communication with an extended scope as of June 2015 (taking over responsibility for brand content development and merchandising) and as of February 2016 (taking over responsibility for global brand vision and strategy). Prior to joining the Group, Ms. Guidollet spent 19 years with Procter & Gamble where she held various roles in Marketing and General Management across different geographies and business units with a key focus on beauty. Ms. Guidollet graduated from McGill University, Canada in 1992 with a Bachelor of Commerce in Marketing and from HEC Paris, France in 1994 with a degree in business administration.

# DIRECTORS' REPORT

THE DIRECTORS  
SUBMIT THEIR  
REPORT TOGETHER  
WITH THE AUDITED  
FINANCIAL  
STATEMENTS OF THE  
GROUP FOR FY2016.

## PRINCIPAL ACTIVITIES

The Company is a global, natural and organic ingredient-based cosmetics and well-being products enterprise with strong regional roots in Provence. The Company is committed to bringing products of the highest quality under the L'Occitane brand to its customers around the world. The Company designs, manufactures and markets a wide range of cosmetics and well-being products based on natural and organic ingredients sourced principally from or near Provence.

An analysis of the Group's performance for FY2016 by operating segments is set out in note 5 to the consolidated financial statements.

## BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the Management Discuss & Analysis on pages 12 to 33 of this Annual Report. Description of possible risks and uncertainties that the Group may be facing can be found in the Chairman's Statement on pages 6 to 7. Also, the financial risk management objectives and policies of the Group can be found in Note 2.13 to the consolidated financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 March 2016 are provided in Note 31 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Balance Sheet and cash-flow review on pages 24 to 27 of this Annual Report. In addition, discussions on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Chairman's Statement on page 7 and Corporate Governance Report on page 47 and in this Directors' Report on pages 68 and 69 and in the CSR report available on the Group's corporate website in due course.

## RESULTS AND DIVIDENDS

The results of the Group for FY2016 are set out in the Consolidated Statements of Income on page 74 of this Annual Report.

The Board recommends a final dividend of €0.0291 per Share. The payment shall be made in Euros, except that payment to Shareholders of the Company whose names appear on the register of members in Hong Kong shall be paid in Hong Kong dollars. The relevant exchange rate will be the opening buying telegraphic transfer rate of Hong Kong dollars to Euros as announced by the Hong Kong Association of Banks ([www.hkab.org.hk](http://www.hkab.org.hk)) on the day of the approval of the dividend.

The final dividend will be subject to approval by the Shareholders at the forthcoming AGM to be held on 28 September 2016. The record date to determine which shareholders will be eligible to attend and vote at the forthcoming AGM will be 28 September 2016. The register of members of the Company will be closed from Thursday, 22 September 2016 to Wednesday, 28 September 2016, both days inclusive, during which period no share transfers can be registered. All transfers accompanied by the relevant share certificate(s) must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited ("Computershare"), at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 21 September 2016.



Subject to the Shareholders approving the recommended final dividend at the forthcoming AGM, such dividend will be payable on Thursday, 20 October 2016 to Shareholders whose names appear on the register of members on Tuesday, 11 October 2016. To determine eligibility for the final dividend, the register of members will be closed from Wednesday, 5 October 2016 to Tuesday, 11 October 2016, both days inclusive, during which period no share transfers can be registered. In order to be entitled to receive the final dividend, all transfers accompanied by the relevant share certificate(s) must be lodged with the Company's Hong Kong Share Registrar, Computershare, not later than 4:30 p.m. on Tuesday, 4 October 2016.

The final dividend will be paid after retention of the appropriate withholding tax under Luxembourg Laws. In the circular containing the notice convening the AGM, Shareholders will be provided with detailed information about procedures for reclaiming all or part of the withholding tax in accordance with the provisions of the double tax treaty between Luxembourg and Hong Kong.

# DIRECTORS' REPORT



## FIVE YEARS FINANCIAL SUMMARY

The five years financial summary of the Group is set out on page 176 of this Annual Report.

## DISTRIBUTABLE RESERVES

As at 31 March 2016, the Company's reserves available for distribution to Shareholders in accordance with the Articles of Association as adopted on 15 April 2010 and last amended on 30 September 2014 amounted to approximately €452,786,314.

## DONATIONS

Charitable and other donations made by the Group during FY2016 amounted to €1,775,119.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Grand-Duchy of Luxembourg.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

During FY2016, the Company repurchased a total of 2,626,000 Shares on the Hong Kong Stock Exchange with an aggregate amount of HK\$34,021,895, which were transferred to treasury on 31 March 2016.

Details of Shares repurchased during FY2016 are set out as follow:

Month of repurchases	Number of Shares purchased	Price paid per Share		Aggregate consideration paid (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January 2016	2,408,000	13.30	12.61	30,871,166
February 2016	124,750	14.94	13.9968	1,838,149
March 2016	93,250	14.30	13.60	1,312,580

A total of 933,330 Shares held in treasury were transferred out of treasury during the year pursuant to the employees' share option schemes of the Company. The Company held 8,348,170 Shares in treasury on 31 March 2016. Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during FY2016.



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

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

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

## SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 March 2016 are set out in note 32 to the consolidated financial statements.

## DIRECTORS

The Directors of the Company during FY2016 and up to the date of this Annual Report were:

### Executive Directors

Mr. Reinold Geiger  
*(Chairman and Chief Executive Officer)*  
*(appointed on 22 December 2000)*

Mr. André Hoffmann  
*(appointed on 2 May 2001 and further appointed as Vice-Chairman on 19 April 2016)*

Mr. Thomas Levillon  
*(appointed on 30 September 2008)*

Mr. Domenico Trizio  
*(appointed on 30 September 2011)*

Mr. Karl Guénard  
*(appointed on 30 June 2003 as Non-Executive Director and designated as Executive Director on 1 September 2013)*

Mr. Nicolas Veto  
*(appointed on 24 September 2014 and resigned on 26 February 2016)*

### Non-Executive Director

Mr. Martial Lopez  
*(appointed on 22 December 2000 and designated as Non-Executive Director on 30 September 2009)*

### Independent Non-executive Directors

Mr. Charles Mark Broadley  
*(appointed on 30 September 2008)*

Mr. Jackson Chik Sum Ng  
*(appointed on 25 January 2010)*

Mrs. Valérie Bernis  
*(appointed on 28 November 2012)*

Mr. Pierre Milet  
*(appointed on 29 January 2013)*

In accordance with code provision A.4.2 as set out in Appendix 14 of the Listing Rules, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. In addition, all Directors appointed to fill a casual vacancy should be subject to election by Shareholders at the first general meeting after their appointment. In accordance with Article 10.1 of the Articles of Association, the Directors shall be elected by the Shareholders at a general meeting, which shall determine their number and term of office. The term of office of a Director shall be not more than three years, upon the expiry of which each shall be eligible for re-election.

## BIOGRAPHICAL INFORMATION OF DIRECTORS

Brief biographical information of the Directors are set out in the "Directors and Senior Management" section on pages 50 to 57 of this Annual Report.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors has or is proposed to have a service contract with any member of the Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, none of the Directors had any interests in a business which competes, either directly, or indirectly, with the business of the Company or the Group.

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

As at 31 March 2016, the following Directors or chief executive of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) (i) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provision of the SFO), (ii) which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or (iii) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code contained in 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 <sup>(Note 2)</sup>
Reinold Geiger <sup>(Note 1)</sup>	Interest in controlled corporation, beneficial Interest and deemed Interest	1,031,707,022 (long position)	69.85%
André Hoffmann	Beneficial Interest	2,877,461 (long position)	0.19%
Domenico Trizio	Beneficial Interest	2,797,900 (long position)	0.19%
Thomas Levillion	Beneficial Interest	1,113,700 (long position)	0.08%
Karl Guénard	Beneficial Interest	188,100 (long position)	0.01%
Jackson Chik Sum Ng	Beneficial Interest	80,000 (long position)	0.01%
Martial Lopez	Beneficial Interest	60,000 (long position)	0.00%
Pierre Millet	Beneficial Interest	50,000 (long position)	0.00%

Notes:

(1) Mr. Reinold Geiger is the beneficial owner of 1,148,750 Shares and of the entire issued share capital of Société d'Investissements CIME S.A. ("CIME"), which in turn has beneficial interest and deemed interest in approximately 73.03% of the entire issued share capital of LOG (being beneficial owner of 11,253,328 shares and having deemed interest in 5,028,650 treasury Shares being held by LOG, in 253 Shares and in 34,460 Shares being held by Mr. Geiger's wife). Mr. Reinold Geiger is therefore deemed under the SFO to be interested in all the Shares registered in the name of LOG, which holds 1,021,827,891 Shares and controls 8,348,170 treasury Shares held by the Company. Mr. Geiger also has a beneficial interest in Shares (382,211 underlying Shares). See details in Share Option Plan section.

(2) Based on guidance received from the SFC, the disclosure of interest calculations shown in the table above have been calculated on the basis of the Company's total issued share capital including 8,348,170 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*

<b>Name of Director</b>	<b>Capacity and Nature of Interest</b>	<b>Number of shares/ underlying shares held or controlled</b>	<b>Approximate % of Shareholding <sup>(Note 2)</sup></b>
Reinold Geiger	Beneficial interest and deemed Interest	16,316,691 <sup>(Note 1)</sup>	73.03%
André Hoffmann	Beneficial interest and deemed interest	2,868,676	12.84%
Domenico Trizio	Beneficial interest	3,021	0.01%
Martial Lopez	Beneficial interest	13,800	0.06%
Thomas Levillon	Beneficial interest	10,169	0.05%
Karl Guénard	Beneficial interest	3,021	0.01%

*Notes:*

(1) Comprised of 253 shares held by Mr. Reinold Geiger, 11,253,328 shares held by CIME, 34,460 shares held by Ms. Dominique Maze-Sencier, each as beneficial and registered owner and 5,028,650 treasury shares held by LOG. Mr. Geiger is the 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. Mr. Geiger is also deemed under the SFO to be interested in the shares in LOG held by Mr. Geiger's wife, Ms. Dominique Maze-Sencier. As a 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 22,341,954 shares issued, inclusive of 5,028,650 treasury shares held by LOG.

Save as disclosed herein, as at 31 March 2016, none of the Directors and chief executive of the Company, or any of their spouses, or children under 18 years of age, had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated

corporations recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.



# DIRECTORS' REPORT

## INTERESTS IN THE SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS

As at 31 March 2016, the register of substantial Shareholders maintained under section 336 of the SFO showed that the Company had been notified of the following substantial Shareholders' interests or short positions, other than a Director or chief executive of the Company, in the Shares or underlying Shares:

Name of Shareholders	Capacity and Nature of Interest	Number of Shares/ underlying Shares held or controlled	Approximate % of Shareholding <i>(Note 2)</i>
Société d'Investissements CIME S.A.	Interest in controlled corporation and deemed interest	1,030,176,061 (long position) <i>(Note 1)</i>	69.75%
LOG	Interest in controlled corporation and deemed interest	1,030,176,061 (long position) <i>(Note 1)</i>	69.75%

Notes:

(1) CIME has an interest in approximately 72.88% of the total issued share capital of LOG (being beneficial owner of 11,253,328 shares and having deemed interest in 5,028,650 treasury Shares being held by LOG). CIME is the controlling corporation of LOG and is therefore deemed under the SFO to be interested in all the 1,021,827,891 Shares held by LOG. As suggested by SFC, being the controlling corporations of the Company, both CIME and LOG have deemed interest in the 8,348,170 treasury Shares being held by the Company.

(2) Based on guidance received from the SFC, the disclosure of interest calculations shown in the table above have been calculated on the basis of the Company's total issued share capital including 8,348,170 Shares that are held in treasury and do not have voting rights whilst they are held in treasury.

Save as disclosed herein, as at 31 March 2016, the Company had not been notified of any substantial Shareholder (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept under section 336 of the SFO.

## ISSUED SHARES IN THE YEAR

Details of the Shares issued for the year ended 31 March 2016 are set out in note 16 to the consolidated financial statements.

## 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 and remaining life of the Share Option Plan 2013 is around 2 months. The purpose of the Share Option Plan 2013 is to provide employees of the Group (the "Employees"), 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 2013 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 2013 shall not exceed 22,054,641 Shares, being 1.5% of the Company's issued share capital (excluding Shares held in treasury) as at 25 September 2013.

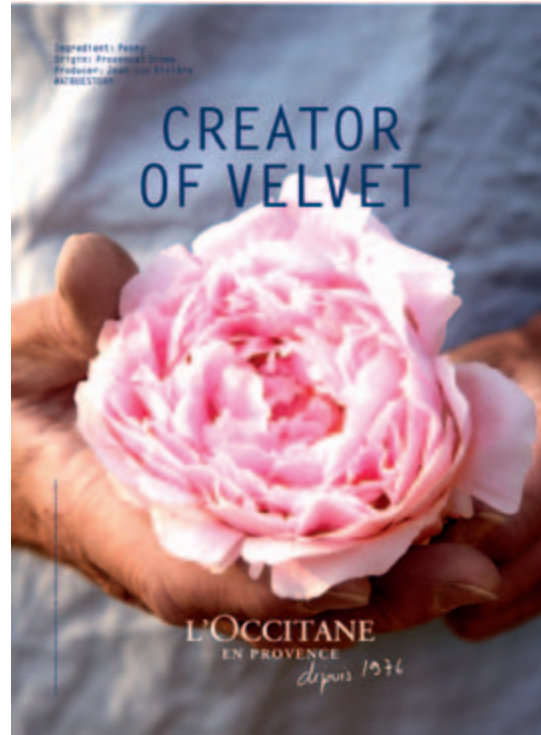
As at 31 March 2016, the total number of shares granted under the Share Option Plan 2013 was 21,902,750, leaving a balance of 151,891 Options representing 0.01% of the issued Shares as at date of this Annual Report available for grant in future. The Share Option Plan will expire on 24 September 2016.

Under the Share Option Plan 2013 the total number of Shares to be issued upon exercise of the Options granted to each Participant in any 12 month period must not exceed 1% of the Shares in issue. The Exercise Price shall be at a price determined by the Board at its absolute discretion and shall be no less than the higher of:

- (i) the closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange on the offer date;
- (ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the offer date; and
- (iii) the nominal value of a Share on the date of grant.

The Board considers that it is not appropriate to state the value of all Options that can be granted pursuant to the Share Option Plan 2013 as a number of variables which are crucial for the calculation of the Option value have not been determined. Such variables include but are not limited to the exercise price, vesting period, exercise period and the conditions that an Option is subject to. The Board believes that any calculation of the value of the Options based on a number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

Particulars and movements of share options granted under the Share Option Plans 2010 and 2013 (the 2010 and 2013 Options) during the twelve months ended 31 March 2016 were as follows. 8,850,900 share options were granted under the Share Option Plan 2013 on 23 March 2016.



# DIRECTORS' REPORT

Name/Category of Participant	As of 01/04/2015	Number of share options			As of 31/03/2016	Date of grant	Exercise Period <sup>(Note 1)</sup>	Exercise Price per Share (HK\$)	Price immediately preceding the date of grant <sup>(Note 2)</sup> (HK\$)
		Granted during the period	Cancelled or forfeited during the period	Exercised during the period					
<b>Directors</b>									
Reinold Geiger	250,000	—	(145,000)	—	105,000	4-Apr-11	04/04/2015-03/04/2019	19.84	19.84
	277,211	—	—	—	277,211	28-Nov-12	28/11/2016-28/11/2020	24.47	24.35
André Hoffmann	250,000	—	(145,000)	—	105,000	4-Apr-11	04/04/2015-03/04/2019	19.84	19.84
	277,211	—	—	—	277,211	28-Nov-12	28/11/2016-28/11/2020	24.47	24.35
Thomas Levilion	250,000	—	(145,000)	—	105,000	4-Apr-11	04/04/2015-03/04/2019	19.84	19.84
	118,000	—	—	—	118,000	28-Nov-12	28/11/2016-28/11/2020	24.47	24.35
	311,500	—	—	—	311,500	4-Dec-13	04/12/2017-03/12/2021	17.62	17.62
Domenico Trizio	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
	1,200,000	—	—	—	1,200,000	4-Apr-11	04/04/2015-03/04/2019	19.84	19.84
	169,000	—	—	—	169,000	28-Nov-12	28/11/2016-28/11/2020	24.47	24.35
	655,500	—	—	—	655,500	4-Dec-13	04/12/2017-03/12/2021	17.62	17.62
Karl Guénard	122,400	—	—	—	122,400	24-Feb-15	24/02/2019-23/02/2023	19.22	19.22
	—	651,000	—	—	651,000	23-Mar-16	23/03/2020-22/03/2024	14.36	14.00
	90,500	—	—	—	90,500	4-Dec-13	04/12/2017-03/12/2021	17.62	17.62
Jackson Ng	—	97,600	—	—	97,600	23-Mar-16	23/03/2020-22/03/2024	14.36	14.00
	50,000	—	—	—	50,000	4-Apr-11	04/04/2015-03/04/2019	19.84	19.84
Mark Broadley	50,000	—	—	(50,000)	—	4-Apr-11	04/04/2015-03/04/2019	19.84	19.84
Sub-total <sup>(note 3)</sup>	4,162,322	1,236,800	(435,000)	(50,000)	4,914,122				
<b>Others</b>									
Employees	5,550,000	—	(2,695,400)	(214,650)	2,639,950	4-Apr-11	04/04/2015-03/04/2019	19.84	19.84
	3,394,927	—	(478,211)	—	2,916,716	26-Oct-12	26/10/2016-26/10/2020	23.60	23.60
	9,885,000	—	(889,500)	—	8,995,500	4-Dec-13	04/12/2017-03/12/2021	17.62	17.62
	785,200	—	—	—	785,200	24-Feb-15	24/02/2019-23/02/2023	19.22	19.22
	—	7,614,100	—	—	7,614,100	23-Mar-16	23/03/2020-22/03/2024	14.36	14.00
Sub-total <sup>(note 3)</sup>	19,615,127	7,614,100	(4,063,111)	(214,650)	22,951,466			—	—
<b>Total</b>	<b>23,777,449</b>	<b>8,850,900</b>	<b>(4,498,111)</b>	<b>(264,650)</b>	<b>27,865,588</b>			<b>—</b>	<b>—</b>

## Notes:

- (1) As a general rule, the vesting period of the 2010 and 2013 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 Board was however entitled to grant Options to Eligible Persons under the Share Option Plan 2013 subject to such conditions as the Board may think fit, including in respect to the vesting and exercise of such 2013 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 or 2013 Options; and the average closing price for the five business days immediately preceding the date of grant.
- (3) Mr. Nicolas Veto resigned as Director on 26 February 2016. Mr. Veto is an employee and his share options are now grouped under Employees scheme.
- (4) The weighted average fair value of Options granted under the 2010 Share Option Scheme on 4 April 2011, 26 October 2012, 28 November 2012 and under the 2013 Options on 4 December 2013, 24 February 2015 and 23 March 2016 were approximately €0.44, €0.45, €0.47, €0.31, €0.40 and €0.31 respectively. The following significant assumptions were used to derive the fair value, using the Black-Scholes option pricing model:

<b>Date of grant</b>	<b>Expected volatility (%)</b>	<b>Expected life</b>	<b>Risk-free interest rate (%)</b>	<b>Expected dividend yield (%)</b>
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

*In total, share-based compensation expense of €2,644,000 was included in the consolidated statement of comprehensive income for the twelve months ended 31 March 2016 (twelve months ended 31 March 2015: €2,875,000). 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 2010 and 2013 Share Option Plans.*

## FREE SHARE PLAN

On 30 September 2010, a meeting of the Shareholders of the Company authorised the adoption of a free share plan (the "Free Share Plan 2010"), which expired and was terminated on 29 September 2013 and was replaced by another free share plan (the "Free Share Plan 2013") which was adopted on 25 September 2013. The purpose of the Free Share Plan 2013 is to provide the Employees with an opportunity to have a proprietary interest in the Company through being granted free Shares under the Free Share Plan 2013 rules (the "Free Shares"), which will motivate the relevant Employees to optimise their performance, effectiveness and efficiency for the benefit of the Group and attract and retain or otherwise maintain ongoing business relationships with those Employees whose contributions are or will be beneficial to the long-term growth of the Group. The maximum number of Free Shares that may be granted under the Free Share Plan 2013 shall not exceed 7,351,546 Shares, being 0.5% of the Company's issued share capital (excluding Shares held in treasury) as at 30 September 2013.

On 4 December 2013, the Company granted 867,500 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 will vest on 4 December 2017.

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

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

## TREASURY SHARES

On 4 October 2013, the Hong Kong Stock Exchange granted 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 were set out in the announcement issued by the Company on 4 November 2013 and can be found on the Company's website at [group.loccitane.com](http://group.loccitane.com) and on the Hong Kong Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk).

The Company confirmed that during the Review Period, the Company was in compliance with the conditions of the Waiver.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed in the paragraph headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES" and "SHARE OPTION PLANS" in this Annual Report, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executive of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

At the end of the year or at any time during FY2016, there was no transaction, arrangement or contract of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party, and in which a Director

# DIRECTORS' REPORT

## MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 March 2016 and up to the date of this Annual Report.

## PERMITTED INDEMNITY PROVISION

The Company's By-laws provide that all Directors and officers of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty. Directors' and officers' liability insurance is arranged to cover the Directors and officers of the Company and its subsidiaries against any potential costs and liabilities arising from claims brought against them.

## EQUITY-LINKED AGREEMENTS

Save as disclosed in the Directors' Report the grant of Share Options and Free Shares during the year ended 31 March 2016, the Company has not entered into any other equity-linked agreement.

## CONNECTED TRANSACTIONS

During FY2016, the Company did not enter into any connected transactions or continuing connected transactions that were required to comply with the reporting, announcement, independent shareholders' approval and disclosure requirements under Chapter 14A of the Listing Rules. Save as disclosed in the annual report, the Board confirmed that none of the related party transactions set out in note 30 to the financial statements constituted non-exempt connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.



## BANK LOANS AND OTHER BORROWINGS

Details of the Group's bank loans and other borrowings as at 31 March 2016 are set out in note 17 to the consolidated financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

The nature of the Group's activities is that the percentage of sales or purchases attributable to the Group's five largest customers or suppliers is significantly less than 30% of the total and the Directors do not consider any one customer or supplier to be influential to the Group.

## RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes of the Group are set out in note 18 to the consolidated financial statements.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct for dealing in the securities of the Company by the Directors. Having made specific enquiry to all Directors, they have confirmed that they have complied with the required standard of the Model Code throughout the Review Period.



## CORPORATE GOVERNANCE REPORT

The Corporate Governance Report is set out on pages 36 to 47 of this Annual Report.

## CONTINGENT LIABILITIES

Details of contingent liabilities are set out under the heading "Contingencies" on page 28 of this Annual Report.

## POST BALANCE SHEET EVENTS

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

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the date of this Annual Report, there was a sufficient prescribed public float of more than 25% of the issued share capital of the Company under the Listing Rules during the Review Period.

## AUDITORS

The financial statements were audited by PricewaterhouseCoopers who will retire as auditors of the Company at the conclusion of the forthcoming AGM and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditors of the Company will be proposed at the forthcoming AGM.

## HUMAN RESOURCES

As at 31 March 2016, the Group had 8,371 employees (31 March 2015: 8,050 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.



## CHANGES IN DIRECTORS' INFORMATION

Prior to 31 March 2016 the following change has occurred in Directors' information:

Mr. Nicolas Veto resigned as an executive Director with effect from 26 February 2016.

By order of the Board

**Reinold Geiger**

*Chairman*

6 June 2016



CONSOLIDATED  
FINANCIAL  
STATEMENTS



# INDEPENDENT AUDITORS' REPORT



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

## **REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

We have audited the accompanying consolidated financial statements of L'Occitane International S.A. and its subsidiaries, which comprise the consolidated balance sheet as at 31 March 2016, and the consolidated statement of income, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

### **Board of Directors' responsibility for the consolidated financial statements**

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Responsibility of the "Réviseur d'entreprises agréé" (Registered Auditor)**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as issued by the International Auditing and Assurance Standards Board and as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé" including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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*PricewaterhouseCoopers, Société coopérative, 2 rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg  
T: +352 494848 1, F: +352 494848 2900, [www.pwc.lu](http://www.pwc.lu)*

*Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)  
R.C.S. Luxembourg B 65 477 - TVA LU25482518*

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of L'Occitane International S.A. and its subsidiaries as at 31 March 2016, and of their performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The Management Discussion and Analysis, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

PricewaterhouseCoopers, Société coopérative

Luxembourg, 6 June 2016

Represented by

Philippe Duren

# CONSOLIDATED STATEMENTS OF INCOME

## Year ended 31 March

*In thousands of Euros, except per share data*

	<i>Notes</i>	<b>2016</b>	<b>2015</b>
<b>Net Sales</b>	(5.2)	<b>1,282,676</b>	<b>1,177,877</b>
Cost of sales		(221,171)	(214,661)
<b>Gross profit</b>		<b>1,061,505</b>	<b>963,216</b>
<i>% of net sales</i>		<i>82.8%</i>	<i>81.8%</i>
Distribution expenses		(598,607)	(544,316)
Marketing expenses		(160,843)	(130,344)
Research & development expenses		(14,556)	(13,038)
General and administrative expenses		(117,704)	(111,077)
Share of (loss) from joint ventures accounted for using the equity method		(39)	(14)
Other (losses) net	(22)	(1,737)	(284)
<b>Operating profit</b>		<b>168,019</b>	<b>164,143</b>
Finance income	(23)	2,991	2,336
Finance costs	(23)	(5,689)	(6,914)
Foreign currency (losses)/gains	(24)	(6,949)	8,896
<b>Profit before income tax</b>		<b>158,372</b>	<b>168,460</b>
Income tax expense	(25)	(44,817)	(42,882)
<b>Profit for the year</b>		<b>113,555</b>	<b>125,578</b>
<b>Attributable to:</b>			
Equity owners of the Company		110,343	122,383
Non-controlling interests		3,212	3,196
<b>Total</b>		<b>113,555</b>	<b>125,578</b>
<b>Earnings per share for profit attributable to the equity owners of the Company during the year</b> <i>(expressed in Euros per share)</i>			
Basic	(26)	0.075	0.083
Diluted	(26)	0.075	0.083
<b>Number of shares used in earnings per share calculation</b>			
Basic	(26)	1,468,616,721	1,470,309,391
Diluted	(26)	1,470,859,116	1,471,886,682

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

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

## Year ended 31 March

*In thousands of Euros, except per share data*

	<i>Notes</i>	<b>2016</b>	<b>2015</b>
<b>Profit for the year</b>		<b>113,555</b>	<b>125,578</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial gains/(losses) on defined benefit obligation	(25.5)	1,077	(1,395)
		<b>1,077</b>	<b>(1,395)</b>
<b>Items that may be subsequently reclassified to profit or loss</b>			
Cash flow hedges fair value gains net of tax	(25.5)	—	—
Currency translation differences	(25.5)	(20,689)	4,826
		<b>(20,689)</b>	<b>4,826</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>(19,612)</b>	<b>3,431</b>
<b>Total comprehensive income for the year</b>		<b>93,943</b>	<b>129,009</b>
<b>Attributable to:</b>			
Equity owners of the Company		91,198	124,858
Non-controlling interests		2,745	4,152
<b>Total</b>		<b>93,943</b>	<b>129,009</b>

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 25.5.

The above currency translation differences include €2,360,000 of exchange losses that form part of the Company's net investment in foreign entities.

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

# CONSOLIDATED BALANCE SHEETS

<b>ASSETS</b>		<b>31 March</b>	<b>31 March</b>
<i>In thousands of Euros</i>	<i>Notes</i>	<b>2016</b>	<b>2015</b>
Property, plant and equipment	(7)	181,661	184,722
Goodwill	(8)	129,508	138,228
Intangible assets	(9)	60,540	67,656
Deferred income tax assets	(25.2)	71,189	68,702
Investments in joint ventures		(43)	(4)
Other non-current assets	(10)	33,082	31,634
<b>Non-current assets</b>		<b>475,937</b>	<b>490,938</b>
Inventories	(11)	136,994	159,947
Trade receivables	(12)	97,498	106,978
Other current assets	(13)	52,628	56,361
Derivative financial instruments	(14)	468	1
Cash and cash equivalents	(15)	424,818	395,128
<b>Current assets</b>		<b>712,406</b>	<b>718,415</b>
<b>TOTAL ASSETS</b>		<b>1,188,343</b>	<b>1,209,353</b>

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



<b>EQUITY AND LIABILITIES</b>		<b>31 March</b>	<b>31 March</b>
<i>In thousands of Euros</i>	<i>Notes</i>	<b>2016</b>	<b>2015</b>
Share capital	(16)	44,309	44,309
Additional paid-in capital	(16)	342,851	342,851
Other reserves		(45,975)	(25,432)
Retained earnings		509,399	492,091
<b>Capital and reserves attributable to the equity owners</b>		<b>850,584</b>	<b>853,819</b>
Non-controlling interests		4,973	6,372
<b>Total equity</b>		<b>855,557</b>	<b>860,191</b>
Borrowings	(17)	86,382	107,373
Other financial liabilities	(6.3)	8,846	7,452
Other non-current liabilities	(18)	29,468	27,089
Deferred income tax liabilities	(25.2)	4,420	4,730
<b>Non-current liabilities</b>		<b>129,116</b>	<b>146,644</b>
Trade payables	(19)	92,022	90,667
Social and tax liabilities		63,675	64,703
Current income tax liabilities		8,420	13,347
Borrowings	(17)	2,496	2,803
Derivative financial instruments	(14)	67	1,215
Provisions	(20)	19,226	15,266
Other current liabilities	(18)	17,764	14,517
<b>Current liabilities</b>		<b>203,670</b>	<b>202,518</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,188,343</b>	<b>1,209,353</b>

The consolidated financial statements were approved and authorised for issue by the board of directors on 6 June 2016 and are signed on its behalf by:

**Reinold Geiger**

director

**Thomas Levilion**

director

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

# CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of Euros (except "Number of Shares")	Attributable to equity owners of the Company												TOTAL EQUITY
	Notes	Number of shares	Share capital	Additional paid-in capital	Share based payments	Hedging reserve	Cumul. Currency Transl. Diff.	Other reserves			Profit for the year	Non- controlling interests	
								Excess of consideration paid in transaction with non- controlling interests	Actuarial gains/ (losses)	Other reserves			
<b>Balance at 31 March 2014</b>		1,476,964,891	44,309	342,851	12,150	—	(18,073)	(14,895)	(995)	(9,247)	401,296	5,388	762,784
<b>Comprehensive income</b>													
Profit for the year		—	—	—	—	—	—	—	—	—	122,382	3,196	125,578
<b>Other comprehensive income</b>													
Currency translation differences		—	—	—	—	—	3,871	—	—	—	—	956	4,826
Actuarial losses on defined benefit obligation	(25.5)	—	—	—	—	—	—	—	(1,395)	—	—	—	(1,395)
<b>Total comprehensive income for the year</b>		—	—	—	—	—	3,871	—	(1,395)	—	122,382	4,151	129,009
<b>Transactions with owners</b>													
Allocation of prior year earnings		—	—	—	—	—	—	—	—	—	—	—	—
Dividends declared		—	—	—	—	—	—	—	—	—	(31,318)	(3,263)	(34,581)
Contribution from the parent	(16.3)	—	—	—	—	—	—	—	—	—	—	—	—
Employee share option: value of employee services	(16.3)	—	—	—	2,875	—	—	—	—	—	—	—	2,875
Non-controlling interests in capital increase		—	—	—	—	—	—	—	—	—	—	60	60
<b>Total contributions by and distributions to owners of the Company</b>		—	—	—	2,875	—	—	—	—	—	(31,318)	(3,203)	(31,646)
Non-controlling interests arising on business combination		—	—	—	—	—	—	—	—	—	—	—	—
Non-controlling interests recorded as a liabilities		—	—	—	—	—	—	—	—	—	(268)	268	—
Transactions with non-controlling interests	(6.1)	—	—	—	—	—	—	277	—	—	—	(233)	44
<b>Total transactions with owners</b>		—	—	—	—	—	—	277	—	—	(268)	35	44
<b>Balance at 31 March 2015</b>		1,476,964,891	44,309	342,851	15,025	—	(14,202)	(14,618)	(2,390)	(9,247)	492,092	6,372	860,191
<b>Comprehensive income</b>													
Profit for the year		—	—	—	—	—	—	—	—	—	110,343	3,212	113,555
<b>Other comprehensive income</b>													
Currency translation differences		—	—	—	—	—	(20,222)	—	—	—	—	(467)	(20,689)
Actuarial losses on defined benefit obligation	(25.5)	—	—	—	—	—	—	—	1,077	—	—	—	1,077
<b>Total comprehensive income for the year</b>		—	—	—	—	—	(20,222)	—	1,077	—	110,343	2,745	93,943
<b>Transactions with owners</b>													
Allocation of prior year earnings		—	—	—	—	—	—	—	—	—	—	—	—
Dividends declared		—	—	—	—	—	—	—	—	—	(93,127)	(4,052)	(97,179)
Contribution from the parent	(16.3)	—	—	—	—	—	—	—	—	—	—	—	—
Proceeds from the exercise of 264,650 stock options		—	—	—	—	247	—	—	—	367	—	—	614
Distribution of 668,860 free shares		—	—	—	—	(929)	—	—	—	929	—	—	—
Acquisition of 2,626,000 treasury shares		—	—	—	—	—	—	—	—	(4,018)	—	—	(4,018)
Employee share option: value of employee services	(16.3)	—	—	—	2,644	—	—	—	—	—	—	—	2,644
Non-controlling interests in capital increase		—	—	—	—	—	—	—	—	—	—	—	—
<b>Total contributions by and distributions to owners of the Company</b>		—	—	—	2,644	(682)	—	—	—	(2,722)	(93,127)	(4,052)	(97,939)
Non-controlling interests arising on business combination		—	—	—	—	—	—	—	—	—	—	—	—
Non-controlling interests recorded as a liabilities	(6.3)	—	—	—	—	—	—	(638)	—	—	92	(92)	(638)
Transactions with non- controlling interests	(6.1)	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total transactions with owners</b>		—	—	—	—	—	—	(638)	—	—	92	(92)	(638)
<b>Balance at 31 March 2016</b>		1,476,964,891	44,309	342,851	17,669	(682)	(34,424)	(15,256)	(1,313)	(11,969)	509,399	4,973	855,557

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

# CONSOLIDATED STATEMENTS OF CASH FLOWS

## Year ended 31 March

In thousands of Euros

	Notes	2016	2015
<b>Cash flows from operating activities</b>			
Profit for the year from continuing operations		113,555	125,578
<i>Adjustments to reconcile profit for the year to net cash from operating activities</i>			
Depreciation, amortization and impairment	(27.3)	61,384	62,211
Deferred income taxes	(25.1)	(5,966)	(5,505)
Unwinding of discount on other financial liabilities	(23)	756	552
Share based payment	(21)	2,644	2,875
Change in the fair value of derivatives	(14), (24)	(1,615)	1,406
Other (gains) losses - net	(27.2)	(135)	1,641
Net movements in provisions	(27.4)	6,439	10,488
Share of loss of joint ventures	(6.1)	39	14
<i>Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation)</i>			
Inventories		18,124	(2,174)
Trade receivables		4,361	(10,628)
Trade payables		2,001	(3,772)
Social and tax liabilities		1,158	14,625
Current income tax assets and liabilities		(4,328)	6,362
Other assets and liabilities, net		10,552	2,435
<b>Net cash inflow from operating activities</b>		<b>208,969</b>	<b>206,108</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries, net of cash acquired	(6.1), (6.2)	(681)	(5,611)
Purchases of property, plant and equipment	(7)	(51,554)	(50,409)
Purchases of intangible assets	(9)	(6,805)	(9,836)
Proceeds from sale of fixed assets	(27.2)	1,317	1,466
Change in deposits and key moneys paid to the landlords		(325)	(2,603)
Change in non-current receivables and liabilities		(703)	(2,034)
Acquisition of financial assets		(1,880)	—
<b>Net cash outflow from investing activities</b>		<b>(60,631)</b>	<b>(69,027)</b>
<b>Cash flows from financing activities</b>			
Proceeds from non-controlling interests		—	145
Transactions with non-controlling interests	(6.2), (6.3)	—	(41,304)
Dividends paid to equity owners of the Company	(16.5)	(93,127)	(31,318)
Dividends paid to non-controlling interests		(4,052)	(3,263)
Proceeds from the the sale of treasury shares	(16.2)	613	—
Purchase of treasury shares	(16.2)	(4,017)	—
Proceeds from borrowings	(17), (27.8)	69,584	88,559
Repayments of borrowings	(17), (27.8)	(90,882)	(58,110)
<b>Net cash outflow from financing activities</b>		<b>(121,881)</b>	<b>(45,291)</b>

# CONSOLIDATED STATEMENTS OF CASH FLOWS

## Year ended 31 March

<i>In thousands of Euros</i>	<i>Notes</i>	<b>2016</b>	<b>2015</b>
Exchange gains/(losses) on cash, cash equivalents and bank overdrafts	(27.7)	3,233	(15,915)
<b>Net increase in cash, cash equivalents and bank overdrafts</b>		<b>29,690</b>	<b>75,875</b>
<b>Cash, cash equivalents and bank overdrafts at beginning of the year</b>		<b>395,128</b>	<b>319,253</b>
<i>Cash and cash equivalents</i>		<i>395,128</i>	<i>319,253</i>
<b>Cash, cash equivalents and bank overdrafts at end of the year</b>		<b>424,818</b>	<b>395,128</b>
<i>Cash and cash equivalents</i>		<i>424,818</i>	<i>395,128</i>

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 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" and "Melvita", a wide range of cosmetic products, perfumes, soaps and fragrant products for the home based on natural or organic ingredients.

The Group also designs and markets another range of fragrant products for the home, cosmetic products, perfumes, soaps and natural products, under the trademarks "Couvent des Minimes", "Erborian" and "L'Occitane au Brésil". These products are marketed primarily through external distribution.

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

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

These consolidated financial statements have been approved by the Board of Directors for issue on 6 June 2016.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1. Basis of preparation and changes in accounting principles

The consolidated financial statements of the Group and the Company-alone balance sheets have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board which are similar, for operations conducted by the Group, to International Financial Reporting Standards as adopted by the European Union. IFRS are available in the internet site of the European Committee as follows:

[http://ec.europa.eu/internal\\_market/accounting/ias\\_en.htm](http://ec.europa.eu/internal_market/accounting/ias_en.htm)

The consolidated financial statements have been prepared under the historical cost convention, 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 conformity 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 areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.1. Basis of preparation and changes in accounting principles *(continued)*

*(a) New amended standards and interpretation adopted or early adopted (if mentioned) by the Group*

The Group has applied the following amended standards and standards that are effective for the first time for the Group for the financial period beginning 1 April 2015:

Standard	Topic	Key requirements
IFRS 8 (amendment)	“Operating segments” on disclosure of judgments	<ul style="list-style-type: none"> <li>Requires disclosure of the judgments made by management in aggregating operating segments.</li> <li>Requires a reconciliation of segment assets to the entity’s assets when segment assets are reported.</li> </ul>
IAS 16 & 38 (amendment)	“Property Plant and Equipment” & “Intangible assets” on gross carrying amount and depreciation are treated with revaluation model	<ul style="list-style-type: none"> <li>Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.</li> </ul>
IAS 24 (amendment)	“Related party disclosures” regarding disclosures of the reporting entity	<ul style="list-style-type: none"> <li>An entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (“the management entity”) is a related party to the reporting entity. It is required to disclose the amounts charged to the reporting entity by the management entity for services provided.</li> </ul>
IFRS 3 (amendment)	“Business combinations” on clarification regarding joint arrangements	<ul style="list-style-type: none"> <li>Clarifies that IFRS 3 does not apply to the formation of any joint arrangement and the scope exemption only applies in the financial statements of the joint arrangement itself.</li> </ul>

The above amended standards and standards do not have any material impact on the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.1. Basis of preparation and changes in accounting principles *(continued)*

*(b) New standards and interpretations not yet adopted by the Group*

A number of new standards and amendments to standards and interpretations are effective for the fiscal years beginning after 31 March 2015 and have not been applied in preparing these consolidated financial statements, including:

<b>Standard</b>	<b>Topic</b>	<b>Key requirements</b>
IFRS 9	Financial instruments	IFRS 9, "Financial instruments" replaces IAS 39, "Financial instruments: Recognition and measurement".
IFRS 15	Revenue from contracts with customers	IFRS 15 amends the existing accounting standards for revenue recognition and is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when products or services are transferred to customers. IFRS 15 applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018. Early adoption is permitted and the standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption.
IFRS 16	Leases	IFRS 16 amends the existing standard for lease accounting. All leases will be on-balance sheet unless they are short-term or small ticket leases (optional exemptions) or not leases at all. IFRS 16 applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2019. Early adoption is permitted if IFRS 15 is early adopted on the same date.

The Company is currently evaluating the impact of adopting these new standards on its consolidated financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.2. Principles of consolidation

The accounts of all companies included within the scope of consolidation are closed on 31 March.

#### *(a) Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liability incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement at the acquisition date. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through statement of income.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the statement of income.

For the Company alone balance sheets, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.2. Principles of consolidation *(continued)*

#### *(b) Transactions with non-controlling interests*

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### **Put options arrangements**

##### *Put options on non-controlling interests issued before 2010*

For puts on non-controlling interests issued before 2010, the accounting is as follows:

- The present value of the cash payments related to the potential exercise of put options issued by the Group over non-controlling interests are accounted for as “other financial liabilities”;
- The initial amount was recognised at fair value within “other financial liabilities” with a corresponding impact on “goodwill”. The change in estimates in the fair value of the financial liability is recorded with a corresponding adjustment to “goodwill”;
- In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to “goodwill”.

##### *Put options on non-controlling interests issued after 2010*

For puts on non-controlling interests issued after 2010, the accounting is as follows:

- The present value of the cash payments related to the potential exercise of put options issued by the Group over non-controlling interests are accounted for as “other financial liabilities”;
- The initial amount was recognised at fair value within “other financial liabilities” with a corresponding charge directly to “equity”. The change in estimates in the fair value of the financial liability is recorded with a corresponding adjustment to “equity”;
- In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to “equity”.

When the put option is written as part of a business combination and when the control over the subsidiary is acquired, no non-controlling interests is recognized in respect of the shares subject to the put option.

Such options are subsequently measured at amortised cost, using the effective interest rate method, in order to accrete the liability up to the amount payable under the option at the date at which it first become exercisable. The charge arising is recorded as a financing cost.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.2. Principles of consolidation *(continued)*

*(c) Disposal of subsidiaries*

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in statement of income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

*(d) Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition. The Group's investment in associates included goodwill identified on acquisition. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit/(loss) of an associate" in the statement of income.

Any dilution gain or loss arising in investments in associates is recognized in the statement of income.

### 2.3. Foreign currency translation

*(a) Functional and presentation currency*

Items included in the Consolidated Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Consolidated Financial Statements are presented in Euros.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.3. Foreign currency translation *(continued)*

#### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation of items are remeasured. The exchange rates prevailing at these dates are approximated by a single rate per currency for each month (unless these rates are not reasonable approximations of the cumulative effect of the rates prevailing on the transaction dates). Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income under the line "Foreign currency gains/(losses)", except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of income within "finance income" or "finance costs".

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in statement of income, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in statement of income as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in other comprehensive income.

#### *(c) Group companies*

None of the Group's entities has the functional currency of a hyperinflationary economy.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i. Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- ii. Income and expenses for each statement of income are translated at an estimated monthly average exchange rate (unless this rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- iii. All resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations including monetary items that form part of the reporting entity's net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are included in "Cumulative currency translation differences" within shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognized in the statement of income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.4. Segment reporting

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

### 2.5. Intangible assets

#### *(a) Goodwill*

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units or groups of cash generating units, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

#### *(b) Key moneys*

Key moneys are entry rights to be paid prior to starting up a store. When the key money is paid to the previous tenant, it is classified within intangible assets and is amortized using the straight-line method over a period of 10 years (which is deemed to approximate the average lease term) or over the lease term if shorter, and is tested for impairment at each balance sheet date, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

In case the key money is paid to the landlord, then it is deemed to be an additional rental payment and is classified as a prepaid expense (current and non-current) and amortized on a straight-line basis over the rent period.

#### *(c) Contractual customer relationship*

These assets result from business combinations when the Group, at the acquisition date, allocates the cost of the business combination by recognizing the acquiree's identifiable intangible assets. The contractual customer relationship is amortized using the straight-line method over the average period of the expected relationship with the client which usually ranges between 3 years and 5 years.

#### *(d) Trademarks*

These assets result from business combinations when the Group, at the acquisition date, allocates the cost of the business combination by recognizing the acquiree's identifiable intangible assets. When the Group intends to sell products under the acquired trademarks and when there is no foreseeable limit to the period over which the trademarks are expected to generate net cash inflows for the Group, then it is considered that trademarks have an indefinite useful life. Therefore, trademarks are not amortized but tested annually for impairment.

Trademark is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or group of cash generating units that are expected to benefit from the trademark.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.5. Intangible assets *(continued)*

**(e) Computer software**

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized using the straight-line method over their estimated useful lives (not exceeding 5 years).

Costs that are directly associated with the production and testing of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Directly attributable costs include the software development employee costs and an appropriate portion of relevant overheads. These costs are amortized using the straight-line method over their estimated useful lives. The main ERP of the Group (SAP) is amortized over 10 years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

**(f) Commercial websites**

Development costs that are directly attributable to the design and testing of commercial websites are recognised as intangible fixed assets and are amortized over their estimated useful lives, which does not exceed 3 years.

**(g) Research and development costs**

Research costs are expensed when incurred.

Development costs relating to a development project are recognised as an intangible asset when the following criteria are met:

- It is technically feasible to complete the project so that it will be available for use or sale;
- Management intends to complete the project and use or sell it;
- There is an ability to use or sell the project;
- It can be demonstrated how the project will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the project are available;
- The expenditure attributable to the project during its development can be reliably measured.

In view of the large number of development projects and uncertainties concerning the decision to launch products relating to these projects, the Group considers that some of these capitalisation criteria are not met and the development costs are expensed when incurred.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.6. Property, Plant and Equipment

All property, plant and equipment (PP&E) are stated at historical cost less depreciation and impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the statement of income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other tangible assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

<b>Tangible assets</b>	<b>Estimated useful lives</b>
Buildings	20 years
Equipment and machinery	Between 5 and 10 years
Information system equipments and cash registers	3 years
Leasehold improvements	Between 5 and 10 years
Leasehold improvements related to the stores	5 years
Furniture and office equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has all the substantial risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the start of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in current and non-current obligations under finance leases. The interest element of the finance cost is charged to the statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.7. Impairment of non-financial assets

**(a) *Intangible assets (other than goodwill and trademarks) and property, plant and equipment***

Intangible assets that are subject to amortization and property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. In assessing the fair value, an external valuation is obtained or management's best estimate is used to the extent the assumptions used by management reflect market expectations.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units: CGUs):

- For testing the asset's carrying amount of the stores (mainly: key moneys, architect/decorator costs, leasehold improvements, furniture), the cash-generating unit is the store;
- For the corporate assets (assets other than those related to the stores) where a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

Intangible assets (other than goodwill and trademarks) and property, plant and equipment that have been subject to impairment in the previous period are reviewed for a possible reversal of the impairment at each reporting date (notes 7, 8 and 9). Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years.

**(b) *Goodwill and trademarks***

Goodwill and trademarks are allocated to cash generating units either by operating segment or by operating segment and by country. Cash generating units 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 cash generating unit is less than the carrying amount of the unit, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.8. Deposits

Deposits are recorded at their historical value. Impairment is recorded if the net present value is higher than the estimated recoverable amount. The impact for not discounting is not material.

### 2.9. Assets held for sale and assets directly associated with discontinued operations

Non-current assets or disposal groups are classified as assets held for sale or directly associated with discontinued operations and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through a continuing use and a sale is considered highly probable.

### 2.10. Inventories

Inventories are carried at the lower of cost or net realizable value (net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses); with cost being determined principally on the weighted average cost basis. The cost of inventories comprises the cost of raw materials, direct labour, depreciation of machines and production overheads (based on normal operating capacity). It excludes borrowing costs.

Inventories also include (a) distribution and marketing promotional goods that are intended to be sold to third parties and (b) mini products, pouches and boxes that are essentially bundled and sold together with regular products.

The Group regularly reviews inventory quantities on hand for excess inventory, discontinued products, obsolescence and declines in net realizable value below cost and records an allowance within "cost of sales" against the inventory balance for such declines.

### 2.11. Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. The amount of the loss on a trade receivable is recognized in the income statement within "Distribution expenses".

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.12. Financial assets

#### *Classification of financial assets*

The Group classifies its financial assets in the following categories: at fair value through profit and loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### **(a) Financial assets at fair value through profit and loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

#### **(b) Loans and receivables**

Loans and receivables originating from the Group are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise "trade receivables" and "other current assets" in the consolidated balance sheets.

#### **(c) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

#### *Recognition and measurement*

Regular purchases and sales of financial assets are recognized on trade-date: the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognized at fair value, and transaction costs are expensed in the statement of income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit and loss" category are presented in "finance income" or "finance costs" in the period in which they arise. Dividend income from "financial assets at fair value through profit and loss" is recognised in the statement of income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the statement of income in "finance income" or "finance costs".

Interest on available-for-sale securities calculated using the effective interest method is recognized in the statement of income in "finance income" or "finance costs". Dividends on available-for-sale equity instruments are recognised in the statement of income when the Group's right to receive payments is established.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.12. Financial assets *(continued)*

#### *Impairment of financial assets*

##### **(a) Assets carried at amortised cost**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the debtor or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the Group would not otherwise consider;
- It becomes probable that the debtor will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of debtors in the portfolio;
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.12. Financial assets *(continued)*

#### *Impairment of financial assets (continued)*

##### **(b) Assets classified as available-for-sale**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in statement of income – is removed from equity and recognised in the separate consolidated statements of income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in statement of income, the impairment loss is reversed through the consolidated statement of income.

### 2.13. Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- Hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between the hedging instruments and the hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair value of the various derivative instruments used for hedging purposes is disclosed in note 14. Movements on the hedging reserve in other comprehensive income are shown in the consolidated statement of changes in shareholders' equity.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the hedged item is more than 12 months; it is classified as a current asset or liability when the maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.13. Derivative financial instruments and hedging activities *(continued)*

**(a) Fair value hedge**

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

**(b) Cash flow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the statement of income within "finance income" or "finance costs" for interest derivatives and within "foreign currency gains/(losses)" for currency derivatives.

Amounts accumulated in equity are reclassified in the statement of income in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the statement of income within "finance income" or "finance costs". The gain or loss relating to the ineffective portion is recognized in the statement of income within "finance income" or "finance costs" for interest derivatives and within "foreign currency gains/(losses)" for currency derivatives.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of income within "finance income" or "finance costs" for interest derivatives and within "foreign currency gains/(losses)" for currency derivatives.

**(c) Net investment hedge**

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of income within "foreign currency gains/(losses)".

Gains and losses accumulated in equity are included in the statement of income when the foreign operation is partially disposed of or sold.

The Group does not use net investment hedges.

**(d) Derivatives at fair value through profit and loss**

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of these derivative instruments are recognized immediately in the statement of income within "finance income", "finance costs" or "foreign currency gains/(losses)".

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.14. Cash and cash equivalents

Cash and cash equivalents include cash in hand, short-term deposits and other short-term highly liquid investments with original maturities of three months or less.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

All significant cash deposits are made with major financial institutions having an investment grade rating and invested in euro money market fixed term deposits or mutual funds that have a maturity of three months or less. The Group has temporary exposure to non-investment grade institutions on payments made by customers in certain countries, until the Group transfers such amounts to investment grade institutions.

### 2.15. Share capital

Ordinary shares are classified as equity. There are no preference shares.

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group's entity purchases the Group's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Group's equity owners. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Group's equity owners.

### 2.16. Dividend distribution

Dividend distribution to the Group's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders.

### 2.17. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year of less. If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.18. Provisions

Within the normal framework of their activities, the Group and its subsidiaries are subject to various forms of litigation and legal proceedings. The Group sets aside a provision based on its past experience and on facts and circumstances known at the balance sheet date. Provisions for customer and warranty claims, dismantling and restoring obligations, restructuring costs and legal claims are recognized when:

- The Group has a present legal or constructive obligation as a result of past events;
- It is probable that an outflow of resources will be required to settle the obligation;
- And the amount has been reliably estimated.

If any, restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

#### ***Provision for costs of dismantling and restoring***

When the lease agreement includes an obligation to restore the leased property into original condition at the end of the lease term or to compensate for dilapidation, a provision for the estimated discounted costs of dismantling and restoring or settlement is recorded over the length of the lease.

Depending upon the nature of the obligation in the lease agreement, it may be considered that the alterations occurred when entering the lease. In this case the liability is immediately recorded at the inception of the lease and the same amount is included in property, plant and equipment. This item is then depreciated over the lease term.

#### ***Provision for onerous contracts***

The lease contracts used by the Group are mostly lease contracts for the stores. The store is the cash generating unit used for testing the asset's carrying amount of the non-financial assets (note 2.7). Certain operating lease contracts are onerous contracts when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from it. In this case, in addition to the impairment loss recognised on the non-current assets dedicated to that contract, the present obligation is recognised and measured as a provision.

#### ***Provision for returned goods***

When there is a legal or constructive obligation to accept returns, revenue is recognised when the products are delivered and a provision is deducted from this revenue for expected returns based on historical and statistics in-house data. This provision is classified in current provisions for other liabilities and charges.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.19. Employee benefits

#### *(a) Pension obligations*

The Group operates various pension schemes under both defined benefits and defined contribution plans:

- A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation;
- A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. In a defined contribution plan, the Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

#### **Defined benefit plans**

The only significant regime with defined benefits concerns the retirement indemnities in France. The employees receive a lump sum which varies according to the seniority and the other elements of the collective agreement from which they depend.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

From 1 April 2011, actuarial gains and losses resulting from experience adjustments and changes in the actuarial assumptions that are used to calculate the obligations (including the estimated return on the plan's assets) are fully recognized within "Other comprehensive income" in the period in which they arise (refer note 2.1).

Past-service costs are recognized immediately in the statement of income.

#### **Defined contribution plans**

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.19. Employee benefits *(continued)*

**(b) Other post-employment obligations**

The Group does not provide any other post-employment obligations.

**(c) Share-based compensation**

L'Occitane Groupe S.A., the parent of the Company, operates a number of share-based compensation plans which are granted to employees of the Group and its subsidiaries.

The Group has also authorized free share and share option plans over its own equity instruments whose characteristics are described in note 16.

The fair value of the employee services received in exchange for the grant of the equity instruments is recognized as an expense over the vesting period.

The total amount of the expense is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

**Equity settled share-based compensations**

Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the statement of income, with a corresponding adjustment to equity in other reserves.

The market conditions and non-vesting conditions are taken into account in the valuation of the option at the grant date and are not updated for the subsequent closings.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the equity instruments are exercised.

The grant by the parent company of share-based compensations over its equity instruments to the employees of the Company or subsidiaries undertakings in the Group is treated as a capital contribution from the parent company. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as share-based compensation expense, with a corresponding effect in equity attributable to the equity owners of the Company as a "contribution from the parent".

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.19. Employee benefits *(continued)*

*(d) Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: a) when the Group can no longer withdraw the offer of those benefits; and b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

*(e) Profit-sharing and bonus plans*

The Group recognizes a provision where legally, contractually obliged or where there is a past practice that has created a constructive obligation.

*(f) Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

### 2.20. Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawn-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.21. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. The Group recognized revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. Revenue from product sales is recorded upon transfer of risks and rewards, insofar as all significant contractual obligations have been fulfilled and the collection of corresponding receivables is probable.

Revenue for sales invoiced when the transfer of risks and rewards has not occurred is deferred in the balance sheet under the "deferred revenue" line, in "other current liabilities".

Revenue is recognized as follows:

**(a) Sales of goods – retail (sell-out business segment)**

Sales of goods are recognized when the Group sells a product to the customer at the store. Retail sales are usually in cash or by credit card. The recorded revenue is the gross amount of sale, including credit card fees payable for the transaction. Such fees are included in distribution costs.

It is not the Group's policy to sell its products to the end retail customer with a right of return. However, in some countries, the Group accepts returned products from customers and a refund is offered. In this case, the Group retains only an insignificant risk of ownership and the revenue is recognised at the time of sale net of a liability to cover the risk of return based on past experience. The liability is recognised as a decrease in net sales.

**(b) Sales of goods – wholesale and distributors (sell-in and B-to-B business segments)**

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- There is no unfulfilled obligation that could affect the wholesaler or the distributor's acceptance;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The products are sometimes sold with conditional discounts. Sales are recorded based on the price specified in the sales contracts/invoices, net of the estimated conditional discounts.

No element of financing is deemed present as the sales are made with a credit term of maximum 60 days.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.21. Revenue recognition *(continued)*

#### *(c) Sale of gift-certificates*

In some territories, in the ordinary course of the Group's activities, the Group sells gift certificates. The revenue is recognized when the customer redeems the gift certificates for buying goods (the product is delivered to the customer).

As long as customers do not redeem these gift certificates, the revenue for sales is deferred in the balance sheet.

Gift certificates that exceed the validity period are recognized in the statement of income.

#### *(d) Loyalty program*

Customer loyalty programs are used by the Group to provide customers with incentives to buy their products. Each time a customer buys goods, or performs another qualifying act, the entity grants the customer award credits. The customer can redeem the award credits for awards such as free or discounted goods or services.

The programs operate in a variety of ways. Customers may be required to accumulate a specified minimum number or value of award credits before they are able to redeem them. Award credits may be linked to individual purchases or groups of purchases, or to continued custom over a specified period of time.

The Group accounts for award credits as a separately identifiable component of the sales transaction(s) in which they are granted (the "initial sale"). The fair value of the consideration received or receivable in respect of the initial sale is allocated between the components, i.e. the goods sold and the award credits granted. The allocation is made by reference to the relative fair values of the components, i.e. the amounts for which each component could be sold separately.

The fair value of the award credits is estimated by reference to the discount that the customer would obtain when redeeming the award credits for goods. The nominal value of this discount is reduced to take into account:

- any discount that would be offered to customers who have not earned award credits from an initial sale;
- the proportion of award credits that are expected to be forfeited by customers; and
- the time value of money.

The Group recognizes revenue in respect of the award credits in the periods, and reflecting the pattern, in which award credits are redeemed. The amount of revenue recognized is based on the number of award credits that have been redeemed relative to the total number expected to be redeemed.

#### *(e) Consideration paid to distributors*

In some cases, the Group can enter into arrangements with distributors where payments are made to compensate for certain promotional actions.

As such payments cannot usually be separated from the supply relationship, the Group recognises the consideration paid as a deduction of revenue.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.22. Distribution expenses

The line "Distribution expenses" in the statement of income includes expenses relating to stores, mainly: employee benefits, rent and occupancy, depreciation and amortization, freight on sales, promotional goods, credit card fees, maintenance and repair, telephone and postage, travel and entertainment, doubtful receivables, start-up costs and closing costs.

Distribution promotional goods include testers and bags and are expensed when the Group has access to those items.

### 2.23. Marketing expenses

The line "Marketing expenses" in the statement of income includes mainly the following expenses: employee benefits, advertising expenses and promotional goods.

Marketing promotional goods include press kits, gifts with purchases, samples, commercial brochures and decoration items used to prepare the windows and are expensed when the Group has access to those items.

### 2.24. Research and Development costs

The line "Research and Development costs" in the statement of income includes mainly the following expenses: employee benefits and professional fees.

### 2.25. Accounting of rent expenses

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease beginning at the date when the lessee is entitled to exercise its right to use the leased asset.

Certain rents can be variable according to the turnover. In this case, the supplementary and variable part of the rent is recorded in the period during which it becomes likely that the additional rent will be due.

Should the landlord grant free rent - in particular during the first months of the lease during the construction of the store - the free part is recognized on a straight-line basis over the remaining duration of the lease. Similarly, in the case of escalation clauses (progressive lease payments), lease payments are recognized as an expense on a straight-line basis. The counterpart is recorded in "liabilities linked to operating leases" in "non-current liabilities".

### 2.26. Start-up and pre-opening costs of stores

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.27. Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are first deferred in non-current liabilities and then classified as a reduction of the fixed asset when it is put in service. The government grant is then credited to the income statement on a straight-line basis over the expected lives of the related assets.

### 2.28. Foreign currency gains/(losses)

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

- Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies (note 2.3 (b)). These foreign currency gains and losses are mainly related to the financing of the subsidiaries;
- Gains or losses arising from changes in the fair value of the foreign exchange derivatives at fair value through profit and loss (note 2.13 and note 14);
- Gains or losses arising from the ineffective portion of changes in the fair value of foreign exchange derivatives that are designated as hedging instruments (note 2.13 and note 14).

### 2.29. Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, the deferred income tax, if it is not accounted for, arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.29. Income taxes *(continued)*

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax asset against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity of different taxable entities where there is an intention to settle the balances on a net basis.

### 2.30. Earnings per share

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

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

## 3. FINANCIAL RISK MANAGEMENT

### 3.1. Financial risk factors

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

#### *(a) Market risk*

##### **Foreign exchange risk**

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 3. FINANCIAL RISK MANAGEMENT *(continued)*

### 3.1. Financial risk factors *(continued)*

#### (a) Market risk *(continued)*

##### Foreign exchange risk *(continued)*

As at 31 March 2016, the exposure to foreign exchange risk on the statement of financial position is as follows:

<i>In thousands of Euros</i>	EUR	JPY	HKD	USD	GBP	CNY	BRL	TWD	CHF	CAD	Other	Total
Trade receivables	23,297	17,732	12,714	5,072	1,888	17,961	5,033	3,496	409	828	9,068	97,498
Other current receivables	22,059	1,266	1,304	2,010	6,485	608	13,350	228	416	65	4,837	52,628
Cash and cash equivalents	334,110	17,492	3,672	13,744	6,706	19,260	7,259	4,527	–	–	18,048	424,818
<b>Monetary assets</b>	<b>379,466</b>	<b>36,490</b>	<b>17,690</b>	<b>20,826</b>	<b>15,079</b>	<b>37,829</b>	<b>25,642</b>	<b>8,251</b>	<b>825</b>	<b>893</b>	<b>31,953</b>	<b>574,944</b>
Borrowings	19,311	–	–	44,093	8,973	–	–	–	7,868	3,935	4,698	88,878
Trade payables	51,749	9,121	5,384	4,715	7,330	3,770	2,713	842	328	400	5,670	92,022
Social and tax liabilities	37,313	5,882	2,033	2,535	689	3,817	2,881	712	82	251	7,480	63,675
<b>Monetary liabilities</b>	<b>108,373</b>	<b>15,003</b>	<b>7,417</b>	<b>51,343</b>	<b>16,992</b>	<b>7,587</b>	<b>5,594</b>	<b>1,554</b>	<b>8,278</b>	<b>4,586</b>	<b>17,848</b>	<b>244,575</b>
<b>Gross exposure in the statement of financial position before hedging</b>	<b>271,093</b>	<b>21,487</b>	<b>10,273</b>	<b>(30,517)</b>	<b>(1,913)</b>	<b>30,242</b>	<b>20,048</b>	<b>6,697</b>	<b>(7,453)</b>	<b>(3,693)</b>	<b>14,105</b>	<b>330,369</b>

As at 31 March 2015, the exposure to foreign exchange risk on the statement of financial position is as follows:

<i>In thousands of Euros</i>	EUR	JPY	HKD	USD	GBP	CNY	BRL	TWD	CHF	CAD	Other	Total
Trade receivables	13,894	17,402	13,858	3,581	1,889	19,422	7,184	3,788	420	487	25,053	106,978
Other current receivables	24,674	1,562	1,956	1,328	6,306	524	14,231	620	469	56	4,635	56,361
Cash and cash equivalents	316,043	6,500	14,615	15,223	2,282	16,456	2,952	3,441	3,465	692	13,459	395,128
<b>Monetary assets</b>	<b>354,611</b>	<b>25,464</b>	<b>30,429</b>	<b>20,132</b>	<b>10,477</b>	<b>36,402</b>	<b>24,367</b>	<b>7,849</b>	<b>4,354</b>	<b>1,235</b>	<b>43,147</b>	<b>558,467</b>
Borrowings	21,843	–	–	59,299	8,334	–	–	–	8,506	3,494	8,700	110,176
Trade payables	47,469	8,876	4,779	4,473	6,312	5,642	4,539	987	527	391	6,672	90,667
Social and tax liabilities	37,221	5,371	2,471	4,600	736	2,751	3,315	767	(53)	465	7,058	64,703
<b>Monetary liabilities</b>	<b>106,533</b>	<b>14,247</b>	<b>7,250</b>	<b>68,372</b>	<b>15,382</b>	<b>8,393</b>	<b>7,854</b>	<b>1,754</b>	<b>8,980</b>	<b>4,350</b>	<b>22,430</b>	<b>265,546</b>
<b>Gross exposure in the statement of financial position before hedging</b>	<b>248,077</b>	<b>11,217</b>	<b>23,179</b>	<b>(48,240)</b>	<b>(4,904)</b>	<b>28,009</b>	<b>16,513</b>	<b>6,094</b>	<b>(4,626)</b>	<b>(3,115)</b>	<b>20,717</b>	<b>292,922</b>

### 3. FINANCIAL RISK MANAGEMENT *(continued)*

#### 3.1. Financial risk factors *(continued)*

##### (a) *Market risk (continued)*

##### **Foreign exchange risk *(continued)***

The Group treasury's risk management policy is to hedge a portion of its subsidiaries' known or forecasted commercial transactions not denominated in the presentation currency. The currency exposure must be hedged gradually from a minimum hedging of 17% of the anticipated trade flow in foreign currency seven months before the anticipated due date to a maximum total hedging (100%) two months before the anticipated due date. The main currencies hedged are the Japanese Yen, the Chinese Renminbi, the US Dollar, the Sterling Pound, the Russian Ruble and the Swiss Franc. The hedging policy is adjusted on a case by case basis based on market conditions. In order to achieve this objective, the Group uses foreign currency derivative instruments which are traded "over the counter" with major financial institutions.

When the foreign currency derivative instruments used to hedge the exposure of the Group's foreign currency risk do not qualify for hedge accounting, as they do not formally satisfy the conditions of hedge accounting fixed by IAS 39, gains or losses arising from changes in the fair value of the instrument and of the hedged item are recorded within "foreign currency gains/(losses)" in the statement of income.

During the fiscal years 2016 and 2015 and on 31 March 2016 and 2015, if the Euro had weakened/strengthened by 10% in comparison to the currencies listed below with all other variables held constant, equity, net sales and post-tax profit for the year would have been higher/lower as illustrated below:

<i>In thousands of Euros</i>	<b>Currency translation differences (other comprehensive income)</b>		<b>Net sales</b>		<b>Profit for the year</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>31 March</b>						
USD	2,113	3,938	18,059	16,063	1,762	4,701
JPY	11,903	11,605	20,670	18,833	6,069	6,079
HKD	8,926	9,898	11,632	11,224	5,282	6,072
CNY	11,113	9,325	13,132	10,298	6,211	4,600
GBP	2,488	3,239	7,723	6,906	2,121	2,818

The above sensitivity does not take into consideration the effect of a higher/lower euro on the fair market value of the foreign currency derivative instruments and on realized exchange gains and losses. The fair value of these derivatives at period end is not material.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 3. FINANCIAL RISK MANAGEMENT *(continued)*

### 3.1. Financial risk factors *(continued)*

#### *(a) Market risk (continued)*

##### **Cash flow and fair value interest rate risk**

The cash is currently invested in treasury deposits at short term and take profit of any increase in euro interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The analysis of the borrowings by category of rate is provided in note 17.5.

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 17.2, the interest rate of certain bank borrowings can be re-priced.

Based on the simulations performed, on 31 March 2016 and 2015, if interest rates had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings (note 23).

<i>In thousands of Euros</i>	<b>2016</b>	<b>2015</b>
Sensitivity of finance costs	536	449
Sensitivity of finance income	583	254
Sensitivity of the post-tax profit	43	18

The above sensitivity takes into consideration the impact of the interest rate derivatives existing at 31 March 2016 and 2015 on the interest expense but does not take into consideration the effect of a higher/lower interest rate on the fair market value of the derivatives designed to manage the cash flow interest risk floating-to-fixed interest rate swaps. The fair value of these derivatives at period end is not material.

##### **Price risk**

The Group is not significantly exposed to commodity price risk.

The Group is also exposed to price risk arising from investments in equity securities. The investments are done in accordance with the limits set by the Financial Investment Committee in charge of selecting the investments.

On 31 March 2016, the Group has no investment in equity securities.

### 3. FINANCIAL RISK MANAGEMENT *(continued)*

#### 3.1. Financial risk factors *(continued)*

##### *(b) Credit risk*

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

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

- For customers in the Sell-in and B-to-B segments, sales are made with credit terms generally from 60 and 90 days and the Group maintains adequate allowances for potential credit losses and follows regularly the solvency of its counterpart. As of 31 March 2016 and 2015, the Group did not have any significant concentration of business conducted with a particular customer that could, if suddenly eliminated, severely impact the operations of the Group;
- For customers in the Sell-out segment, the Group's sales to end customers are made in cash or via major credit cards and no credit terms are generally granted to the end customers. When the Sell-out sales are generated in department stores, a credit term is granted to the department store until the cash is transferred to the Group. This credit term is generally from 60 to 90 days;
- Cash and cash equivalents and derivatives financial instruments are concentrated on few independently rated parties with a minimum rating of "A".

##### *(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 the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

On 18 July 2014, the Company signed a multi-currency revolving facility agreement for an amount of € 400 million with a 5 years maturity to replace the previous revolving facility agreement for an amount of € 350 million signed in July 2010 (note 17.2).

Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flow. The liquidity reserves as at 31 March 2016 are as follows:

<b>31 March</b>	<b>2016</b>	<b>2015</b>
<i>In thousands of Euros</i>		
Cash and cash equivalents and bank overdrafts	424,818	395,128
Undrawn borrowing facilities (note 17.6)	330,595	311,694
<b>Liquidity reserves</b>	<b>755,413</b>	<b>706,822</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 3. FINANCIAL RISK MANAGEMENT *(continued)*

### 3.1. Financial risk factors *(continued)*

#### (c) *Liquidity risk (continued)*

Surplus cash held by the Group is invested in call accounts, certificates of deposit, money market funds and securities.

The repayment of certain bank borrowings depends on a financial ratio (note 17.2).

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

<i>In thousands of Euros</i>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Borrowings (note 17)	2,497	71,882	5,944	8,555	88,878
Trade payables (note 19)	92,022	—	—	—	92,022
Interests payments on borrowings	805	355	303	121	1,584
<b>Total on 31 March 2016</b>	<b>95,324</b>	<b>72,237</b>	<b>6,247</b>	<b>8,676</b>	<b>182,484</b>
Borrowings (note 17)	2,803	90,681	6,298	10,393	110,176
Trade payables (note 19)	90,667	—	—	—	90,667
Interests payments on borrowings	920	437	467	201	2,025
<b>Total on 31 March 2015</b>	<b>94,390</b>	<b>91,118</b>	<b>6,765</b>	<b>10,594</b>	<b>202,868</b>

The interests payments on borrowings are based on the existing interest rates as at 31 March 2016.

### 3.2. Capital risk management

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

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

### 3. FINANCIAL RISK MANAGEMENT *(continued)*

#### 3.3. Fair value estimation

##### *Fair value of financial instruments*

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

<i>In thousands of Euros</i>	<b>31 March 2016</b>		<b>31 March 2015</b>	
	<b>Net book value</b>	<b>Fair value</b>	<b>Net book value</b>	<b>Fair value</b>
<b>Assets</b>				
Available-for-sale financial assets (a)	1,989	1,989	50	50
Other non-current receivables	31,093	31,093	31,584	31,584
Derivative financial instruments (b)	468	468	1	1
<b>Total assets</b>	<b>33,550</b>	<b>33,550</b>	<b>31,635</b>	<b>31,635</b>
<b>Liabilities</b>				
Floating rate	88,878	88,878	110,176	110,176
<b>Total borrowings</b>	<b>88,878</b>	<b>88,878</b>	<b>110,176</b>	<b>110,176</b>
Derivative financial instruments (b)	67	67	1,215	1,215
<b>Total liabilities</b>	<b>67</b>	<b>67</b>	<b>1,215</b>	<b>1,215</b>

(a) Available-for-sale financial assets include non-consolidated investments that are not significant and are valued as described in the note 2.12.

(b) The fair value of financial derivatives is determined as indicated below.

##### *Fair value measurement hierarchy*

IFRS 13 for financial instruments requires disclosure of fair value measurements by level of 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 (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 3. FINANCIAL RISK MANAGEMENT *(continued)*

### 3.3. Fair value estimation *(continued)*

#### **Fair value measurement hierarchy *(continued)***

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

<i>In thousands of Euros</i>	<b>31 March 2016</b>			<b>31 March 2015</b>		
	<b>Level 1 (a)</b>	<b>Level 2 (b)</b>	<b>Level 3 (c)</b>	<b>Level 1 (a)</b>	<b>Level 2 (b)</b>	<b>Level 3 (c)</b>
<b>Assets</b>						
Derivatives at fair value						
through profit and loss	—	468	—	—	1	—
Cash equivalents	2,565	—	—	2,563	—	—
<b>Total assets</b>	<b>2,565</b>	<b>468</b>	<b>—</b>	<b>2,563</b>	<b>1</b>	<b>—</b>
<b>Liabilities</b>						
Derivatives at fair value						
through profit and loss	—	(67)	—	—	(1,215)	—
<b>Total liabilities</b>	<b>—</b>	<b>(67)</b>	<b>—</b>	<b>—</b>	<b>(1,215)</b>	<b>—</b>

- (a) The fair value of financial instruments traded in active markets (such as trading and available-for-sale 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 fair value 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.



## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Consolidated Financial Statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the reporting period. Estimates are used for, but not limited to, depreciation, amortization and impairment of non-current assets (notes 2.5, 2.6 and 2.7), allocation of the excess of the cost of an acquisition over the carrying value of the net assets acquired to key moneys (note 2.5) and to contractual customer relationship (note 2.5), valuation of inventories (note 2.10), allowance of inventories (note 2.10), measurement of provisions (note 2.18), allowance of trade receivables (note 2.11), revenue recognition (note 2.21), current and deferred income taxes (note 2.29), fair value of the derivative instruments (note 2.13), valuation of share-based compensation (note 16.3) and contingencies (note 28).

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### 4.1. Impairment test of non-current assets

Impairment test for intangible assets (including goodwill and trademarks), and property, plant and equipment are performed in accordance with the accounting policy stated in note 2.7. The recoverable amounts of cash-generating units (CGU) have been determined on the basis of value-in-use calculations. These calculations used cash flow projections approved by management.

The key assumptions used for value-in-use calculations are as follows:

- Forecasted sales are determined for each store based on its location. This may vary significantly from one location to another or from one country to another. Management determined budgeted net sales, gross margin and operating cash flows based on past performance and its expectations of market developments;
- The terminal value is based on a long term growth rate of 1% (1% in the fiscal year ended 31 March 2015);
- The pre-tax discount rate of 10% (10.18% in the fiscal year ended 31 March 2015). The same pre-tax discount rate has been used for all the segments as:
  - o All the products are produced in France;
  - o Most of the financing is done centrally; and
  - o The specific local market risks are embedded in the cash flows projections.

The cash flow projections used to test the goodwill related to the Melvita acquisition are based on forecasted sales supported by actual or targeted openings or decision to open Melvita stores in several countries and on a 5 year plan prepared by management. The key assumptions of these cash flow projections relate to the increase in the number of stores and in the net sales.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

### 4.2. Depreciation and amortization periods

The main intangible and tangible assets of the Group relate to the stores. The amortization period of key money is based on 10 years (which is deemed to approximate the average lease term including the renewal option) or over the lease term of the related store, if shorter and the depreciation period of tangible assets takes into consideration the expected commercial lives of the store or the lease term if shorter. These assets are tested for impairment in accordance with the accounting policy stated in note 2.7.

### 4.3. Allowance on inventories

The Group regularly reviews inventory quantities on hand for excess inventory, discontinued products, obsolescence and declines in net realizable value below cost and records an allowance against the inventory balance for such declines.

When the annual inventory count takes place on a date different from the closing date, the quantity on hand is adjusted to take into account the shrinkage rate (after deduction of non-recurring differences) over the period between the date of the stocktaking and the balance sheet date.

### 4.4. Legal claims

The estimates for provisions for litigation are based upon available information and advice of counsel and are regularly reviewed on this basis by management (see notes 20 and 28).

### 4.5. Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such a determination is made.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

## 5. SEGMENT INFORMATION

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

The Chairman & CEO and the Managing Director consider the business from both a channel and a geographic perspective by country. Financial information is available for both, however the channels are the operating segments.

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

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

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

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

### 5.1. Operating segments

The measure of profit or loss for each operating segment followed by the executive committee is their operating profit:

The segments information as at 31 March 2016 and 2015 is as follows:

<b>31 March 2016</b>				<b>Other</b>
<i>In thousands of Euros</i>	<b>Sell-out</b>	<b>Sell-in and B-to-B</b>	<b>reconciling items</b>	<b>Total</b>
<b>Net sales</b>	<b>962,436</b>	<b>320,240</b>	—	<b>1,282,676</b>
<i>In % of total</i>	<i>75.0%</i>	<i>25.0%</i>	—	<i>100.0%</i>
<b>Gross profit</b>	<b>837,372</b>	<b>224,134</b>	—	<b>1,061,505</b>
% of net sales	87.0%	70.0%	—	82.8%
Distribution expenses	(496,138)	(54,721)	(47,748)	(598,607)
Marketing expenses	(53,779)	(11,249)	(95,816)	(160,843)
Research & development expenses	—	—	(14,556)	(14,556)
General and administrative expenses	—	—	(117,704)	(117,704)
Share of profit/(losses)				
from joint operations	—	—	(39)	(39)
Other (losses)/gains-net	198	(46)	(1,889)	(1,737)
<b>Operating profit</b>	<b>287,653</b>	<b>158,118</b>	<b>(277,752)</b>	<b>168,019</b>
<i>% of net sales</i>	<i>29.9%</i>	<i>49.4%</i>	<i>N/A</i>	<i>13.1%</i>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 5. SEGMENT INFORMATION *(continued)*

### 5.1. Operating segments *(continued)*

<b>31 March 2015</b> <i>In thousands of Euros</i>	<b>Sell-out</b>	<b>Sell-in and B-to-B</b>	<b>Other reconciling items</b>	<b>Total</b>
<b>Net sales</b>	<b>883,381</b>	<b>294,496</b>	—	<b>1,177,877</b>
<i>In % of total</i>	<i>75.0%</i>	<i>25.0%</i>	—	<i>100.0%</i>
Gross profit	759,739	203,476	—	963,216
% of net sales	86.0%	69.1%	—	81.8%
Distribution expenses	(447,881)	(50,179)	(46,255)	(544,316)
Marketing expenses	(48,883)	(8,263)	(73,198)	(130,344)
Research & development expenses	—	—	(13,038)	(13,038)
General and administrative expenses	—	—	(111,077)	(111,077)
Share of profit/(losses)				
from joint operations	—	—	(14)	(14)
Other (losses)/gains-net	(94)	(84)	(106)	(284)
<b>Operating profit</b>	<b>262,881</b>	<b>144,950</b>	<b>(243,688)</b>	<b>164,143</b>
<i>% of net sales</i>	<i>29.8%</i>	<i>49.2%</i>	<i>N/A</i>	<i>13.9%</i>

There are no significant inter-segment transfers or transactions.

In addition, the “other reconciling items” column includes amounts corresponding to central functions unrelated to a specific business segment (mainly the central distribution warehouses, central marketing and most of general and administration expenses).

### 5.2. Geographic areas

#### (a) *Net sales*

Net sales are allocated based on the country of the invoicing subsidiary.

<b>31 March</b> <i>In thousands of Euros</i>	<b>2016</b>		<b>2015</b>	
	<b>Total</b>	<b>In % of total</b>	<b>Total</b>	<b>In % of total</b>
Japan	206,696	16.1%	188,325	16.0%
United States	173,115	13.5%	153,578	13.0%
Hong Kong	138,566	10.8%	134,180	11.4%
China	131,319	10.2%	102,975	8.7%
France	101,355	7.9%	91,279	7.7%
United Kingdom	74,839	5.8%	67,198	5.7%
Luxembourg	61,221	4.8%	58,566	5.0%
Russia	44,940	3.5%	50,400	4.3%
Brazil	43,473	3.4%	49,265	4.2%
Taiwan	41,460	3.2%	38,985	3.3%
Other countries	265,691	20.7%	243,125	20.6%
<b>Net sales</b>	<b>1,282,676</b>	<b>100%</b>	<b>1,177,877</b>	<b>100%</b>

## 5. SEGMENT INFORMATION *(continued)*

### 5.2. Geographic areas *(continued)*

#### *(b) Assets*

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

31 March <i>In thousands of Euros</i>	2016			2015		
	Property, Plant and Equipment	Goodwill	Intangible assets	Property, Plant and Equipment	Goodwill	Intangible assets
Japan	10,941	20,294	133	11,857	20,128	246
United States	24,295	5,941	255	28,172	6,287	193
Hong Kong	3,792	2,595	—	4,446	2,746	—
China	1,734	1,641	125	2,242	1,737	174
France	99,186	38,440	28,465	96,468	38,440	32,611
Russia	2,254	28,254	149	2,990	33,933	422
United Kingdom	5,988	1,552	37	6,098	1,689	69
Luxembourg	2,601	—	21,058	1,623	—	20,718
Brazil	4,318	2,403	4,377	5,682	2,830	5,080
Taiwan	1,371	1,837	66	1,532	1,997	22
Other countries	25,181	26,551	5,875	23,612	28,441	8,122
<b>Total</b>	<b>181,661</b>	<b>129,508</b>	<b>60,540</b>	<b>184,722</b>	<b>138,228</b>	<b>67,656</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 6. INFORMATION RELATING TO CHANGES IN THE GROUP STRUCTURE

### 6.1. For the year ended 31 March 2016

On 31 March 2016 the Company purchased new shares in Shanghvi Technologies Private Ltd ("My Glamm") for an amount of €1,880,000.

As L'Occitane has neither the control nor a significant influence in MyGlamm the investment is recognized as Available for sales financial assets in Other non-current assets (note 10).

### 6.2. For the year ended 31 March 2015

#### *Acquisition of a distributor in Norway*

On 30 July 2014 the Group acquired 100% of the issued share capital and voting rights of L'Occitane Norway AB for a total consideration of €6,639,000. L'Occitane Norway AB is located in Oslo, Norway and is specialized in the distribution of L'Occitane products in that country.

The following table summarizes the consideration paid for L'Occitane Norway AB, and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date:

<i>In thousands of Euros</i>	<b>Fair value</b>
Cash	5,986
Deferred payment	653
Equity instruments	—
Contingent consideration	—
<b>Total consideration transferred</b>	<b>6,639</b>
Indemnification asset	—
Fair value of equity interest held before the business combination	—
<b>Total consideration transferred</b>	<b>6,639</b>
<b>Recognised amounts of identifiable assets acquired and (liabilities assumed)</b>	
Property, plant and equipment (note 7)	218
Intangible assets (note 9)	17
Defferre tax assets (note 25.3)	105
Inventories	629
Trade receivables	803
Other current assets	60
Cash and cash equivalents	375
Borrowings	—
Trade payables	(840)
Salaries, wages, related social items and other tax liabilities	(354)
Contingent liability	—
Other current liabilities	(462)
<b>Total identifiable net assets</b>	<b>551</b>
Non-controlling interests	—
Goodwill (note 8)	6,088
<b>Total</b>	<b>6,639</b>

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

### 6.2. For the year ended 31 March 2015 *(continued)*

#### ***Acquisition of a distributor in Norway (continued)***

The outflow of cash to acquired business, net of cash acquired amounted to €5,611,000.

The acquisition-related costs were non-significant and expensed in the interim consolidated statement of income, within "general and administrative expenses".

The goodwill of €6,088,000 rose from number of factors. Most significant amongst these was the premium attributable to the increased profitability linked to the margins previously earned by the agent and also to the fact that the access of the Group to this geographical market will be facilitated (there was no contractual customer relationship as the acquired business is mainly related to the Sell-out operating segment). None of the goodwill recognised is expected to be deductible for income tax purposes.

For the period ended 31 March 2015, the acquired business contributed net sales of €5,369,000 and net profit for the period of €460,000.

#### ***Transaction with non-controlling interests***

On 7 July 2014, the Company sold 25% of the shareholding in L'Occitane South Africa for a total consideration of €44,000.

The effect of changes in the ownership interest of L'Occitane South Africa on the equity attributable to owners of the Company during the period ended 31 March 2015 are summarised as follows:

<i>In thousands of Euros</i>	<b>L'Occitane South Africa</b>
Carrying amount of non-controlling interests sold	233
Consideration received from non-controlling interests	(44)
<b>Gains/(losses) recognised in the transaction with non-controlling interests within 'other reserves' in equity</b>	<b>(277)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

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

### 6.3. Other financial liabilities

#### *For the year ended 31 March 2016*

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

<i>In thousands of Euros</i>	<b>31 March 2015</b>	<b>Dividend paid to the non- controlling interests</b>	<b>Change in estimates in the valuation of the exercise price</b>	<b>Unwinding of discount (note 23)</b>	<b>31 March 2016</b>
Katalin Berenyi and Hojung Lee (Symbiose)	7,452	—	638	756	8,846
<b>Total put options</b>	<b>7,452</b>	<b>—</b>	<b>638</b>	<b>756</b>	<b>8,846</b>

#### *For the year ended 31 March 2015*

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

<i>In thousands of Euros</i>	<b>31 March 2014</b>	<b>Dividend paid to the non- controlling interests</b>	<b>Change in estimates in the valuation of the exercise price</b>	<b>Unwinding of discount (note 23)</b>	<b>31 March 2015</b>
Katalin Berenyi and Hojung Lee (Symbiose)	6,900	—	—	552	7,452
<b>Total put options</b>	<b>6,900</b>	<b>—</b>	<b>—</b>	<b>552</b>	<b>7,452</b>



## 7. PROPERTY, PLANT AND EQUIPMENT

### 7.1. Year ended 31 March 2016

As of 31 March 2016, property, plant and equipment can be analysed as follows:

<i>In thousands of Euros</i>	Land	Buildings	Machinery and equipment	Leasehold		Other tangible assets related to the stores	Tangible assets in progress	Total
				Other tangible assets	improvements related to the stores			
<b>Cost as of 1 April 2015</b>	<b>3,330</b>	<b>70,443</b>	<b>43,597</b>	<b>70,600</b>	<b>157,445</b>	<b>44,127</b>	<b>10,032</b>	<b>399,574</b>
Additions	—	277	5,583	12,353	20,265	5,699	7,777	51,954
Disposals	—	—	(271)	(2,778)	(13,991)	(3,216)	(148)	(20,404)
Acquisition of subsidiaries	—	—	—	—	—	—	—	—
Other movements	23	362	729	3,013	(980)	3,239	(5,488)	898
Exchange differences	—	—	(144)	(2,534)	(8,188)	(2,624)	(401)	(13,891)
<b>Cost as of 31 March 2016</b>	<b>3,353</b>	<b>71,082</b>	<b>49,494</b>	<b>80,654</b>	<b>154,551</b>	<b>47,225</b>	<b>11,772</b>	<b>418,131</b>
<b>Accum. depreciation</b>								
<b>as of April 1, 2015</b>	<b>—</b>	<b>(16,830)</b>	<b>(27,693)</b>	<b>(43,100)</b>	<b>(100,907)</b>	<b>(26,323)</b>	<b>—</b>	<b>(214,853)</b>
Depreciation	—	(4,574)	(5,012)	(10,781)	(22,829)	(7,485)	—	(50,681)
Impairment loss	—	—	—	—	(171)	—	—	(171)
Reversal of impairment loss	—	—	—	—	607	—	—	607
Disposals	—	—	265	2,760	13,740	3,068	—	19,833
Other movements	—	—	(27)	434	887	(1,312)	—	(18)
Exchange differences	—	—	73	1,846	5,269	1,625	—	8,813
<b>Accum. depreciat.</b>								
<b>as of 31 March 2016</b>	<b>—</b>	<b>(21,404)</b>	<b>(32,394)</b>	<b>(48,841)</b>	<b>(103,404)</b>	<b>(30,427)</b>	<b>—</b>	<b>(236,470)</b>
<b>Net book value</b>								
<b>as of 31 March 2016</b>	<b>3,353</b>	<b>49,678</b>	<b>17,100</b>	<b>31,813</b>	<b>51,147</b>	<b>16,798</b>	<b>11,772</b>	<b>181,661</b>
Including assets under finance leases								
Property, plant & equipment, gross	898	20,871	4,683	350	—	—	—	26,802
Accumulated depreciation	—	(11,182)	(3,581)	(150)	—	—	—	(14,913)
<b>Net book value under finance leases as of 31 March 2016</b>	<b>898</b>	<b>9,689</b>	<b>1,102</b>	<b>200</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>11,889</b>

Main additions during the period are related to:

- Leasehold improvements for the opening of 154 stores.

Excluding the costs of dismantling and restoring and the acquisitions under finance lease that are non-cash items, total cash additions amount to €51,554,000.

Main disposals during the period are related to:

- Leasehold improvements related to the stores for €13,991,000.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 7. PROPERTY, PLANT AND EQUIPMENT *(continued)*

### 7.2. Year ended 31 March 2015

As of 31 March 2015, property, plant and equipment can be analysed as follows:

<i>In thousands of Euros</i>	Land	Buildings	Machinery and equipment	Other tangible assets	Leasehold improvements related to the stores	Other tangible assets related to the stores	Tangible assets in progress	Total
<b>Cost as of 1 April 2014</b>	<b>3,321</b>	<b>73,242</b>	<b>38,410</b>	<b>58,540</b>	<b>127,315</b>	<b>33,532</b>	<b>8,791</b>	<b>343,151</b>
Additions	9	(855)	4,340	8,960	23,646	6,757	8,242	51,099
Disposals	(0)	(1,944)	(584)	(1,772)	(11,882)	(3,114)	(161)	(19,457)
Acquisition of subsidiaries	–	–	–	–	180	38	–	218
Other movements	–	–	1,298	928	1,364	3,011	(7,461)	(860)
Exchange differences	–	–	133	3,944	16,822	3,903	621	25,423
<b>Cost as of 31 March 2015</b>	<b>3,330</b>	<b>70,443</b>	<b>43,597</b>	<b>70,600</b>	<b>157,445</b>	<b>44,127</b>	<b>10,032</b>	<b>399,574</b>
<b>Accum. depreciation as of April 1, 2014</b>	<b>–</b>	<b>(12,767)</b>	<b>(22,678)</b>	<b>(32,627)</b>	<b>(78,098)</b>	<b>(19,557)</b>	<b>–</b>	<b>(165,727)</b>
Depreciation	–	(4,753)	(4,632)	(10,416)	(21,721)	(6,129)	–	(47,651)
Impairment loss	–	–	(640)	–	(3,210)	–	–	(3,850)
Reversal of impairment loss	–	–	–	1,104	–	–	–	1,104
Disposals	–	690	349	1,787	10,958	2,721	–	16,505
Other movements	–	–	9	319	1,413	(1,105)	–	636
Exchange differences	–	–	(101)	(3,267)	(10,249)	(2,253)	–	(15,870)
<b>Accum. depreciat. as of 31 March 2015</b>	<b>–</b>	<b>(16,830)</b>	<b>(27,693)</b>	<b>(43,100)</b>	<b>(100,907)</b>	<b>(26,323)</b>	<b>–</b>	<b>(214,853)</b>
<b>Net book value as of 31 March 2015</b>	<b>3,330</b>	<b>53,613</b>	<b>15,904</b>	<b>27,500</b>	<b>56,538</b>	<b>17,804</b>	<b>53,613</b>	<b>184,722</b>
Including assets under finance leases:								
Property, plant & equipment, gross	898	20,871	4,337	350	–	–	–	26,456
Accumulated depreciation	–	(9,949)	(3,338)	(125)	–	–	–	(13,412)
<b>Net book value under finance leases as of 31 March 2015</b>	<b>898</b>	<b>10,922</b>	<b>999</b>	<b>225</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>13,044</b>

Main additions during the period were related to:

- Leasehold improvements for the opening of 171 stores.

Excluding the costs of dismantling and restoring and the acquisitions under finance lease that were non-cash items, total cash additions amounted to €50,409,000.

Main disposals during the period were related to:

- Leasehold improvements related to the stores for €11,882,000.

## 7. PROPERTY, PLANT AND EQUIPMENT *(continued)*

### 7.3. Classification of the depreciation of the tangible assets in the statement of income

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

#### 31 March

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
Cost of goods sold	9,589	9,514
Distribution expenses	35,142	32,207
Marketing expenses	—	13
Research & development expenses	962	808
General and administrative expenses	4,988	5,108
<b>Depreciation expenses</b>	<b>50,681</b>	<b>47,651</b>

### 7.4. Impairment tests for property, plant and equipment

#### 31 March

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
<b>Accumulated impairment as of the beginning of the year</b>	<b>(5,480)</b>	<b>(2,050)</b>
Impairment loss	(171)	(3,850)
Reversal of impairment loss (used)	58	1,002
Reversal of impairment loss (unused)	549	102
Disposals	—	—
Exchange differences	205	(684)
<b>Accumulated impairment as of 31 March</b>	<b>(4,839)</b>	<b>(5,480)</b>

Property, plant and equipment are allocated to the Group's cash-generating units (CGUs) and tested for impairment as described in note 2.7. The note 4.1 describes the key assumptions used for the value-in-use calculations.

An impairment loss amounting to €171,000 at 31 March 2016 and €3,850,000 at 31 March 2015 has been recorded within "distribution expenses" to adjust the carrying amount of certain fixed assets related to the stores (in the Sell-out operating segment).

The reversal of used impairment loss corresponds to stores that are closed. Reversal of impairment loss has been recorded within "distribution expenses".

No impairment loss has been recorded in the general and administrative expenses.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 8. GOODWILL

### 8.1. Goodwill variation analysis

Goodwill variation analysis is as follows:

#### 31 March

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
<b>Cost as of the beginning of the year</b>	<b>139,228</b>	<b>135,789</b>
Acquisition of new companies (see note 6)	—	6,088
Exchange differences	(8,720)	(2,649)
<b>Cost as of 31 March</b>	<b>130,508</b>	<b>139,228</b>
<b>Accumulated impairment as of the beginning of the year</b>	<b>(1,000)</b>	<b>(1,000)</b>
Impairment loss	—	—
Exchange differences	—	—
<b>Accumulated impairment as of 31 March</b>	<b>(1,000)</b>	<b>(1,000)</b>
<b>Net book value as of 31 March</b>	<b>129,508</b>	<b>138,228</b>

## 8. GOODWILL *(continued)*

### 8.2. Goodwill breakdown

As of 31 March 2016, the breakdown of the Group's goodwill by country of origin is detailed as follows:

Geographic areas <i>In thousands of Euros</i>	Net book	Acquisition of	Exchange	Net book	Net book value on	
	value on	subsidiaries		value on	31 March 2016	Sell-in
	1 April	or of	differences	31 March	31 March 2016	
	2015	additional		2016	Sell-out	Sell-in
		shareholding				
France	36,056	—	—	36,056	22,067	13,989
France - Erborian business	2,384	—	—	2,384	2,384	—
Japan	20,128	—	166	20,294	20,294	—
Russia	33,933	—	(5,679)	28,254	28,254	—
United States	6,287	—	(346)	5,941	5,941	—
Brazil	2,830	—	(427)	2,403	2,403	—
Canada	3,627	—	(246)	3,381	3,381	—
Netherlands	1,033	—	—	1,033	1,033	—
Hong Kong	2,746	—	(151)	2,595	2,595	—
Taiwan	1,997	—	(160)	1,837	1,837	—
United Kingdom	1,689	—	(137)	1,552	1,552	—
Ireland	2,715	—	—	2,715	2,715	—
China	1,737	—	(96)	1,641	1,641	—
Thailand	684	—	(45)	639	639	—
Poland	1,066	—	(43)	1,023	1,023	—
Spain	880	—	—	880	880	—
Australia	909	—	(42)	867	867	—
Belgium	323	—	—	323	323	—
Germany	130	—	—	130	130	—
Norway	5,760	—	(435)	5,325	5,325	—
Malaysia	11,314	—	(1,079)	10,235	10,235	—
<b>TOTAL</b>	<b>138,228</b>	<b>—</b>	<b>(8,720)</b>	<b>129,508</b>	<b>115,519</b>	<b>13,989</b>

### 8.3. Impairment test for goodwill

As at 31 March 2016, the management is of the opinion that the value-in-use significantly exceeds the carrying value of goodwill by such a magnitude that no reasonably possible change in any of the key assumptions would eliminate the headroom.

## 9. INTANGIBLE ASSETS

Intangible assets include notably:

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 9. INTANGIBLE ASSETS *(continued)*

### 9.1. Year ended 31 March 2016

As of 31 March 2016, intangible assets can be analysed as follows:

<i>In thousands of Euros</i>	Websites	Trademarks	Key moneys	Software	Contractual customer relationships	Intangible assets in progress	Other intangible assets	Total
<b>Cost as of 1 April 2015</b>	<b>793</b>	<b>16,241</b>	<b>50,792</b>	<b>49,348</b>	<b>1,761</b>	<b>5,949</b>	<b>1,744</b>	<b>126,628</b>
Additions	–	–	1,741	1,002	–	3,839	224	6,805
Disposals	–	–	(1,751)	(797)	–	–	(2)	(2,550)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–
Other movements	(698)	–	286	3,545	–	(8,071)	4,040	(898)
Exchange differences	(9)	–	(2,180)	(433)	–	–	(16)	(2,638)
<b>Cost as of 31 March 2016</b>	<b>86</b>	<b>16,241</b>	<b>48,887</b>	<b>52,665</b>	<b>1,761</b>	<b>1,717</b>	<b>5,990</b>	<b>127,347</b>
<b>Accumulated amortization and impairment</b>								
<b>as of April 1, 2015</b>	<b>(793)</b>	<b>(765)</b>	<b>(32,970)</b>	<b>(21,702)</b>	<b>(1,761)</b>	<b>–</b>	<b>(980)</b>	<b>(58,971)</b>
Amortization	–	–	(3,794)	(6,061)	–	–	(1,284)	(11,139)
Impairment loss	–	–	–	–	–	–	–	–
Reversal of impairment loss	–	–	–	–	–	–	–	–
Disposals	–	–	1,182	755	–	–	2	1,939
Acquisition of subsidiaries	–	–	–	–	–	–	–	–
Other movements	698	–	–	92	–	–	(772)	18
Exchange differences	9	–	1,180	147	–	–	10	1,346
<b>Accumulated amortization and impairment as of 31 March 2016</b>	<b>(86)</b>	<b>(765)</b>	<b>(34,402)</b>	<b>(26,769)</b>	<b>(1,761)</b>	<b>–</b>	<b>(3,024)</b>	<b>(66,807)</b>
<b>Net book value as of 31 March 2016</b>	<b>–</b>	<b>15,476</b>	<b>14,485</b>	<b>25,896</b>	<b>–</b>	<b>1,717</b>	<b>2,967</b>	<b>60,540</b>

The intangible assets in progress relate to purchased software to be used internally which are under development.

Additions mainly concern:

- Assets in progress for €3,839,000 are related mainly to software.
- Key moneys for an amount of €1,741,000. Such key moneys were mainly acquired in France and Brazil.
- Software for an amount of €1,002,000.

The amount of intangible assets whose title is restricted or that are pledged as security for liabilities is nil as at 31 March 2016.

The accumulated impairment as of 31 March 2016 amounts to €227,000 (€263,000 as at 31 March 2015).

## 9. INTANGIBLE ASSETS *(continued)*

### 9.2. Year ended 31 March 2015

As of 31 March 2015, intangible assets can be analysed as follows:

<i>In thousands of Euros</i>	Websites	Trademarks	Key moneys	Software	Contractual customer relationships	Intangible assets in progress	Other intangible assets	Total
<b>Cost as of 1 April 2014</b>	<b>772</b>	<b>16,087</b>	<b>49,313</b>	<b>39,311</b>	<b>1,761</b>	<b>7,888</b>	<b>1,738</b>	<b>116,870</b>
Additions	–	–	1,237	2,495	–	5,907	197	9,836
Disposals	–	–	(205)	(418)	–	–	(42)	(666)
Acquisition of subsidiaries	–	–	17	–	–	–	–	17
Other movements	–	154	470	7,783	–	(7,846)	(174)	387
Exchange differences	21	–	(40)	177	–	–	25	183
<b>Cost as of 31 March 2015</b>	<b>793</b>	<b>16,241</b>	<b>50,792</b>	<b>49,348</b>	<b>1,761</b>	<b>5,949</b>	<b>1,744</b>	<b>126,627</b>
<b>Accumulated amortization and impairment</b>								
<b>as of April 1, 2014</b>	<b>(772)</b>	<b>(611)</b>	<b>(28,927)</b>	<b>(14,221)</b>	<b>(1,761)</b>	<b>–</b>	<b>(830)</b>	<b>(47,122)</b>
Amortization	–	–	(3,860)	(7,642)	–	–	(287)	(11,789)
Impairment loss	–	–	(200)	–	–	–	–	(200)
Reversal of impairment loss	–	–	175	–	–	–	–	175
Disposals	–	–	113	396	–	–	2	511
Other movements	–	(154)	3	(15)	–	–	154	(12)
Exchange differences	(21)	–	(274)	(220)	–	–	(19)	(534)
<b>Accumulated amortization and impairment as of 31 March 2015</b>	<b>(793)</b>	<b>(765)</b>	<b>(32,970)</b>	<b>(21,702)</b>	<b>(1,761)</b>	<b>–</b>	<b>(980)</b>	<b>(58,971)</b>
<b>Net book value as of 31 March 2015</b>	<b>–</b>	<b>15,476</b>	<b>17,822</b>	<b>27,646</b>	<b>–</b>	<b>5,949</b>	<b>765</b>	<b>67,656</b>

The intangible assets in progress related to purchased software to be used internally which were under development.

Additions mainly concerned:

- Assets in progress for €5,907,000 were related mainly to software, including the new ERP. The total costs capitalized on this project amounted to €30,200,000 as at 31 March 2015;
- Key moneys for an amount of €1,237,000. Such key moneys were mainly acquired in France;
- Software for an amount of €2,495,000.

The amount of intangible assets whose title was restricted or that are pledged as security for liabilities was nil as at 31 March 2015.

The accumulated impairment as of 31 March 2015 amounted to €263,000 (€227,000 as at 31 March 2014).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 9. INTANGIBLE ASSETS *(continued)*

### 9.3. Classification of the amortization of the intangible assets in the statement of income

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

#### 31 March

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
Cost of goods sold	1,014	1,000
Distribution expenses	4,025	4,678
Marketing expenses	669	541
Research & development costs	24	24
General and administrative expenses	5,407	5,546
<b>Amortization expenses</b>	<b>11,139</b>	<b>11,789</b>

### 9.4. Impairment tests for intangible assets

Intangible assets are allocated to the Group's cash-generating units (CGUs) as described in note 2.7 and tested for impairment. The note 4.1 describes the key assumptions used for the value-in-use calculation.

#### 31 March

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
Accumulated impairment as of the beginning of the year	(263)	(227)
Impairment loss	—	(200)
Reversal of impairment loss	—	175
Exchange differences	36	(11)
<b>Accumulated impairment as of 31 March</b>	<b>(227)</b>	<b>(263)</b>



## 10. OTHER NON-CURRENT ASSETS

The other non-current assets consist of the following:

### 31 March

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
Deposits	28,075	28,694
Key moneys paid to the landlord	2,288	2,140
Available-for-sales financial assets	1,989	50
Loan to joint-venture	730	750
<b>Other non-current assets</b>	<b>33,082</b>	<b>31,634</b>

Key moneys paid to the landlord are deemed to be linked to the rent and are classified within prepaid expenses (current and non-current) (note 2.5).

## 11. INVENTORIES

Inventories consist of the following items:

### 31 March

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
Raw materials and supplies	20,956	24,400
Finished goods and work in progress	128,011	151,166
<b>Inventories, gross</b>	<b>148,967</b>	<b>175,566</b>
Less, allowance	(11,973)	(15,619)
<b>Inventories</b>	<b>136,994</b>	<b>159,947</b>

## 12. TRADE RECEIVABLES

### 12.1. Group information

Trade receivables consist of the following:

### 31 March

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
Trade receivables, gross	99,081	108,645
Less, allowances for doubtful accounts	(1,583)	(1,667)
<b>Trade receivables</b>	<b>97,498</b>	<b>106,978</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 12. TRADE RECEIVABLES *(continued)*

### 12.1. Group information *(continued)*

#### *Credit risk:*

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.

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

#### **31 March**

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
Current and past due within 3 months	95,946	105,688
3 to 6 months	1,954	1,495
6 to 12 months	669	983
Over 12 months	512	479
<b>Trade receivables, gross</b>	<b>99,081</b>	<b>108,645</b>

Movement of the Group's provision for impairment on trade receivables are as follows:

#### **31 March**

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
At beginning of the year	(1,667)	(2,781)
Provision for impairment	(572)	(704)
Reversal of impairment	546	1,890
Exchange differences	110	(72)
<b>At end of the year</b>	<b>(1,583)</b>	<b>(1,667)</b>

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

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

#### **31 March**

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
Within 3 months	671	531
3 to 6 months	291	347
6 to 12 months	109	310
Over 12 months	512	479
<b>Impaired receivables</b>	<b>1,583</b>	<b>1,667</b>

The individually impaired receivables relate to wholesalers which are in unexpectedly difficult economic situations.

## 12. TRADE RECEIVABLES *(continued)*

### 12.1. Group information *(continued)*

#### *Credit risk: (continued)*

The ageing analysis of trade receivables from due date that were past due but not impaired as of 31 March 2016 and 2015 is as follows:

#### **31 March**

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
Within 3 months	3,972	6,065
3 to 6 months	1,663	1,148
6 to 12 months	560	673
Over 12 months	—	—
<b>Trade receivables past due but not impaired</b>	<b>6,195</b>	<b>7,886</b>

These trade receivables relate to a number of customers for whom there is no recent history of default.

The Group considers that there is no recoverability risk on these past due receivables.

## 13. OTHER CURRENT ASSETS

The following table presents details of other current assets:

#### **31 March**

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
Value added tax receivable and other taxes and social items receivable	20,189	23,231
Prepaid expenses (a)	14,978	19,807
Income tax receivable (b)	6,396	5,914
Advance payments to suppliers	5,422	3,408
Other current assets	5,643	4,000
<b>Total other current assets</b>	<b>52,628</b>	<b>56,361</b>

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 14. DERIVATIVE FINANCIAL INSTRUMENTS

### Analysis of derivative financial instruments

Derivative financial instruments are analyzed as follows:

#### 31 March

*In thousands of Euros*

	2016		2015	
	<i>Assets</i>	<i>Liabilities</i>	<i>Assets</i>	<i>Liabilities</i>
Interest rate derivatives - held for trading	—	—	—	—
Foreign exchange derivatives - held for trading	468	67	1	1,215
<b>Sub-total derivative financial instruments at fair value through profit and loss</b>	<b>468</b>	<b>67</b>	<b>1</b>	<b>1,215</b>
Interest rate derivatives - cash flow hedges	—	—	—	—
Foreign exchange derivatives - cash flow hedges	—	—	—	—
<b>Sub-total derivative financial instruments designated as hedging instruments</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total derivative financial instruments</b>	<b>468</b>	<b>67</b>	<b>1</b>	<b>1,215</b>
Less non-current portion:				
– Interest rate derivatives - cash flow hedges	—	—	—	—
– Interest rate derivatives - held for trading	—	—	—	—
<b>Non current portion of derivative financial instruments</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Current portion of derivative financial instruments</b>	<b>468</b>	<b>67</b>	<b>1</b>	<b>1,215</b>

Held for trading derivatives are classified as a current asset or liability. The fair value of a derivative designated as hedging instrument is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognized in the hedging reserve in other comprehensive income on forward foreign exchange contracts designated as hedging instruments as of the end of the period will be recognized in the statement of income in the period or periods during which the hedged forecast transaction will affect the statement of income. This is generally within the 12 months from the balance sheet date.

**14. DERIVATIVE FINANCIAL INSTRUMENTS** *(continued)***Derivatives at fair value through profit and loss**

The change in fair value related to derivatives at fair value through profit and loss is as follows:

**31 March**

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
– within 'foreign currency gains/(losses)' for currency derivatives (note 24)	1,615	(1,406)
<b>Total change in the fair value of derivatives at fair value through profit and loss: gains/(losses)</b>	<b>1,615</b>	<b>(1,406)</b>

**Derivatives designated as hedging instruments**

There is no derivative designated as hedging instruments as at 31 March 2016 and 2015.

**Notional amounts of derivatives****Foreign exchange derivatives**

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

**31 March**

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
<b>Sale of currencies</b>		
JPY	9,406	12,826
CNY	3,469	4,437
AUD	2,109	2,324
USD	1,976	7,064
MXN	753	225
PLN	635	267
CZK	135	217
GBP	–	3,678

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 15. CASH AND CASH EQUIVALENTS

### 15.1. Group information

The following table presents details of cash and cash equivalents:

#### 31 March

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
Cash at bank and in hand	422,253	392,565
Cash equivalents	2,565	2,563
<b>Cash and cash equivalents</b>	<b>424,818</b>	<b>395,128</b>

Cash equivalents include highly liquid investments in short-term bank deposits.

The effective interest rates on cash at bank and in hand are as follows:

	<b>2016</b>	<b>2015</b>
Cash in Euros	Eonia Index or Euribor 3M + margin	Eonia Index or Euribor 3M + margin
Cash in USD	Libor USD index + margin	Libor USD index + margin

The effective interest rates on cash equivalents are as follows:

	<b>2016</b>	<b>2015</b>
Cash equivalents in Euros (short-term bank deposits)	Eonia Index	Eonia Index

## 16. CAPITAL AND RESERVES

L'Occitane International S.A. ("LOI") is a corporation incorporated in the Grand Duchy of Luxembourg. The authorized capital of the Company is €1,500,000,000 out of which €44,309,000 are issued as at 31 March 2016. At 31 March 2016, the Company's share capital is held by the company "L'Occitane Groupe S.A." ("LOG"), in a proportion of 69.18%.

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

### 16.1. Share capital and Additional paid-in capital

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

<i>In thousands of Euros except "Number of shares"</i>	<b>Number of shares</b>	<b>Share capital</b>	<b>Additional paid-in capital</b>
<b>Balance at 31 March 2014</b>	<b>1,476,964,891</b>	<b>44,309</b>	<b>342,851</b>
<b>Balance at 31 March 2015</b>	<b>1,476,964,891</b>	<b>44,309</b>	<b>342,851</b>
<b>Balance at 31 March 2016</b>	<b>1,476,964,891</b>	<b>44,309</b>	<b>342,851</b>

### 16.2. Treasury shares

As at 31 March 2015, the Company owned 6,655,500 own shares and the aggregate price of the purchased shares was deducted from equity as treasury shares reserve for an amount of €9,247,000.

On 21 April 2015, the Board of directors transferred 1,000,000 out of those treasury shares to a dedicated bank account for selling them to beneficiaries of share based payments.

During the fiscal year ended 31 March 2016, the Company used own treasury shares to serve the exercise by employees of 668,680 free shares for an amount of €929,000 and 264,650 stocks options for an amount of €367,000.

The exercise of stock options involved total cash inflow of €614,000. The aggregate price of the sold treasury shares was accounted from equity treasury shares reserve for an amount of €367,000.

The Company acquired 2,626,000 treasury shares for an amount of €4,017,000.

As at 31 March 2016, the Company holds 8,348,170 Shares in treasury and the aggregate price of the purchased shares was deducted from equity as treasury shares reserve for an amount of €11,969,000.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 16. CAPITAL AND RESERVES (continued)

### 16.3. Share-based payments

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

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

On 31 March 2016, the stock options and free shares plans are the following:

Plans/grants	Movements in the number of equity instruments granted						Characteristics of the plans/grants			
	At the beginning of the period/year	Granted over the period/year	Forfeited/ Canceled	Exercised	At the end of the period/year	Number of options exercisable	Contractual option term	Vesting period	Grantees	Performance conditions
<b>Stock options plan authorized on 30 September 2010 for 1.5% of the Company's issued share capital as at 30 September 2010 (a):</b>										
Granted on 4 April 2011 at an exercise price of HKD19.84	5,660,000	—	(2,727,400)	(214,650)	2,717,950	2,717,950	8 years	4 years	Middle management	Non-market performance conditions: the number of options exercisable depends on the achievement of conditions based on Group net sales and Group operating profit
Granted on 4 April 2011 at an exercise price of HKD19.84	520,000	—	(403,000)	—	117,000	117,000	8 years	4 years	Group management	Market performance conditions: the number of options exercisable depends on the change in the share price
Granted on 4 April 2011 at an exercise price of HKD19.84	1,420,000	—	—	(50,000)	1,370,000	1,370,000	8 years	4 years	Group management	No performance condition other than the service conditions.
Granted on 26 October 2012 at an exercise price of HKD23.60	2,987,180	—	(201,000)	—	2,786,180	—	8 years	4 years	Group & Middle management	No performance condition other than the service conditions.
Granted on 28 November 2012 at an exercise price of HKD24.47	1,249,169	—	(277,211)	—	971,958	—	8 years	4 years	Group & Middle management	No performance condition other than the service conditions.
<b>Stock options plan authorized on 25 September 2013 for 1.5% of the Company's issued share capital as at 25 September 2013 (b):</b>										
Granted on 4 December 2013 at an exercise price of HKD17.62	10,942,500	—	(889,500)	—	10,053,000	—	8 years	4 years	Group & Middle management	No performance condition other than the service conditions.
Granted on 24 February 2015 at an exercise price of HKD19.22	998,600	—	—	—	998,600	—	8 years	4 years	Group & Middle management	Non-market performance conditions: the number of options exercisable depends on the achievement of conditions based on Group net sales and Group operating profit
Granted on 23 March 2016 at an exercise price of HKD14.36	—	8,850,900	—	—	8,850,900	—	8 years	4 years	Group & Middle management	No performance condition other than the service conditions.



## 16. CAPITAL AND RESERVES *(continued)*

### 16.3. Share-based payments *(continued)*

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

Plans/grants	Movements in the number of equity instruments granted					Characteristics of the plans/grants				
	At the beginning of the period/year	Granted over the period/year	Forfeited/ Canceled	Exercised	At the end of the period/year	Number of options exercisable or shares	Contractual option term	Vesting period	Grantees	Performance conditions
<b>Free share plan authorized on 30 September 2010 for 0.5% of the Company's issued share capital as at 30 September 2010 (a):</b>										
Granted on 26 October 2012	1,604,180		(120,500)		1,483,680	–	N/A	4 years	Group & Middle management	No performance condition other than the service conditions.
<b>Free share plan authorized on 25 September 2013 for 0.5% of the Company's issued share capital as at 25 September 2013 (b):</b>										
Granted on 4 December 2013	823,000	–	(68,000)	–	755,000	–	N/A	4 years	Group & Middle management	No performance condition other than the service conditions.
Granted on 24 February 2015	840,900	–	(72,600)	–	768,300	–	N/A	4 years	Group & Middle management	Non-market performance conditions: the number of options exercisable depends on the achievement of conditions based on Group net sales and Group operating profit
Granted on 23 March 2016 at an exercise price of HKD14.36	–	729,300	–	–	729,300	–	N/A	4 years	Group & Middle management	No performance condition other than the service conditions.
Granted on 23 March 2016 at an exercise price of HKD14.36	–	192,100	–	–	192,100	–	N/A	4 years	Middle management	Non-market performance conditions: the number of free shares exercisable depends on the achievement of conditions based on local net sales and local operating profit

#### **Characteristics of the above authorizations:**

- (a) The validity of the authorization was 3 years. A vesting period of 4 years as service condition is required. At each grant date, the Board may specify performance targets. The exercise price is to be determined by the Board
- (b) The validity of the authorization is 3 years. A vesting period of 4 years as service condition is required. At each grant date, the Board may specify performance targets.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 16. CAPITAL AND RESERVES (continued)

### 16.3. Share-based payments (continued)

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

The fair value of options is determined using the Black-Scholes valuation model. The significant inputs into the models and the resulting fair value of the option are the following:

Grant date	Exercise price	Fair value of a share of the Company	Inputs into the model		Annual risk-free interest rate	Expected option life	Fair value of the option
			Volatility	Dividend yield			
Grants on 4 December 2013 without market performance conditions	HKD17.62 (approximately €1.7 at the exchange rate of the grant date)	HKD17.62	25%	35% of the budgeted profit attributable to the equity owners	1%	5	€0.31
Grant on 24 February 2015 With market performance conditions	HKD19.22 (approximately €2.2 at the exchange rate of the grant date)	HKD19.22	25%	35% of the budgeted profit attributable to the equity owners	1%	5	€0.40
Grant on 31 March 2016 With market performance conditions	HKD14.36 (approximately €1.7 at the exchange rate of the grant date)	HKD14.36	25%	35% of the budgeted profit attributable to the equity owners	1%	5	€0.31

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

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

#### Accounting treatment

In accordance with IFRS 2, these share-based arrangements are accounted for as an equity-settled share based payment transaction in the consolidated financial statements of L'Occitane International S.A. Therefore, the share-based compensation expense is recognized with a corresponding effect in equity attributable to the owners of the Company as a "contribution from the parent".

On 31 March 2016, the stock options plans are as follows:

Plans/grants	Movements in the number of equity instruments granted					Characteristics of the plans/grants				
	At the beginning of the period/year	Exercised over the period/year	Forfeited	Expired	At the end of the period/year	Number of options exercisable	Contractual option term	Vesting period	Grantees	Performance conditions
<b>Plan authorized on 28 January 2010 for 730,000 stock options</b>										
Granted on July 2009 (authorized in January 2010) at an exercise price of €23.20	58,385	(47,135)			11,250	11,250	6 years	4 years	Management and middle management	None
Granted on April 2010 at an exercise price of €23.20	10,000	(10,000)				—	6 years	4 years	Management and middle management	None

## 16. CAPITAL AND RESERVES *(continued)*

### 16.3. Share-based payments *(continued)*

#### *(iii) Total share-based compensation expense*

During the period ended 31 March 2016, the share-based compensation expense recognized within the employee benefits is the following:

<i>In thousands of Euros</i>	<b>2016</b>	<b>2015</b>
LOI equity instruments	2,644	2,875
<b>Total (note 21)</b>	<b>2,644</b>	<b>2,875</b>

The total remaining share-based compensation expense to be recognized within the future employee benefits is the following:

<i>In thousands of Euros</i>	<b>2016</b>	<b>2015</b>
LOI equity instruments	6,042	5,900
<b>Total</b>	<b>6,042</b>	<b>5,900</b>

### 16.4. Distributable reserves

On 31 March 2016, the distributable reserves of L'Occitane International S.A. amounted to €452,786,314 (€438,383,831 as at 31 March 2015).

On 22 March 2016, the Board of directors decided to constitute a non-distributable reserve in the amount of €500,000 for a time period of five years.

### 16.5. Dividend per share

On 30 September 2015, the annual Shareholder's Meeting approved the distribution of €92,196,000 being €0.0631 per share (excluding 6,390,850 treasury shares) which was paid on 22 October 2015.

On 24 September 2014, the annual Shareholder's Meeting approved the distribution of €31,318,000 being €0.0213 per share (excluding 6,655,500 treasury shares) which was paid on 22 October 2014.

### 16.6. Additional paid in capital

Additional paid in capital includes:

- The additional paid in capital recognized in the statutory financial statements;
- The effect of valuing, at market value, the shares issued in exchange of acquisitions;
- The difference between the carrying amount net of tax and the nominal amount of the compound financial instruments converted to equity on 26 February 2007.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 17. BORROWINGS

Group information:

Borrowings include the following items:

### 31 March

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
FY 2015 Revolving facility	69,513	88,417
FY 2011 Revolving facility	—	—
FY 2012 bank borrowing	7,855	8,574
Other bank borrowings	38	70
Finance lease liabilities	11,359	13,018
Current accounts with minority shareholders and related parties	113	97
Bank overdrafts	—	—
<b>Total</b>	<b>88,878</b>	<b>110,176</b>

Less, current portion:

– FY 2015 Revolving facility	(108)	(111)
– FY 2011 Revolving facility	—	—
– FY 2012 bank borrowing	(712)	(716)
– Other bank borrowings	(34)	(70)
– Finance lease liabilities	(1,642)	(1,905)
– Current accounts with minority shareholders and related parties	0	(1)
– Bank overdrafts	—	—

<b>Total current</b>	<b>(2,496)</b>	<b>(2,803)</b>
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<b>Total non-current</b>	<b>86,382</b>	<b>107,373</b>
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Company information:

Borrowings include the following items:

### 31 March

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
FY2015 Revolving facilities	69,513	88,417
FY 2011 Revolving facility	—	—
<b>Total</b>	<b>69,513</b>	<b>88,417</b>

Less, current portion:

FY2015 Revolving facilities	(108)	(111)
FY 2011 Revolving facility	—	—

<b>Total current</b>	<b>(108)</b>	<b>(111)</b>
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<b>Total non-current</b>	<b>69,405</b>	<b>88,306</b>
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## 17. BORROWINGS *(continued)*

### 17.1. Maturity of non-current borrowings

For the year ended 31 March 2016 and 2015, maturity of non-current borrowings, can be broken down as follows:

<i>In thousands of Euros</i>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>	<b>Total non-current</b>
FY 2015 Revolving facility	69,405	—	—	69,405
FY 2012 bank borrowing	714	2,143	4,286	7,143
Other bank borrowings	4	—	—	4
Current account with minority interests	113	—	—	113
Finance lease liabilities	1,649	3,801	4,267	9,717
<b>Maturity on 31 March 2016</b>	<b>71,885</b>	<b>5,944</b>	<b>8,553</b>	<b>86,382</b>
FY 2015 Revolving facility	88,306	—	—	88,306
FY 2012 bank borrowing	716	2,141	5,000	7,858
Current account with minority interests	96	—	—	96
Finance lease liabilities	1,563	4,157	5,393	11,113
<b>Maturity on 31 March 2015</b>	<b>90,681</b>	<b>6,298</b>	<b>10,393</b>	<b>107,373</b>

### 17.2. Credit facilities agreements

On 18 July 2014, the Company signed a multi-currency revolving facility agreement for an amount of €400 million with a 5 years maturity plus an option of extension for 2 additional years. An amount of €69,405,000 was drawn as at 31 March 2016.

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

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

The leverage financial ratio is to be lower than 3.5. It will be calculated on an annual basis. The ratio will be calculated for the second time with the annual consolidated financial statements as at 31 March 2016.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 17. BORROWINGS *(continued)*

### 17.2. Credit facilities agreements *(continued)*

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

<b>Leverage financial ratio</b>	<b>Repricing</b>
Ratio higher than 2.5	Euribor 3M + Margin
Ratio being comprised between 2.0 and 2.5	Euribor 3M + Margin - 0.2
Ratio being comprised between 1.5 and 2.0	Euribor 3M + Margin - 0.35
Ratio being comprised between 1 and 1.5	Euribor 3M + Margin - 0.50
Ratio being comprised between 0.5 and 1	Euribor 3M + Margin - 0.60
Ratio lower than 0.5	Euribor 3M + Margin - 0.70

As at 31, March 2016, the ratio was lower than 0.5 and the interest rate is based on Euribor 3M + Margin - 0.70.

#### ***FY 2012 bank borrowing***

On 20 June 2011, the Group signed a new bank borrowing agreement for an amount of €10.0 million with a 15 years maturity and that can be drawn only by Laboratoires M&L (formerly known as L'Occitane S.A.). As at 31 March 2014, the bank borrowing was totally drawn (€10,000,000 as at 31 March 2013). Three repayments occurred in December 2013, December 2014 and December 2015 for an amount of €714,000 each. New balance of the FY 2012 bank borrowing as at 31 March 2016 is €7,858,000.

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 logistic platform in Manosque, France (note 29.3).

### 17.3. Current accounts with non-controlling interests

Current accounts with non-controlling interests:

#### **31 March**

<i>In thousands of Euros</i>	<b>Minority shareholder</b>	<b>2016</b>	<b>2015</b>
L'Occitane Nordic AB	Johan Nilsson	113	97
<b>Total current accounts</b>		<b>113</b>	<b>97</b>

## 17. BORROWINGS *(continued)*

### 17.4. Finance lease liabilities

Finance lease liabilities outstanding are analyzed as follows:

#### 31 March

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
Within one year	1,784	2,082
One to two years	1,773	1,718
Two to three years	1,677	1,679
Three to four years	1,195	1,626
Four to five years	1,191	1,187
Thereafter	4,395	5,606
<b>Total future minimum lease payments</b>	<b>12,014</b>	<b>13,898</b>
Less, amount representing interest	(655)	(880)
<b>Present value of finance lease liabilities</b>	<b>11,359</b>	<b>13,018</b>
Less, current portion of finance lease liabilities	(1,642)	(1,905)
<b>Non-current portion of finance lease liabilities</b>	<b>9,717</b>	<b>11,113</b>

The main finance lease liability relates to the 2010 finance lease agreement in connection with (i) the acquisition of the existing land and building of Melvita for an amount of €4,934,000 and (ii) the extension and restructuring of the plant for an amount of €9,066,000. The lease term of the finance lease is 15 years and the interest rate is based on Euribor 3M (Euribor 3M + Margin for a part of the finance lease amounting to €9,334,000; Euribor 3M + Margin for a part of the finance lease amounting to €4,666,000). On 9 September 2011, the Company signed an additional clause to increase by €2,700,000 the total amount of the finance lease with the same conditions.

### 17.5. Effective interest rates

The effective interest rates at the balance sheet date were as follows:

	<b>2016</b>	<b>2015</b>
FY 2015 bank borrowing	Euribor 3M + Margin	Euribor 3M + Margin
FY 2012 bank borrowing	Euribor 3M + Margin	Euribor 3M + Margin
FY 2011 Revolving facility	Euribor 3M + Margin	Euribor 3M + Margin
Other borrowings	Mainly Euribor 3M + Margin	Mainly Euribor 3M + Margin
Bank overdrafts	Mainly Euribor 3M + Margin	Mainly Euribor 3M + Margin
Finance lease liabilities	Mainly Euribor 3M + Margin	Mainly Euribor 3M + Margin

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 17. BORROWINGS *(continued)*

### 17.6. Borrowing facilities

The Group has the following undrawn borrowing facilities:

#### 31 March

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
<b>Floating rate:</b>		
– Expiring within one year	–	–
– Expiring beyond one year	330,595	311,694
<b>Fixed rate:</b>		
– Expiring within one year	–	–
– Expiring beyond one year	–	–
<b>Total</b>	<b>330,595</b>	<b>311,694</b>

## 18. OTHER CURRENT AND NON-CURRENT LIABILITIES

Other current and non-current liabilities include the following:

#### 31 March

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
Retirement indemnities	9,071	9,559
Long term employment benefits	540	457
Liabilities linked to operating leases (a)	14,248	12,305
Provisions for dismantling and restoring	5,609	4,693
Grants to a foundation	–	75
<b>Total non current liabilities</b>	<b>29,468</b>	<b>27,089</b>
Grants to a foundation	75	75
Deferred revenue (b)	15,809	11,002
Deferred payment relating to the acquisition of a subsidiary (note 5.2)	–	681
Liabilities linked to purchase of available-for-sales financial assets (c)	1,880	–
<b>Total current liabilities</b>	<b>17,764</b>	<b>11,758</b>

- (a) The liabilities linked to operating leases are related to (i) the impact of recognizing the lease payment as an expense on a straight-line basis (note 2.25); and (ii) incentives received from the lessors at the inception of the lease, which are recognized pro-rata over the lease term (note 2.25).
- (b) Deferred revenue is related to (i) sales for which the transfer of ownership and related risks has not occurred at year-end; and (ii) the fair value of the consideration received allocated to the award credits granted in case of loyalty program.
- (c) Liabilities linked to purchase of available for sales financial assets is related to the acquisition of a stake in “MyGlamm” company.



## 18. OTHER CURRENT AND NON-CURRENT LIABILITIES *(continued)*

### 18.1. Provision for retirement indemnities

Subsidiaries of the Group generally contribute to the national pension system, which is a defined contribution obligation. The expense recognized in connection with those defined contribution plans is classified in "social security" in the "employee benefits" (note 21).

In addition to these defined contribution plans, a defined benefit plan exist in France. A lump-sum payment is made on the date the employee reaches retirement age, such award being determined for each individual based upon factors such as years of service provided and projected final salary. There are no plan assets.

Amounts recognized in the balance sheet and in the statement of income

The amounts recognized in the balance sheet are determined as follows:

#### 31 March

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
Present value of unfunded obligations	9,071	9,559
<b>Liability in the balance sheet</b>	<b>9,071</b>	<b>9,559</b>

The movement in the defined benefit obligation over the year is as follows:

#### 31 March

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
Beginning of the year	9,559	6,573
Current service cost	1,302	739
Past service cost	(55)	(206)
Interest cost	101	149
Actuarial (gains)/losses (note 25.5)	(1,630)	2,128
Exchange differences	(105)	227
Benefits paid	(101)	(51)
<b>End of year</b>	<b>9,071</b>	<b>9,559</b>

The amounts recognized in the income statement are as follows:

#### 31 March

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
Current service cost	1,302	739
Past service cost	(55)	(206)
Interest cost	101	149
<b>Total included in employee benefit expenses (note 21)</b>	<b>1,348</b>	<b>682</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 18. OTHER CURRENT AND NON-CURRENT LIABILITIES *(continued)*

### 18.1. Provision for retirement indemnities *(continued)*

#### *Main assumptions*

The principal actuarial assumptions used were as follows:

#### **31 March**

<i>In percentage</i>	<b>2016</b>	<b>2015</b>
Discount rate	1.65	1.25
Inflation rate	2.00	2.00
Future salary increases	3.00	3.00
Retirement age (in number of years)	62-64	62-64

The discount rate is set with reference to corporate bond yield: iBoxx Euro zone AA rated corporate bonds + 10 years.

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory. Mortality assumptions for France (the most important country) are based on the following table: Insee TD/TV 2009-11.

Assumptions regarding headcount turnover is based on historical statistics experienced by the French subsidiaries over the past years.

The sensitivity of the overall pension liability to changes in the principal assumptions is not material: an increase/decrease by 0.25% in the discount rate would result in an increase/decrease by €364,000 in the defined benefit obligation.

### 18.2. Provision for dismantling and restoring

As at 31 March 2016, provisions for dismantling and restoring costs are as follows:

<i>In thousands of Euros</i>	<b>31 March 2015</b>	Charged/(credited) to the statement of income (note 27.4)			Provisions recorded as a component of tangible fixed assets	Exchange differences	<b>31 March 2016</b>
		Provisions recorded in the statement of income	Unused amounts reversed	Used during the year			
Provisions recorded over the length of the lease	1,545	779	(5)	(117)	–	(87)	2,115
Provisions recorded at the inception of the lease	3,148	–	–	(57)	400	3	3,494
<b>Total</b>	<b>4,693</b>	<b>779</b>	<b>(5)</b>	<b>(174)</b>	<b>400</b>	<b>(84)</b>	<b>5,609</b>

## 19. TRADE PAYABLES

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

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

### 31 March

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
Current and past due within 3 months	91,294	89,216
Past due from 3 to 6 months	40	797
Past due from 6 to 12 months	681	212
Past due over 12 months	7	442
<b>Trade payables</b>	<b>92,022</b>	<b>90,667</b>

## 20. PROVISIONS

As at 31 March 2016 provisions can be analyzed as follows:

<i>In thousands of Euros</i>	31 March 2015	Charged/(credited) to the income statement (note 27.4)					31 March 2016
		Additional provisions	Unused amounts reversed	Used during the year	Reclassification	Exchange differences	
Social litigations (a)	949	1,328	(168)	(164)	609	(95)	2,459
Commercial claims (b)	476	235	–	(3)	(36)	(22)	650
Provision for returned goods	1,228	1,091	–	(583)	2	(60)	1,678
Onerous contracts (c)	1,725	6,567	(208)	(1,105)	53	(250)	6,782
Tax risks (d)	10,888	6,643	(186)	(8,837)	(628)	(223)	7,657
<b>Total</b>	<b>15,266</b>	<b>15,864</b>	<b>(562)</b>	<b>(10,692)</b>	<b>–</b>	<b>(650)</b>	<b>19,226</b>

- (a) Social litigations relate mainly to litigations with employees in relation to staff benefits or potential claims from social security administrations authorities.
- (b) Commercial claims relate mainly to claims from distributors.
- (c) Onerous contracts relate to operating lease contracts for certain stores where the unavoidable costs of meeting the obligations under the lease agreement exceed the economic benefits expected to be received from it. The increase is mainly related to few stores whose lease terms are after 2020.
- (d) See note 28.2

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 21. EXPENSES BY NATURE

### Expenses by nature

Expenses by nature include the following amounts:

#### 31 March

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
Employee benefit expenses (a)	358,495	328,365
Rent and occupancy (b)	233,283	214,395
Raw materials and consumables used	81,679	97,909
Change in inventories of finished goods and work in progress	21,189	(2,295)
Advertising costs (c)	125,196	106,207
Professional fees (d)	76,081	64,657
Depreciation, amortization and impairment (note 27.3)	61,384	62,211
Transportation expenses	54,129	53,944
Auditor's remuneration (e)	1,608	1,242
Other expenses	99,837	86,800
<b>Total cost of sales, distribution expenses, marketing expenses, research and development expenses and general and administrative expenses</b>	<b>1,112,881</b>	<b>1,013,436</b>

- (a) Employee benefits include wages, salaries, bonus, share-based payments, social security, post employment benefits and the cost of the temporary staff.
- (b) Rent and occupancy include the minimum lease payments for operating leases, contingent rents (variable rents based on sales) and other charges related to these leases.
- (c) Advertising costs also include all distribution and marketing promotional goods given for free to customers without any obligation to purchase products.
- (d) Professional fees include mainly payments made to warehouse management companies, marketing agencies and lawyers.
- (e) Auditor's remuneration relates to audit services for €967,461 (€950,000 for the fiscal year ended 31 March 2015) and audit related services for €240,000 (€292,000 for the fiscal year ended 31 March 2015).

**21. EXPENSES BY NATURE** *(continued)***Employee benefits**

Employee benefits include the following amounts:

**31 March**

<i>In thousands of Euros</i>	<b>2016</b>	<b>2015</b>
Wages, salaries and bonus	289,731	265,400
Share-based payments (note 16.3)	2,644	2,875
Social security	63,930	57,172
Post employment benefits (note 18.1)	1,348	682
Others	842	2,237
<b>Total employee benefits</b>	<b>358,495</b>	<b>328,365</b>
<b>Workforce (full time equivalent)</b>	<b>8,371</b>	<b>8,050</b>

Wages, salaries and bonus include the cost of temporary staff.

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

**22. OTHER (LOSSES) - NET**

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

**31 March**

<i>In thousands of Euros</i>	<b>2016</b>	<b>2015</b>
Profit/(loss) on sale of assets (note 27.2)	135	(1,641)
Other (losses)/gains	(18)	—
Profit sharing adjustment relating to the French tax audit (note 28.2)	(3,010)	—
Government grants	1,156	1,357
<b>Other (losses) - net</b>	<b>(1,737)</b>	<b>(284)</b>

The "other (losses) - net" correspond to the adjustments on prior years results that are individually not significant.

The government grants correspond to grants on research and development costs and on employee profit sharing scheme.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 23. FINANCE COSTS, NET

Finance costs, net consist of the following:

### 31 March

<i>In thousands of Euros</i>	<b>2016</b>	<b>2015</b>
Interest on cash and cash equivalents	2,991	2,336
<b>Finance income</b>	<b>2,991</b>	<b>2,336</b>
Interest expense on:		
– Interest expenses	(2,229)	(2,049)
– Late interests relating to the French tax audit (note 28.2)	(2,549)	–
– Finance lease	(155)	(220)
– Unwinding of discount on financial liabilities (note 6.3)	(756)	(552)
– Depreciation of cash balance at the SB Bank, Russia (note 15.1)	–	(4,093)
<b>Finance costs</b>	<b>(5,689)</b>	<b>(6,914)</b>
<b>Finance costs, net</b>	<b>(2,698)</b>	<b>(4,578)</b>

The interest expense on other borrowings is related to FY 2012 bank borrowings, other bank borrowings, current account with non-controlling interests and related parties (excluding financing from parent) and bank overdrafts.

## 24. FOREIGN CURRENCY (LOSSES)/GAINS

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

### 31 March

<i>In thousands of Euros</i>	<b>2016</b>	<b>2015</b>
Foreign exchange (losses)/gains differences	(8,564)	10,302
Fair value gains on derivatives (note 14)	1,615	(1,406)
<b>Foreign currency (losses)/gains</b>	<b>(6,949)</b>	<b>8,896</b>

Foreign exchange differences mainly correspond to:

- Unrealized net foreign exchange losses: €(9,212,000) (gains of €3,200,000 for the fiscal year ended 31 March 2015);
- Realized net foreign exchange gains: €2,263,000 (gains of €5,700,000 for fiscal year ended March 31, 2015).

## 25. INCOME TAX EXPENSE

### 25.1. Income tax expense

The components of income tax expense are as follows:

#### 31 March

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
Current income tax	(50,783)	(48,387)
Deferred income tax	5,966	5,505
<b>Total tax income expense</b>	<b>(44,817)</b>	<b>(42,882)</b>

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

#### 31 March

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
Profit before tax and share of loss from joint ventures accounted for using the equity method	158,411	168,474
Income tax calculated at corporate tax rate ( <i>Luxembourg tax rate of 29.22% as at 31 March 2016 and 31 March 2015</i> )	(46,288)	(49,228)
Effect of different tax rates in foreign countries	13,145	20,724
Effect of unrecognized tax assets	(746)	(3,093)
Expenses not deductible for taxation purposes	(929)	(1,509)
Tax reassessment (note 28.2)	(9,121)	(8,000)
Effect of unremitted tax earnings	(1,384)	(1,375)
Recognition of previously unrecognised tax assets	747	—
Minimum tax payments	(242)	(401)
<b>Income tax expense</b>	<b>(44,817)</b>	<b>(42,882)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 25. INCOME TAX EXPENSE *(continued)*

### 25.2. Components of deferred income tax assets and liabilities

#### *Nature of deferred income tax assets and liabilities*

The components of the net deferred income tax assets recorded on 31 March 2016 and 2015 are:

<i>In thousands of Euros</i>	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Tax losses carried forward	10,215	11,812
Intercompany margin in inventory	21,203	22,874
Excess tax basis over carrying amount of tangible fixed assets	19,445	17,649
Employee benefits	6,191	5,556
Promotional goods expensed	3,039	2,762
Inventory valuation	4,231	4,216
Rent on operating leases recognized on a straight-line basis	2,883	2,558
Loyalty programs	1,737	1,649
Provision for charges and other liabilities (onerous contracts, litigations)	2,803	584
Derivative financial instruments	—	234
New tax regulation	642	651
Other temporary differences	6,210	6,614
<b>Total assets</b>	<b>78,599</b>	<b>77,159</b>
<i>To be recovered after more than 12 months</i>	<i>40,008</i>	<i>41,105</i>
<i>To be recovered within 12 months</i>	<i>38,591</i>	<i>36,054</i>
<b>LIABILITIES</b>		
Identified intangible assets in business combinations	(4,759)	(5,960)
Income tax on unremitted earnings (note 25.4)	(6,144)	(5,850)
Excess carrying amount over tax basis of tangible fixed assets	(268)	(326)
Derivative financial instruments	(466)	(411)
Other temporary differences	(193)	(640)
<b>Total liabilities</b>	<b>(11,830)</b>	<b>(13,187)</b>
<i>To be recovered after more than 12 months</i>	<i>(6,610)</i>	<i>(6,261)</i>
<i>To be recovered within 12 months</i>	<i>(5,220)</i>	<i>(6,926)</i>
<b>Deferred income tax, net</b>	<b>66,769</b>	<b>63,972</b>
<i>Deferred income tax assets</i>	<i>71,189</i>	<i>68,702</i>
<i>Deferred income tax liabilities</i>	<i>(4,420)</i>	<i>(4,730)</i>

#### *Recognition of deferred income tax assets*

Deferred income tax assets are recognized to the extent that the realization of the related benefit through the future taxable profits is probable.

On 31 March 2016, the Group had tax losses of €60,157,000 to be carried over, generating a potential deferred income tax asset of €17,696,000. On 31 March 2015, these figures were €62,583,000 and €19,496,000 respectively.

The deferred income tax assets that were not recognized on 31 March 2016, amount to €7,482,000 (€7,684,000 on 31 March 2015).



## 25. INCOME TAX EXPENSE *(continued)*

### 25.3. Movements in deferred tax assets and liabilities, net

The movement in deferred tax assets and liabilities, net during the year is as follows:

#### 31 March

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
At the beginning of the year	63,972	54,042
(Charged)/credited to income (note 25.1)	5,966	5,505
(Charged)/credited to equity (note 25.5)	(456)	733
Acquisition of subsidiary (note 6)	—	105
Exchange differences	(2,713)	3,587
<b>At the end of the year</b>	<b>66,769</b>	<b>63,972</b>

As at 31 March 2016, the deferred income tax (charged)/credited to equity related to:

- The effective portion of change in the fair value of derivatives designated as hedging instruments that were recognized in other comprehensive income (note 14): nil (nil as at 31 March 2015);
- The actuarial (gains)/losses on defined benefit obligation: €(549,000) (€733,000 as at 31 March 2015).

### 25.4. Income tax on unremitted earnings

Deferred income taxes on the unremitted earnings of the Group's foreign subsidiaries and associates are provided for unless the Group intends to indefinitely reinvest the earnings in the subsidiaries. The Group does intend to indefinitely reinvest unremitted earnings of its foreign subsidiaries in most jurisdictions.

For certain subsidiaries that the Group does not intend to indefinitely reinvest unremitted earnings of these foreign jurisdictions, the corresponding distribution of earnings may trigger taxes. Therefore, the Group provides for deferred income taxes on these earnings where distribution would trigger taxes. The corresponding deferred tax liability amounts to €6,144,000 on 31 March 2016 and €5,850,000 on 31 March 2015.

### 25.5. Income tax on components of other comprehensive income

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

<i>In thousands of euros</i>	<b>31 March 2016</b>			<b>31 March 2015</b>		
	<b>Before tax</b>	<b>Tax (charge)/ credit</b>	<b>After tax</b>	<b>Before tax</b>	<b>Tax (charge)/ credit</b>	<b>After tax</b>
Actuarial gains/(losses) on defined benefit obligation (18.1)	1,626	(549)	1,077	(2,128)	733	(1,395)
Currency translation differences	(20,782)	93	(20,689)	4,826	—	4,826
<b>Other comprehensive income</b>	<b>(19,156)</b>	<b>(456)</b>	<b>(19,612)</b>	<b>2,698</b>	<b>733</b>	<b>3,431</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 26. EARNINGS PER SHARE

The Group applies the rules governing earnings per share as described in note 2.29 above.

### 26.1. Basic

Basic earnings per share are calculated by dividing the profit attributable to equity owners of the Company by the weighted average number of ordinary shares in issue during the year.

<b>31 March</b>	<b>2016</b>	<b>2015</b>
<b>Profit for the year attributable to equity holders of the Company</b> <b>(in thousands of Euros)</b>	<b>110,343</b>	<b>122,382</b>
Weighted average number of ordinary shares in issue (a)	1,468,616,721	1,470,309,391
<b>Basic earnings per share (in € per share)</b>	<b>0.075</b>	<b>0.083</b>

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

### 26.2. Diluted

The Group has two categories of dilutive potential ordinary shares: share options and free shares. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	<b>2016</b>	<b>2015</b>
<b>Profit for the year attributable to equity holders of the Company</b> <b>(in thousands of Euros)</b>	<b>110,343</b>	<b>122,382</b>
Weighted average number of ordinary shares in issue (a)	1,468,616,721	1,470,309,391
Adjustments for:		
– Share options	—	—
– Free shares	2,242,395	1,577,291
<b>Weighted average number of ordinary shares</b> <b>for diluted earnings per share in issue</b>	<b>1,470,859,116</b>	<b>1,471,886,682</b>
<b>Diluted earnings per share (in € per share)</b>	<b>0.075</b>	<b>0.083</b>

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

## 27. SUPPLEMENTAL DISCLOSURE ON CASH FLOW INFORMATION

### 27.1. Cash paid for interest and income taxes

Cash paid for interest and income taxes are as follows:

#### 31 March

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
Cash paid for:		
– Interest net	1,942	(67)
– Income taxes	45,578	42,025

### 27.2. Proceeds from sale of assets

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

<b>31 March</b>	<b>2016</b>			<b>2015</b>		
<i>In thousands of Euros</i>	<b>Intangible assets</b>	<b>Property, plant and equipment</b>	<b>Total</b>	<b>Intangible assets</b>	<b>Property, plant and equipment</b>	<b>Total</b>
Disposals - Cost	2,550	20,404	22,954	666	19,457	20,123
Disposals - Accumulated depreciation and amortization	(1,939)	(19,833)	(21,772)	(511)	(16,505)	(17,016)
<b>Net book value (note 7 and 9)</b>	<b>611</b>	<b>571</b>	<b>1,182</b>	<b>155</b>	<b>2,952</b>	<b>3,107</b>
Profit/(loss) on sale of assets (note 22)	631	(496)	135	183	(1,824)	(1,641)
<b>Proceeds from sale of assets</b>	<b>1,242</b>	<b>75</b>	<b>1,317</b>	<b>338</b>	<b>1,128</b>	<b>1,466</b>

The profit/(loss) on sale of assets is presented in the line "Other (losses)/gains – net" in the consolidated statement of income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 27. SUPPLEMENTAL DISCLOSURE ON CASH FLOW INFORMATION *(continued)*

### 27.3. Depreciation, amortization and impairment

Depreciation, amortization and impairment include the following:

#### 31 March

<i>In thousands of Euros</i>	<i>Notes</i>	<b>2016</b>	<b>2015</b>
Depreciation of property, plant and equipment	(7.3)	50,681	47,651
Impairment charge/(reversal) on property, plant and equipment, net	(7.4)	(436)	2,746
Amortization of intangible assets	(9.3)	11,139	11,789
Impairment charge on intangible assets, net	(9.4)	—	25
<b>Depreciation, amortization and impairment, net</b>		<b>61,384</b>	<b>62,211</b>

### 27.4. Net movement in provisions

In the statement of cash flows, net movement in provisions recorded in the statement of income comprises the following:

#### 31 March

<i>In thousands of Euros</i>	<i>Notes</i>	<b>2016</b>	<b>2015</b>
Social litigations	(20)	996	(367)
Commercial claims	(20)	232	(597)
Provision for returned goods	(20)	508	586
Onerous contracts	(20)	5,254	1,209
Tax risks	(20)	(2,380)	9,389
Dismantling and restoring	(18.2)	600	(363)
Retirement indemnities	(18.1)	1,229	631
<b>Net movement in provisions</b>		<b>6,439</b>	<b>10,488</b>

### 27.5. Acquisition of fixed assets under finance lease

On 31 March 2016, no amount was drawn in connection with finance lease agreements (nil on 31 March 2015).

### 27.6. Other non cash items

The Group has granted share-based payments that are described in the note 16.3.

## 27. SUPPLEMENTAL DISCLOSURE ON CASH FLOW INFORMATION *(continued)*

### 27.7. Effects of the exchange rate changes on the net (decrease)/increase in cash and cash equivalents

The effects of exchange rate changes as stated in the consolidated statement of cash flows include the following:

- The translation at the closing exchange rate of foreign currency cash and cash equivalents;
- The exchange rate effect of the movement in foreign currency cash and cash equivalents from the average exchange rate to the closing exchange rate;
- The exchange movements on intra-group transactions not settled at year-end.

### 27.8. Cash flows reported on a net basis

In accordance with IAS 7.23, proceeds from and repayments of borrowings in which the turnover is quick, the amounts are large, and the maturities are short are reported on a net basis in the consolidated statement of cash flows.

## 28. CONTINGENCIES

### 28.1. Legal proceedings

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

### 28.2. Tax risks

#### *France*

In July 2012, the French tax authorities ("FTA") started an audit of the tax returns filed by Laboratoires M&L S.A. ("M&L"), formerly known as L'Occitane S.A. in France, a subsidiary of the Company, for the three financial years ended in 31 March 2009, 2010 and 2011. The FTA questioned the level of intercompany transactions. After consulting its tax advisors, the Company made a provision of €8,000,000 tax liabilities for the financial year ended 31 March 2015. On 30 November 2015, the FTA and M&L reached a €10,500,000 settlement for years ended in 31 March 2009, 2010 and 2011. The amount was paid in January 2016.

The difference between amount paid and the provision (€2,500,000) is recognised as income tax expense in the financial year ended 31 March 2016.

Furthermore, in June 2015, the FTA started another audit of the tax returns filed by M&L for the three financial years ended in 31 March 2012, 2013 and 2014. As mentioned in the interim report for the six months ended 30 September 2015, the Company could not assess any reliable estimate for the risk related to those fiscal years and no provision had been recorded in the previous annual and interim financial statements. In April 2016, the FTA and M&L reached an agreement on the level of intercompany transactions with approximately €6,600,000 of additional income tax and other taxes for the fiscal years ended in 31 March 2012 and 2013 and a tax relief for year ended in March 2014. The €6,600,000 has been provided for as "income tax expense" and "current income tax liability" as at 31 March 2016.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 28. CONTINGENCIES *(continued)*

### 28.2. Tax risks *(continued)*

#### *France (continued)*

In accordance with the related French law, a tax re-assessment triggers a re-assessment of the Company's legal profit sharing with its employees in France. Accordingly, the Company records additional profit sharing plus social charges of €3,000,000 as "other losses" in the operating profit as at 31 March 2016. The additional profit sharing will be paid out during the financial year ending 31 March 2017.

In relation to the aforementioned tax and profit sharing re-assessments, M&L also recognises late payment interests of €2,500,000 million as "finance costs" as at 31 March 2016.

In summary, the total financial impact of the one-off items listed above for year ended 31 March 2016 is €14,600,000, with €3,000,000 on operating expenses, €2,500,000 on finance costs and €9,100,000 on income tax expenses.

The FTA are about to start the audit of the tax return filed by M&L for the year ended in 31 March 2015. After consulting its tax advisors, the Company has assessed the potential tax risk for the years ended in 31 March 2015 and 2016 and concluded there is no need to record any provision in the year ended 31 March 2016.

#### *United States*

In November 2015, the US tax authorities started an audit of the tax returns filed by L'Occitane Inc. for the year ended in 31 March 2014. At the present time, L'Occitane Inc. received an information document request for the years ended in March 2013 and March 2014. The probability and moreover the amount of an obligation cannot be reliably assessed. Consequently, no provision has been recorded.

Due to the uncertainty associated with tax audits, it is possible that at some future date, liabilities resulting from such tax audits or related litigation could vary significantly from the Group's provisions.

### 28.3. Other contingent liabilities

The Group has contingent liabilities in respect of bank, other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities. All guarantees given by the Group are described in note 28.

## 29. COMMITMENTS

### 29.1. Capital and other expenditure commitments

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

<i>In thousands of Euros</i>	<b>31 March 2016</b>	<b>31 March 2015</b>
Property, plant and equipment	3,508	10,202
Intangible assets	446	1,213
Raw materials	1,936	2,354
<b>Total</b>	<b>5,890</b>	<b>13,769</b>

The amounts as of 31 March 2016 and 2015 are mainly related to the plants in France.

### 29.2. Lease commitments

The Group leases various retail stores, offices and warehouses under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses, free-rents period and renewal rights. The lease expenditure charged to the statement of income is disclosed in note 21.

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

<i>In thousands of Euros</i>	<b>31 March 2016</b>	<b>31 March 2015</b>
Within one year	106,754	111,594
One to two years	90,992	92,109
Two to three years	70,828	76,436
Three to four years	54,043	58,593
Four to five years	42,349	46,478
Subsequent years	107,796	124,125
<b>Total</b>	<b>472,762</b>	<b>509,334</b>

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

The decrease in lease commitments relates to the net impact of (i) the effect of changes in exchange rates and (ii) the lease agreements renewals during the period ended 31 March 2016.

### 29.3. Other commitments

<i>In thousands of Euros</i>	<b>31 March 2016</b>	<b>31 March 2015</b>
Pledge of land and building (a)	7,855	8,574
<b>Total</b>	<b>7,855</b>	<b>8,574</b>

(a) As at 31 March 2016, the pledge of land and building corresponds to the FY 2012 bank borrowing (see note 17).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 30. TRANSACTIONS WITH RELATED PARTIES

The following transactions were carried out with related parties:

### 30.1. Key management compensation

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

#### *Director's emoluments*

Directors are the Board members. Directors' emoluments expensed during the periods are analysed as follows:

<b>31 March 2016</b>	<b>Salaries and other benefits kind</b>	<b>Bonus</b>	<b>Directors fees</b>	<b>Share- based payments (c)</b>	<b>Services</b>	<b>Total</b>
<i>In thousands of Euros</i>						
<b>Executive directors</b>						
Reinold Geiger (a)	—	145	100	33	672	950
André Hoffmann	450	161	—	33	—	644
Domenico Trizio	453	257	—	54	—	764
Thomas Levillion	379	184	—	51	—	614
Karl Guénard	93	49	—	13	—	154
Nicolas Veto (b)	291	88	—	21	—	401
<b>Non executive director</b>						
Martial Lopez	—	—	—	—	—	—
<b>Independent Non executive directors</b>						
Mark Broadley	—	—	46	—	—	46
Pierre Millet	—	—	30	—	—	30
Valérie Bernis	—	—	30	—	—	30
Jackson Ng	—	—	41	—	—	41
<b>Total</b>	<b>1,665</b>	<b>885</b>	<b>247</b>	<b>204</b>	<b>672</b>	<b>3,673</b>

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

(b) Nicolas Veto resigned on 26 February 2016.

(c) 1,236,800 stock options were granted to the Directors during the financial year ended 31 March 2016.



**30. TRANSACTIONS WITH RELATED PARTIES** *(continued)***30.1. Key management compensation** *(continued)**Director's emoluments (continued)*

<b>31 March 2015</b>	<b>Salaries and other benefits kind</b>	<b>Bonus</b>	<b>Directors fees</b>	<b>Share- based payments (d)</b>	<b>Services</b>	<b>Total</b>
<i>In thousands of Euros</i>						
<b>Executive directors</b>						
Reinold Geiger (a)	—	125	100	31	672	928
Emmanuel Osti (b)	206	36	8	—	—	250
André Hoffmann	451	154	—	31	—	637
Domenico Trizio	405	112	—	166	—	683
Thomas Levillion	336	93	—	38	—	467
Karl Guénard	93	57	—	3	—	153
Nicolas Veto (c)	155	25	—	7	—	187
<b>Non executive director</b>						
Martial Lopez	—	—	—	—	—	—
<b>Independent Non executive directors</b>						
Mark Broadley	—	—	42	4	—	46
Pierre Millet	—	—	30	—	—	30
Valérie Bernis	—	—	30	—	—	30
Jackson Ng	—	—	37	4	—	41
<b>Total</b>	<b>1,646</b>	<b>602</b>	<b>247</b>	<b>284</b>	<b>672</b>	<b>3,452</b>

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

(b) On 7 January 2015, Emmanuel Osti resigned as executive director.

(c) On 24 September 2014, the general shareholders meeting approved the appointment of Nicolas Veto.

(d) 298,800 stock options were granted to the Directors during the financial year ended 31 March 2015.

Other than the types of emoluments described above, none of the Directors received any other form of compensation during the relevant periods. There was no arrangement under which a director has waived or agreed to waive any emolument.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 30. TRANSACTIONS WITH RELATED PARTIES *(continued)*

### 30.1. Key management compensation *(continued)*

#### *Five highest paid individuals*

The five highest paid individuals are as follows:

#### **31 March**

<i>In thousands of Euros</i>	<b>2016</b>	<b>2015</b>
Salaries and other benefits in kind	1,935	1,768
Bonus	827	739
Directors fees	100	100
Share-based payments	264	317
Services	672	672
<b>Total</b>	<b>3,797</b>	<b>3,595</b>

Three Directors' compensations are included in the 31 March 2016 and in 31 March 2015 amounts.

The emoluments of the five highest paid individuals are analysed by the following bands:

#### **31 March**

<i>Number of individuals</i>	<b>2016</b>	<b>2015</b>
Nil to €300,000	—	—
€300,000 to €400,000	—	—
€400,000 to €500,000	—	—
€500,000 to €600,000	2	3
over €600,000	3	2
<b>Total</b>	<b>5</b>	<b>5</b>

#### *Senior management's emoluments expensed during the year*

The emoluments of the senior management are as follows:

#### **31 March**

<i>In thousands of Euros</i>	<b>2016</b>	<b>2015</b>
Salaries and other benefits in kind	1,436	1,850
Bonus	358	540
Directors fees	—	—
Share-based payments	230	187
<b>Total</b>	<b>2,023</b>	<b>2,577</b>

### 30. TRANSACTIONS WITH RELATED PARTIES *(continued)*

#### 30.1. Key management compensation *(continued)*

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

The emoluments of the senior management are analysed by the following bands:

<b>31 March</b>		<b>2016</b>	<b>2015</b>
<i>Number of individuals</i>			
Nil to €100,000		—	—
€100,001 to €200,000		—	—
€200,001 to €300,000		1	3
€300,001 to €400,000		1	—
over €400,000		3	4
<b>Total</b>		<b>5</b>	<b>7</b>

#### 30.2. Sales of products and services

<b>31 March</b>		<b>2016</b>	<b>2015</b>
<i>In thousands of Euros</i>			
<b>Sales of goods and services</b>			
– Sales of L'Occitane and Le Couvent des Minimes products to Les Minimes (a)		79	100
– Management fees to parent (b)		231	231
– Sales of services to LOG Investments		192	—
<b>Total Sales of products</b>		<b>502</b>	<b>331</b>
<b>Receivable to related parties in connection with the above sales of products</b>			
– Receivables from Les Minimes (a)		21	24
– Receivables from parent (b)		—	—
<b>Total receivables</b>		<b>21</b>	<b>24</b>

- a) In the normal course of business the Group has sold L'Occitane and Le Couvent des Minimes 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 €231,000 (€231,000 for the fiscal year ended 31 March 2015).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 30. TRANSACTIONS WITH RELATED PARTIES *(continued)*

### 30.3. Purchases of goods and services

**31 March**

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
<b>Purchases</b>		
– Services from Directors (a)	29	14
– Services from Les Minimes (b)	179	242
– Services from Pierre Hermé (c)	305	–
<b>Total purchases</b>	<b>513</b>	<b>256</b>

#### **Payables to related parties in connection with the above services**

– Services from Directors (a)	–	–
– Services from Les Minimes (b)	1	1
– Services from Pierre Hermé (c)	–	–

- 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 (formerly known as L'Occitane S.A.), 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%.
- c) The company has launched a limited edition range of products in association with the company Pierre Hermé SAS, which the parent company indirectly owned 40%.

### 30.4. Borrowings from related parties/loans to related parties

The Group has no borrowings from the related parties or loans to related parties.

### 30.5. Transactions with other related parties

The close members of the family of key management are also related parties. Some individual that are close members of the key management are also employees in the Group or provide services to the Group.

The transactions with these other related parties are as follows:

**31 March**

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
<b>Cost of services</b>		
– Employees benefits	–	195
– Other services	–	–
<b>Total purchases of services</b>	<b>–</b>	<b>195</b>
<b>Payables to related parties in connection with the above services</b>		
– Employees benefits	–	–
– Other services	–	–
<b>Total payables</b>	<b>–</b>	<b>–</b>

Other services mainly include legal services. Employees benefits are excluding share-based payment.

### 30. TRANSACTIONS WITH RELATED PARTIES *(continued)*

#### 30.6. Formation of joint ventures/acquisition of additional interests in a subsidiary

No transaction occurred with related parties linked to formation of joint-ventures or acquisitions of additional interests in subsidiary other than those listed in note 6 during the years ended 31 March 2016 and 31 March 2015.

#### 30.7. Commitments and contingencies

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

### 31. POST BALANCE SHEET EVENTS

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

### 32. LIST OF SUBSIDIARIES AND ASSOCIATES

The list of subsidiaries and associates is as follows:

Subsidiaries	City - Country	% of interest		Method of consolidation	
		31 March		31 March	
		2016	2015	2016	2015
L'Occitane International S.A.	Luxembourg	Parent	Parent	Global	Global
Laboratoires M&L S.A	* Manosque - France	100.0	100.0	Global	Global
M&L Distribution France S.a.r.l.	** Manosque - France	100.0	100.0	Global	Global
Melvita Distribution SAS	** Lagorce - France	—	100.0	—	Global
L'Occitane Inc.	* New York - USA	100.0	100.0	Global	Global
L'Occitane (Far East) Limited	* Hong Kong	100.0	100.0	Global	Global
L'Occitane Singapore Pte. Limited	** Singapore	100.0	100.0	Global	Global
L'Occitane Japon K.K.	*** Tokyo - Japan	100.0	100.0	Global	Global
Melvita Japon K.K.	** Tokyo - Japan	100.0	100.0	Global	Global
Couvent des minimes Japon K.K.	** Tokyo - Japan	100.0	100.0	Global	Global
L'Occitane Holding Brasil	* Sao Paulo - Brazil	100.0	100.0	Global	Global
L'Occitane Do Brasil	** Sao Paulo - Brazil	100.0	100.0	Global	Global
Espaço Do Banho	** Sao Paulo - Brazil	100.0	100.0	Global	Global
L'Occitane Ltd.	* London - UK	100.0	100.0	Global	Global
L'Occitane GmbH	* Villach - Austria	56.7	56.6	Global	Global
L'Occitane GmbH	* Dusseldorf - Germany	100.0	100.0	Global	Global
L'Occitane Italia S.r.l.	* Milan - Italy	100.0	100.0	Global	Global
L'Occitane Australia	** Sydney - Australia	100.0	100.0	Global	Global
L'Occitane (Suisse) S.A.	* Geneva - Switzerland	100.0	100.0	Global	Global
L'Occitane Espana S.L	* Madrid - Spain	100.0	100.0	Global	Global
L'Occitane Central Europe s.r.o.	* Prague - Czech Rep.	100.0	100.0	Global	Global

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 32. LIST OF SUBSIDIARIES AND ASSOCIATES *(continued)*

The list of subsidiaries and associates is as follows: *(continued)*

Subsidiaries	City - Country	% of interest		Method of consolidation	
		31 March 2016	31 March 2015	31 March 2016	31 March 2015
L'Occitane (Taiwan) Limited	** Taipei - Taiwan	50.1	50.1	Global	Global
L'Occitane Belgium Sprl	* Brussels - Belgium	100.0	100.0	Global	Global
L'Occitane Trading (Shanghai) Co. Limited	** Shanghai - China	100.0	100.0	Global	Global
L'Occitane (Korea) Limited	** Seoul - Korea	100.0	100.0	Global	Global
L'Occitane Airport Venture LLC	** Dallas - USA	65.0	65.0	Global	Global
L'Occitane Mexico S.A. de CV	* Mexico City - Mexico	99.9	99.9	Global	Global
L'Occitane (China) Limited	** Hong Kong	100.0	100.0	Global	Global
L'Occitane Macau Limited	** Macau	100.0	100.0	Global	Global
L'Occitane Russia OOO	* Moscow - Russia	100.0	100.0	Global	Global
Verveina SAS	** Manosque - France	100.0	100.0	Global	Global
L'Occitane Americas Export & Travel Retail Inc	* Miami - USA	100.0	100.0	Global	Global
L'Occitane Thailand Ltd.	** Bangkok - Thailand	100.0	100.0	Global	Global
L'Occitane Ventures (Thailand) Ltd.	** Bangkok - Thailand	100.0	100.0	Global	Global
L'Occitane Polska Sp.z.o.o	* Warsaw - Poland	100.0	100.0	Global	Global
Aromas y Perfumes de Provence S.A de C.V.	** Mexico City - Mexico	—	—	—	—
L'Occitane Canada Corp	* Toronto - Canada	100.0	100.0	Global	Global
L'Occitane India Private Limited	** New Delhi - India	51.0	51.0	Global	Global
L'Occitane Nederland B.V.	* Amsterdam, The Netherlands	100.0	100.0	Global	Global
L'Occitane Malaysia SDN	** Kuala Lumpur - Malaysia	100.0	100.0	Global	Global
Far east cosmetics BV	** Apeldoorn - The Netherlands	100.0	100.0	Global	Global
L'Occitane Ireland Ltd	* Dublin - Ireland	100.0	100.0	Global	Global
Orange Tree Ltd	** Dublin - Ireland	—	100.0	—	Global
Olive tree lifestyles products Ltd	** Dublin - Ireland	—	100.0	—	Global
Symbiose Cosmetics France SAS	* Paris - France	62.6	62.6	Global	Global
Symbiose Cosmetics Korea	* Seoul - Korea	62.6	62.6	Global	Global
L'Occitane Nordic AB	* Stockholm - Sweden	100.0	100.0	Global	Global
L'Occitane Finland	* Stockholm - Sweden	100.0	100.0	Global	Global
L'Occitane South Africa	* Johannesburg - South Africa	75.0	100.0	Global	Global
L'Occitane International GMBH	* Dusseldorf-Germany	100.0	100.0	Global	Global
SAS Savonnerie nature en provence	** Villeuneveuve - France	20.0	20.0	Equity method	Equity method
L'Occitane Portugal Unipessoal LDA	* Lisbon - Portugal	100.0	100.0	Global	Global
L'Occitane Communication Services Ltd	* London - UK	100.0	100.0	Global	Global
L'Occitane Norge AS	* Oslo - Norway	100.0	100.0	Global	Global

\* Directly held by the Company

\*\* Indirectly held by the Company

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

## 32. LIST OF SUBSIDIARIES AND ASSOCIATES *(continued)*

The percentages of interest are representative of voting rights as no shares have multiple voting rights. These percentages are unchanged at the approval date of the financial statements.

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

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

Subsidiaries		City - Country	Date of incorporation	Share capital	Principal activities
L'Occitane International S.A.		Luxembourg	2000	EUR 38,231,891.72	Holding & Distribution
Laboratoires M&L S.A.	*	Manosque - France	1976	EUR 8,126,409.35	Production
M&L Distribution (France) S.a.r.l	**	Manosque - France	1994	EUR 3,097,000	Distribution
L'Occitane Inc.	*	New York - USA	1995	USD 1	Distribution
L'Occitane (Far East) Limited	*	Hong Kong	1992	HKD 8,000,000	Holding & Distribution
L'Occitane Singapore Pte. Limited	**	Singapore	1997	SGD 100,000	Distribution
L'Occitane Japon K.K.	***	Tokyo -Japan	1998	JPY 100,000,000	Distribution
Melvita Japon K.K.	**	Tokyo -Japan	2010	JPY 50,000,000	Distribution
Couvent des minimes Japon K.K.	**	Tokyo -Japan	2012	JPY 50,000,000	Distribution
L'Occitane Holding Brasil	*	Sao Paulo - Brazil	1999	BRL26,091,197	Holding
L'Occitane Do Brasil	**	Sao Paulo - Brazil	1999	BRL 8,700,000	Distribution
Espaço Do Banho	**	Sao Paulo - Brazil	1996	BRL 3,800,000	Distribution
L'Occitane Ltd.	*	London - UK	1996	GBP 1,398,510.75	Distribution
L'Occitane GmbH	*	Villach – Austria	2000	EUR 70,000	Distribution
L'Occitane GmbH	*	Dusseldorf-Germany	2004	EUR 25,000	Distribution
L'Occitane Italia S.r.l.	*	Milan – Italy	2001	EUR 80,000	Distribution
L'Occitane Australia	**	Sydney – Australia	2000	AUD 5,000,000	Distribution
L'Occitane (Suisse) S.A.	*	Geneva – Switzerland	2002	CHF100,000	Distribution
L'Occitane Espana S.L	*	Madrid – Spain	2003	EUR 6,459,650.10	Distribution
L'Occitane Central Europe s.r.o.	*	Prague – Czech Rep.	2004	CZK 9,361,000	Distribution
L'Occitane (Taiwan) Limited	**	Taipei - Taiwan	2005	TWD 28,500,000	Distribution
L'Occitane Belgium Sprl	*	Brussels – Belgium	2005	EUR 20,000	Distribution
L'Occitane Trading (Shanghai) Co. Limited	**	Shanghai - China	2005	USD 1,400,000	Distribution
L'Occitane (Korea) Limited	**	Seoul - Korea	2005	KRW 2,505,000,000	Distribution
L'Occitane Airport Venture LLC	**	Dallas - USA	2006	USD 10,000	Distribution
L'Occitane Mexico S.A. de CV	*	Mexico City - Mexico	2006	MXP 28,250,000	Distribution
L'Occitane (China) Limited	**	Hong Kong	2006	HKD 10,000	Distribution
L'Occitane Macau Limited	**	Macau	2007	MOP 25,000	Distribution
L'Occitane Russia OOO	*	Moscow - Russia	2006	RUB 10,000	Distribution
Verveina SAS	**	Manosque - France	2008	EUR 37,000	Dormant
L'Occitane Americas Export & Travel Retail Inc	*	Miami - USA	2008	USD 1,000	Distribution
Melvita Distribution SAS	**	Lagorce - France	1982	EUR 555,105	Distribution
L'Occitane Thailand Ltd.	**	Bangkok - Thailand	2008	THB 20,000,000	Distribution
L'Occitane Ventures (Thailand) Ltd	**	Bangkok - Thailand	2012	THB 451,700	Distribution
L'Occitane Polska Sp.z.o.o	*	Warsaw - Poland	2009	PLN 3,754,000	Distribution
L'Occitane Canada Corp	*	Toronto - Canada	2009	CAD 6,000,000	Distribution

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 32. LIST OF SUBSIDIARIES AND ASSOCIATES *(continued)*

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

Subsidiaries		City - Country	Date of incorporation	Share capital	Principal activities
L'Occitane India Private Limited	**	New Delhi - India	2009	INR 17,500,000	Distribution
L'Occitane Nederland BV	*	Amsterdam, the Netherlands	2010	EUR 200,000	Distribution
L'Occitane Malaysia SDN	**	Kuala Lumpur - Malaysia	2011	MYR 2	Distribution
Far East cosmetics BV	**	Apeldoorn - the Netherland	2011	EUR 18,000	Dormant
L'Occitane Ireland Ltd	*	Dublin - Ireland	2012	EUR 100	Distribution
Symbiose Cosmetics Korea	*	Seoul - Korea	2012	KRW 100,000,000	Production
Symbiose Cosmetics France SAS	*	Paris - France	2012	EUR 140,000	Distribution
L'Occitane Nordic AB	*	Stockholm - Sweden	2012	SEK 50,000	Distribution
L'Occitane South Africa	*	Johannesburg - South Africa	2013	ZAR 750	Distribution
L'Occitane International GmbH	*	Dusseldorf-Germany	2014	EUR 25,000	Holding
SAS Savonnerie nature en Provence	**	Villeneuve - France	2013	EUR 100,000	Production
L'Occitane Portugal Unipessoal LDA	*	Lisbon - Portugal	2013	EUR 50,000	Distribution
L'Occitane Norge AS	*	Oslo - Norway	2014	NOK 129,000	Distribution
L'Occitane Communication Services Ltd	*	London - UK	2014	GBP 20,000	Services

\* Directly held by the Company

\*\* Indirectly held by the Company

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

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

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

## 33. COMPANY LEVEL INFORMATION

### 33.1 Balance Sheets

ASSETS		31 March 2016	31 March 2015
<i>In thousands of Euros</i>	<i>Notes</i>		
Property, plant and equipment		2,601	1,623
Intangible assets		22,739	20,718
Investments in subsidiaries	(32)	279,186	254,772
Other non-current receivables due from subsidiaries		4,596	4,854
Other non-current receivable		371	374
<b>Non-current assets</b>		<b>309,493</b>	<b>282,341</b>
Inventories		—	35
Trade receivables due from subsidiaries		68,735	71,246
Trade receivables	(33.2)	12,880	14,178
Other current assets due from subsidiaries		230,714	301,886
Other current assets		5,143	4,449
Derivative financial instruments		468	1
Cash and cash equivalents	(33.3)	363,356	316,878
<b>Current assets</b>		<b>681,296</b>	<b>708,673</b>
<b>TOTAL ASSETS</b>		<b>990,789</b>	<b>991,014</b>



**33. COMPANY LEVEL INFORMATION** *(continued)***33.1 Balance Sheets** *(continued)*

<b>EQUITY AND LIABILITIES</b>		<b>31 March</b>	<b>31 March</b>
<i>In thousands of Euros</i>	<i>Notes</i>	<b>2016</b>	<b>2015</b>
Share capital	(16)	44,309	44,309
Additional paid-in capital	(16)	340,130	342,851
Retained earnings		451,531	437,518
<b>Total equity</b>		<b>835,970</b>	<b>824,678</b>
Borrowings	(17)	69,405	88,306
Deferred income tax liabilities		760	523
Other financial liabilities	(6.3)	8,846	7,452
Other non current liabilities		—	71
<b>Non-current liabilities</b>		<b>79,011</b>	<b>96,352</b>
Trade payables due to subsidiaries		64,257	43,726
Trade payables		2,112	8,720
Social and tax liabilities		4,928	5,741
Borrowings	(17)	108	111
Other current liabilities due to subsidiaries		2,995	676
Other current liabilities		1,341	1,457
Derivative financial instruments		67	1,215
Provisions		—	8,338
<b>Current liabilities</b>		<b>75,808</b>	<b>69,984</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>990,789</b>	<b>991,014</b>
<b>NET CURRENT ASSETS</b>		<b>605,488</b>	<b>638,689</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>914,981</b>	<b>921,030</b>

The profits attributable to equity owners of the Company for the years ended 31 March 2016 and 2015 are dealt with in the consolidated financial statements of the Group to the extent of €108,107,000 and €95,070,000.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2016

## 33. COMPANY LEVEL INFORMATION *(continued)*

### 33.2 Trade Receivables

Trade receivables at company level consist of the following:

#### 31 March

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
Trade receivables, gross	12,969	14,280
Less, allowances for doubtful accounts	(89)	(102)
<b>Trade receivables</b>	<b>12,880</b>	<b>14,178</b>

#### Credit risk:

The carrying amounts of the Company'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 Company 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 Company's sales to the customers in the Sell-in segments are made with credit terms generally from 60 and 90 days. Aging analysis of trade receivables from due date at the respective balance sheet date are as follows:

#### 31 March

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
Current and past due within 3 months	11,374	14,218
3 to 6 months	1,157	19
6 to 12 months	430	37
Over 12 months	8	6
<b>Trade receivables - gross</b>	<b>12,969</b>	<b>14,280</b>

Movement of the Company's provision for impairment on trade receivables are as follows:

#### 31 March

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
At beginning of the year	(102)	(1,059)
Provision for impairment	(43)	(37)
Used amounts reversed during the year	—	881
Unused amounts reversed	56	113
<b>At end of the year</b>	<b>(89)</b>	<b>(102)</b>

Provision for impaired receivables and its reversal have been included in distribution expenses.

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

#### 31 March

*In thousands of Euros*

	<b>2016</b>	<b>2015</b>
Within 3 months	4	40
3 to 6 months	26	19
6 to 12 months	2	37
Over 12 months	57	6
<b>Impaired receivables</b>	<b>89</b>	<b>102</b>

The individually impaired receivables relate to wholesalers which are in unexpectedly difficult economic situations.

### 33. COMPANY LEVEL INFORMATION *(continued)*

#### 33.2 Trade Receivables *(continued)*

The ageing analysis of trade receivables from due dates that were past due but not impaired as at 31 March 2016 and 2015 is as follows:

<b>31 March</b>		<b>2016</b>	<b>2015</b>
	<i>In thousands of Euros</i>		
Within 3 months		—	652
3 to 6 months		1,127	—
6 to 12 months		399	—
Over 12 months		—	—
<b>Trade receivables past due but not impaired</b>		<b>1,526</b>	<b>652</b>

These trade receivables relate to a number of customers for whom there is no recent history of default.

The Company considers that there is no recoverability risk on these past due receivables.

#### **Denomination in currencies:**

The carrying amounts of the Company's net trade receivables are denominated in the following currencies:

<b>31 March</b>		<b>2016</b>	<b>2015</b>
	<i>In thousands of Euros</i>		
Euros		9,675	9,483
US Dollar		2,787	4,247
Sterling Pound		417	444
Other currencies		1	4
<b>Total</b>		<b>12,880</b>	<b>14,178</b>

#### 33.3 Cash Positions

The following table presents details of cash and cash equivalents at company level:

<b>31 March</b>		<b>2016</b>	<b>2015</b>
	<i>In thousands of Euros</i>		
Cash at bank and in hand		363,356	316,878
<b>Cash and cash equivalents</b>		<b>363,356</b>	<b>316,878</b>

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

# FINANCIAL SUMMARY

A summary of the consolidated results and assets, liabilities, equity and minority interests of the Group for the last five financial years is set out below.

<b>Year ended 31 March</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Net sales	<b>1,282,676</b>	1,177,877	1,054,872	1,043,363	913,448
Gross profit	<b>1,061,505</b>	963,216	855,593	855,461	755,488
<i>Gross profit margin</i>	<b>82.8%</b>	81.8%	81.1%	82.0%	82.7%
Operating profit	<b>168,019</b>	164,143	132,921	158,284	152,273
<i>Operating profit margin</i>	<b>13.1%</b>	13.9%	12.6%	15.2%	16.7%
Profit for the year	<b>113,555</b>	125,578	92,522	125,608	124,191
attributable to:					
equity owners of the Company	<b>110,343</b>	122,382	89,349	122,702	121,159
non-controlling interests	<b>3,212</b>	3,196	3,173	2,906	3,032
Total assets	<b>1,188,343</b>	1,209,353	1,074,951	1,033,032	910,997
Total liabilities	<b>332,786</b>	349,162	312,167	298,723	255,730
Equity attributable to the equity owners of the Company	<b>850,584</b>	853,819	757,396	729,335	650,192
Non-controlling interests	<b>4,973</b>	6,372	5,388	4,974	5,075

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standard (IFRS).

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





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