L'OCCITANE
EN PROVENCE

L'OCCITANE INTERNATIONAL S.A.

(Incorporated under the laws of Luxembourg with limited liability)

Stock code : 973

FY2018
Annual Report

L'OCCITANE
EN PROVENCE

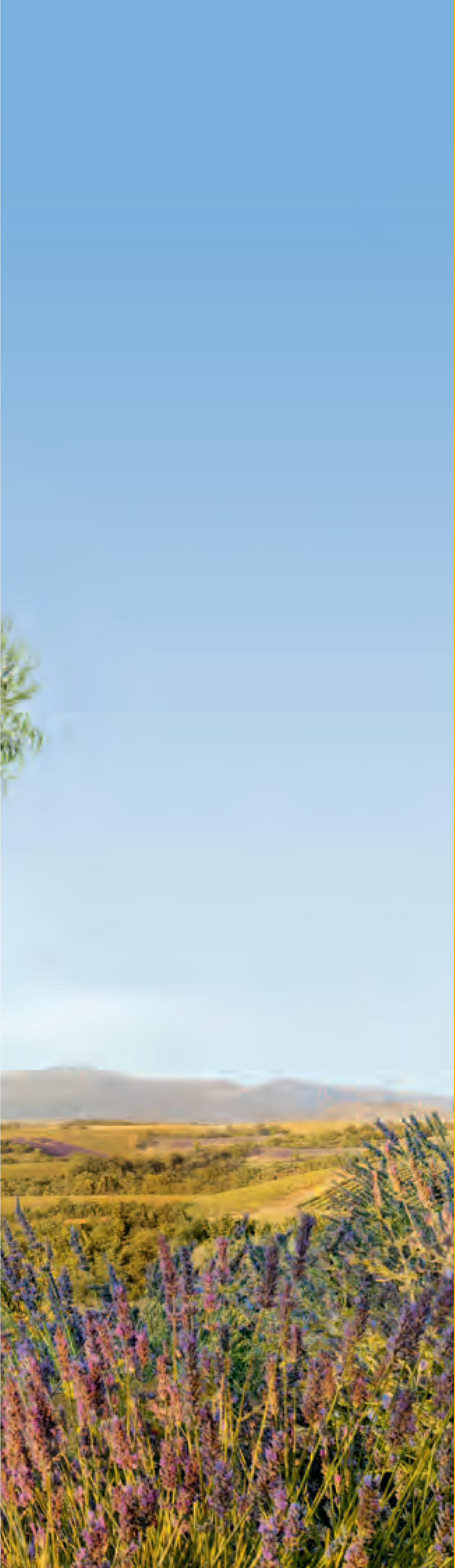
Melvita
french organic beauty care since 1983

erborian
KOREAN SKIN THERAPY
PARIS · SEOUL

L'OCCITANE
AU BRÉSIL

LimeLife by Alcone

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



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Corporate Information

Executive Directors

Reinold Geiger
(Chairman and Chief Executive Officer)
André Hoffmann
(Vice-Chairman)
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 Milet

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

Nomination Committee

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

Principal Bankers

HSBC France
Groupe Crédit Agricole
- Crédit Agricole CIB
- Le Crédit Lyonnais (LCL)
- Caisse Régionale du Crédit Agricole Mutuel Provence Côte d'Azur

BNP Paribas
Groupe BPCE
- Natixis
- BRED
- CEPAC
- Palatine

Groupe Société Générale
- Société Générale
- Crédit du Nord

CIC

Auditor

PricewaterhouseCoopers

Principal Share Registrar and Transfer Office

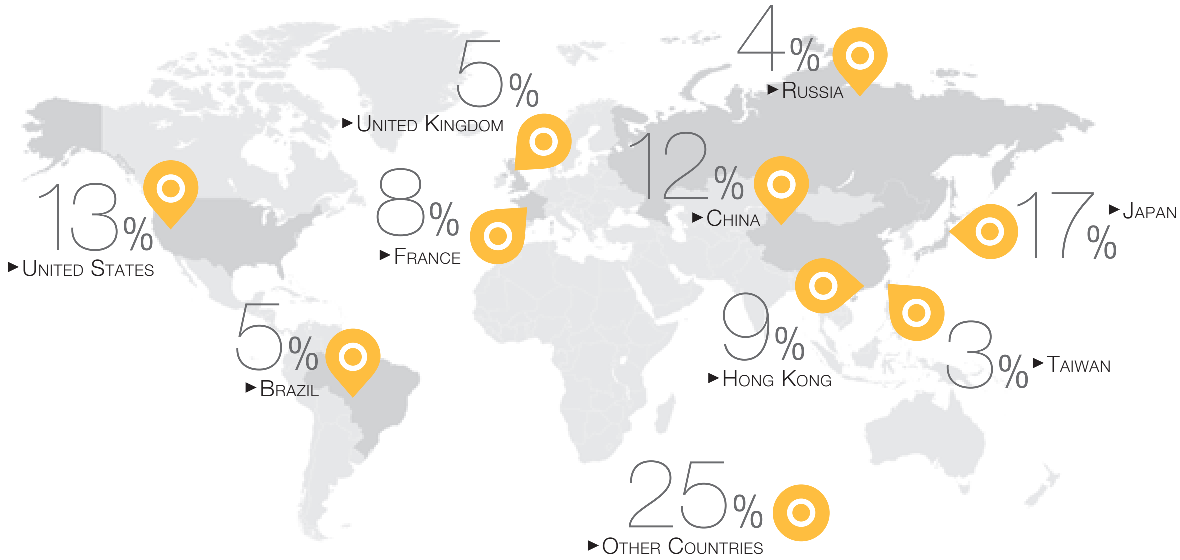
49, Boulevard Prince Henri
L-1724 Luxembourg

Hong Kong Share Registrar

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

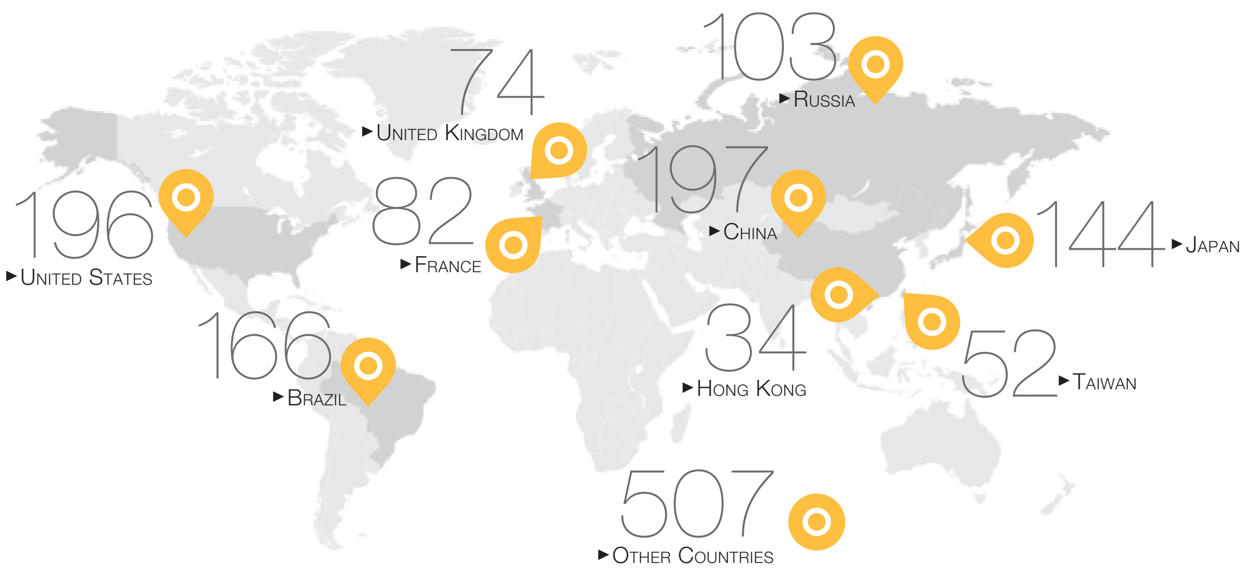
Financial Highlights

Our Activity Worldwide



* Net sales (%) by geographic areas

Our Stores Worldwide



* 3,285 retail locations and 1,555 stores operated directly by the group

KEY FINANCIAL HIGHLIGHTS

For the year ended 31 March	***2018***	*2017*
Net sales *(€ million)*	**1,319.4**	1,323.2
Operating profit *(€ million)*	**141.0**	168.3
Profit for the year *(€ million)*	**96.5**	132.4
Gross profit margin	**83.3%**	83.3%
Operating profit margin	**10.7%**	12.7%
Net profit margin	**7.3%**	10.0%
Net operating profit after tax *(€ million)* (NOPAT) (1)	**97.1**	133.0
Capital employed *(€ million)* (2)	**641.1**	540.6
Return on capital employed (ROCE) (3)	**15.1%**	24.6%
Return on equity (ROE) (4)	**10.3%**	14.3%
Current ratio (times) (5)	**3.1**	3.6
Gearing ratio (6)	**6.8%**	5.9%
Average inventory turnover days (7)	**243**	227
Turnover days of trade receivables (8)	**30**	28
Turnover days of trade payables (9)	**188**	161
Total number of own stores (10)	**1,555**	1,514
Profit attributable to equity owners *(€ million)*	**96.3**	131.9
Basic earnings per share *(€)*	**0.066**	0.090

Notes:

(1) (Operating profit + foreign currency net gains or losses) x (1-effective tax rate).
(2) Non-current assets - (deferred tax liabilities + other non-current liabilities) + working capital.
(3) NOPAT/Capital employed.
(4) Net profit attributable to equity owners of the Company/shareholders' equity excluding minority interest.
(5) Current assets/current liabilities.
(6) Total debts/total assets.
(7) Average inventory turnover days equals average inventory divided by cost of sales and multiplied by 365. Average inventory equals the average of net inventory at the beginning and end of a given period.
(8) Turnover days of trade receivable equals average trade receivables divided by net sales and multiplied by 365. Average trade receivables equals the average of net trade receivables at the beginning and end of a given period.
(9) Turnover days of trade payables equals average trade payables divided by cost of sales and multiplied by 365. Average trade payables equals the average of trade payables at the beginning and end of a given period.
(10) L'Occitane, 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

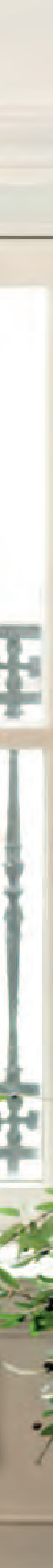
Message from

REINOLD GEIGER

Chairman and Chief Executive Officer

11 June 2018

FY2018 saw even stiffer competition and changing consumption habits that have challenged the very role of retail. At a time when clicks and likes seem to mean everything, our products, stores and online channels celebrate human connections and seek to take people on a sensory journey, reminding them of the simple pleasures of nature. The solid progress that we have made this year confirms our belief that the foundation we have laid over the past years has readied us for the next stage of growth.



In FY2018, the beauty sector continued to become more crowded, while changing trends and consumption habits disrupted the very role of retail. Despite these daunting challenges, we made solid progress in key markets and online channels, and with our emerging brands. This result confirms our belief that the foundation we have laid over the past few years will soon propel our future growth. It is also my great pleasure to announce that the Board has recommended increasing our dividend payout ratio from 35% to 45%.

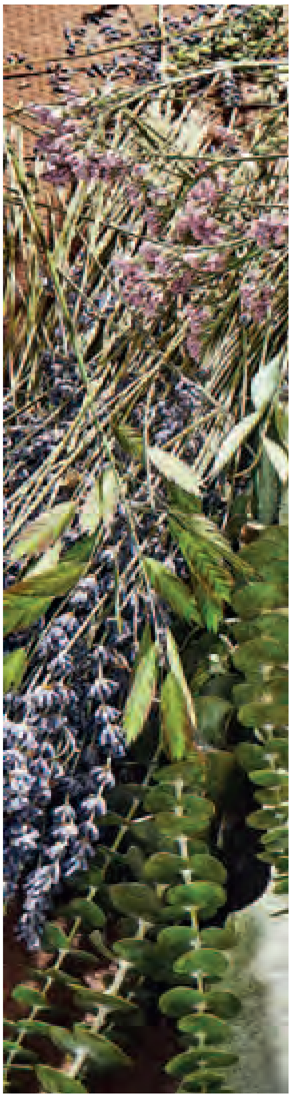
This financial year, we concentrated on three main areas. The first of these was re-enchanting audiences to our core L'Occitane en Provence brand. One of the main strategies was to leverage hero and strategic products, such as the Immortelle Divine Youth Oil and the new Aqua Réotier hydration range. Fewer in number but larger in scale, these product launches were synchronised across all countries and sales channels and greatly enhanced our image in face care. They also demonstrated how we can effectively engage and extend our relationship with new and existing customers. At the same time, we have also been mindful about ensuring that these hero product launches do not overpower the timeless bestsellers that drive loyalty and repeat purchases, as well as novelties that drive excitement and traffic. For example, our shea butter collection has proved to be a long-time favourite; this year, our Shea Butter Ultra Rich Body Cream was selected by editors of 46 international editions of ELLE Magazine as a favourite at the *2018 ELLE International Beauty Awards*.

I also want to draw attention to the successes we have achieved with innovative and locally-adapted marketing campaigns. These include our engagement of celebrity Lu Han as a brand ambassador in China, which was the talk-of-the-town and helped see China become the Group's second largest market on a like-for-like basis in FY2018. Meanwhile, recent co-brandings and partnerships brought freshness to the brand and was a key driving factor in markets such as the United States. These outcomes, which were achieved over a relatively short period of time, have convinced us to pursue new and interesting ways to resonate with the today's savvy consumers.

Providing extraordinary omni-channel experiences was another main area of focus. In late 2017, we debuted several high-profile flagship stores in landmark locations, including Paris' Avenue des Champs-Élysées, London's Regent Street and the Yorkdale Shopping Centre in Toronto (the latter of which was a finalist for the *2018 World Retail Awards*). Each of these flagship stores delivered unique experiences that captivated our customers, such as Pierre Hermé pastry bars, engraving and gift-wrapping services, and immersive digital experiences. At a time when clicks and likes seem to mean everything, we continued to celebrate human connections while seeking to take our customers on a sensory journey, reminding them of the simple pleasures of nature.

Our efforts to provide extraordinary experiences extended to other stores and to our online channels. We launched the 'Sunshine Concept' in many of our retail stores around the world, which reintroduced the essence of Provence in a more modern way. This will continue to be the lead we take for future store openings and renovations, and was also a central tenant of our new e-commerce website that debuted in August 2017. The streamlined website was part of a coordinated effort to grow our online presence – including third-party marketplaces and social media channels – in a manner that is personalised to our customers. These investments are clearly paying off, with our web sell-out channels recording close to 20% growth during FY2018.

The third area of concentration this year was operational efficiency. We recently opened a Central Distribution Centre in Singapore, which has made our regional distribution in Asia more agile and cost-effective. We also finalised our corporate restructure, which I strongly believe will help renew a spirit of entrepreneurialism and ambition within our company.



Our emerging brands, Melvita, L'Occitane au Brésil and Erborian also continued to deliver double-digit growth over the financial year. Melvita, in particular, is set to become a material contributor to our financial results very soon. In fact, we just launched a TMall store for Melvita in order to accelerate its sales performance in China. On the other side of the world, I am particularly pleased with the exceptional performance of LimeLife, which more than quadrupled its sales in the past calendar year. We are progressively ramping up its expansion, which is debuting in Canada and the United Kingdom. LimeLife's remarkable combination of great products with a peer-to-peer marketing structure centred around social media will allow us to scale this business rapidly with minimal investment. We expect that LimeLife will eventually become larger than our other emerging brands combined.

Looking forward to the coming financial year, strengthening the customer experience and improving our omni-channel experience will remain our priority, as will the launch of promising products including a new hero product in September 2018. We will also continue to invest in digital capabilities, technology and CRM in order to foster greater customer loyalty, while also investing further in our people to attract the right talent and skills needed to deal with the rapidly changing retail landscape.

This is not to say that the coming financial year will be without its challenges. The decline of the 'High Street' and the simultaneous rise of 'New Retail' demonstrates the vital importance of getting our e-commerce and retail store strategy right. I am confident that our omni-channel strategy

is addressing these challenges in the right way. We should also benefit from continued economic growth in most of our major markets, although how much this continued prosperity may be undermined by rising protectionism and trade barriers remains to be seen.

Perhaps a piece of Provence could offer relief and escape from the stresses and complications of today's world. I am proud of the commitments we have adhered to since the beginning – certainly protecting natural heritage, but also promoting women's leadership and fighting against avoidable blindness. By continuing to communicate our core values, we will further strengthen our identity while deepening our connection with our customers.

I am confident that our well-defined roadmap will continue to enchant more customers in the coming year and move us closer to our goal of becoming the number one natural brand in the affordable premium segment. My team and I will continue to work tirelessly to lead our core brand and emerging brands forward to deliver profitable growth and lasting value to our shareholders. We thank you for your continued support.

Strong Global Presence

Strong Global Presence

1. *Regent Street London, United Kingdom*
2. *Tokyo Skytree, Japan*
3. *Centrepoint Sydney, Australia*
4. *Champs -Élysées Paris, France*
5. *Yorkdale Toronto, Canada*
6. *Deji Plaza Nanjing, China*
7. *Zelenopark Moscow, Russia*
8. *Iguatemi São Paulo, Brazil*
9. *Festival Walk Kowloon Tong, Hong Kong*
10. *Flatiron Building New York, United States*
11. *IFC Mall Seoul, Korea*


L'OCCITANE
EN PROVENCE
aqua
réotier
GELÉE NETTOYANTE À L'EAU
WATER GEL CLEANSER
L'OCCITANE
EN PROVENCE
aqua
L'OCCITANE
EN PROVENCE
GEL
ULTRA
DÉSALTÉRANT
aqua
ULTRA
GEL

Management Discussion & Analysis

Management Discussion & Analysis

Summary:

	FY2018 €'million or %	FY2017 €'million or %
Net sales	**1,319.4**	1,323.2
Operating profit	**141.0**	168.3
Profit for the year	**96.5**	132.4
Gross profit margin	**83.3%**	83.3%
Operating profit margin	**10.7%**	12.7%
Net profit margin	**7.3%**	10.0%
Net cash inflow from operations	**170.3**	194.1

Definitions:

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

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

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

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

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

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

REVENUE ANALYSIS

The Group's net sales reached €1,319.4 million, growing 4.6% at constant exchange rates in FY2018. Due to unfavourable foreign exchange rates, net sales at reported exchange rates reduced slightly by 0.3% over last year. During FY2017, the Company disposed of Le Couvent des Minimes and there was a one-off deal of obsolete L'Occitane au Brésil products in September 2016. In addition, LimeLife by Alcone ("LimeLife"), previously called LimeLight by Alcone, became a subsidiary of the Group in January 2018 and its sales are consolidated since. Excluding Le Couvent des Minimes, the one-off deal and LimeLife, the Group's like-for-like sales growth was healthy at 3.7%.

In FY2018, net sales in Sell-out and Sell-in segments (representing 74.9% and 25.1% of total net sales, respectively) increased by 4.8% and 4.0% respectively, excluding foreign currency translation effects. The Company increased the total number of retail locations from 3,037 as at 31 March 2017 to 3,285 as at 31 March 2018, an increase of 248 or 8.2%. The Company maintained its selective global retail expansion and increased the number of its own retail stores from 1,514 as at 31 March 2017 to 1,555 as at 31 March 2018, representing a net increase of 41 own stores or 2.7%. The net own store openings included 5 in Asia Pacific, 32 in the Americas and 4 in Europe and South Africa. The Group had accelerated the expansion of the emerging brands, with net 45 openings, including 28 L'Occitane au Brésil stores that were reclassified as own retail stores. At the end of March 2018, the emerging brands had a total of 140 own stores (Melvita: 55, L'Occitane au Brésil: 78 and Erborian: 7).

Sales from Comparable Stores, Non-comparable Stores and others and Sell-in segments grew at constant exchange rates by 1.7%, 12.4% and 4.0% respectively. Geographically, China, the US, Brazil and Hong Kong were the key contributing markets to Overall Growth.

Business Segments

The following table provides a breakdown of the net sales year-on-year growth (including and excluding foreign currency translation effects as indicated) by business segment for FY2018:

Year-on-year growth

	Growth €'000	*Growth %*	*Growth[(2)] %*	*Contribution to Overall Growth[(2)] %*
Sell-out	**(4,723)**	**(0.5)**	**4.8**	**78.4**
Comparable Stores	(22,133)	(3.2)	1.7	19.6
Non-comparable Stores & others [(1)]	17,410	6.0	12.4	58.9
Sell-in	**912**	**0.3**	**4.0**	**21.6**
Overall Growth	**(3,811)**	**(0.3)**	**4.6**	**100.0**

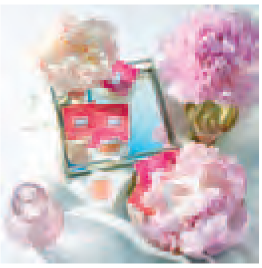
(1) Others include marketplaces, mail-orders and other service sales.
(2) Excludes the impact of foreign currency translation effects.

Management Discussion & Analysis

Sell-out

The Sell-out business segment accounted for 74.9% of the Group's total sales and amounted to €987.8 million, a decrease of 0.5% as compared to FY2017 and a 4.8% increase at constant exchange rates. The growth was contributed by both Comparable Stores and Non-comparable Stores & others. There was a net addition of 41 own stores during FY2018, including net additions of 43 stores in Brazil (42 of which were L'Occitane au Brésil stores), 10 stores in Japan (including 7 Melvita stores) and 7 stores in Other Countries. In the US, 11 net stores were closed as planned. China had 5 net closings (including 3 Melvita stores) due to lease end and underperformance. There were 4 and 1 net closings in Taiwan and Russia respectively.

Sell-out segment contributed 78.4% to Overall Growth in FY2018, mainly from Non-comparable Stores & others, which was driven by the marketplace platforms in China and Korea as well as the new stores opened and renovated in these two years. As compared to last year, sales of the Group's Web Sell-out channels (including own E-commerce and marketplaces) grew 19.2% at constant exchange rates, equivalent to 13.7% of the total Sell-out sales. The Group's Same Store Sales Growth for FY2018 further improved to 1.7% as compared to 1.4% for the nine months ended 31 December 2017, mainly driven by strong growth in China together with stabilization of Same Store Sales in Hong Kong, France, the UK, the US, Russia and Other Countries.



Sell-in

The Sell-in business segment accounted for 25.1% of the Group's total sales in FY2018 and amounted to €331.6 million, an increase of 0.3% as compared to FY2017 and a 4.0% increase at constant exchange rates. Sell-in segment contributed 21.6% to Overall Growth. Like-for-like growth was 7.0%. The increase was primarily driven by the dynamic growth in travel retail, B2B, web-partner and distributor channels.

Geographic Areas

The following table presents the net sales growth for FY2018 and contribution to overall sales growth (including and excluding foreign currency translation effects as indicated) by geographic area:

Net Sales Growth
FY2018 compared to FY2017

	FY2018 €'000	%	FY2017 €'000	%	Growth €'000	Growth %	*Growth[(1)] %*	*Contribution to Overall Growth[(1)] %*
Japan	218,932	16.6	238,795	18.0	(19,862)	(8.3)	0.1	0.2
Hong Kong[(2)]	124,584	9.4	124,329	9.4	255	0.2	8.3	17.0
China	159,118	12.1	139,012	10.5	20,106	14.5	20.5	46.6
Taiwan	39,433	3.0	41,555	3.1	(2,122)	(5.1)	(3.3)	(2.2)
France	102,177	7.7	100,478	7.6	1,699	1.7	1.7	2.8
United Kingdom	59,837	4.5	64,816	4.9	(4,979)	(7.7)	(3.5)	(3.7)
United States	172,160	13.0	171,198	12.9	962	0.6	8.8	24.6
Brazil	60,208	4.6	56,509	4.3	3,698	6.5	11.3	10.5
Russia	50,493	3.8	48,973	3.7	1,520	3.1	3.6	2.9
Other countries[(3)]	332,425	25.2	337,513	25.5	(5,088)	(1.5)	0.2	1.4
All countries	**1,319,366**	**100.0**	**1,323,177**	**100.0**	**(3,811)**	**(0.3)**	**4.6**	**100.0**

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

The following table provides a breakdown, by geographic area, of the number of own retail stores, their contribution percentage to Overall Growth and the Same Store Sales Growth for FY2018 compared to FY2017:

	Own Retail Stores				% contribution to Overall Growth[1] [2]			
	31 Mar 2018	*Net openings YTD 31 Mar 2018*	*31 Mar 2017*	*Net openings YTD 31 Mar 2017*	*Non-comparable Stores*	*Comparable Stores*	*Total Stores*	*Same Store Sales Growth[2]*
Japan[3]	144	10	134	11	7.2	0.7	7.9	0.3
Hong Kong[4]	34	—	34	(2)	(2.9)	0.8	(2.2)	1.5
China[5]	197	(5)	202	15	3.5	22.9	26.4	15.1
Taiwan[6]	52	(4)	56	1	(0.5)	(1.1)	(1.6)	(2.7)
France[7]	82	2	80	(1)	4.6	(1.8)	2.8	(2.9)
United Kingdom	74	—	74	(1)	(0.9)	0.2	(0.8)	0.2
United States	196	(11)	207	(10)	(8.2)	(4.5)	(12.7)	(2.7)
Brazil[8]	166	43	123	31	6.3	2.7	9.0	4.5
Russia[9]	103	(1)	104	1	0.8	0.2	1.0	0.4
Other countries[10]	507	7	500	6	(0.2)	(0.5)	(0.6)	(0.2)
All countries[11]	**1,555**	**41**	**1,514**	**51**	**9.7**	**19.6**	**29.2**	**1.7**

(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 26 and 33 Melvita stores as at 31 March 2017 and 31 March 2018 respectively.
(4) Includes 2 L'Occitane stores in Macau and 10 Melvita stores in Hong Kong as at 31 March 2017 and 3 L'Occitane stores in Macau and 8 Melvita stores in Hong Kong as at 31 March 2018.
(5) Includes 10 and 7 Melvita stores as at 31 March 2017 and 31 March 2018 respectively.
(6) Includes 1 Erborian store as at 31 March 2017.
(7) Includes 3 Melvita and 1 Erborian stores as at 31 March 2017 and 31 March 2018.
(8) Includes 36 and 78 L'Occitane au Brésil stores as at 31 March 2017 and 31 March 2018 respectively.
(9) Includes 2 and 5 Erborian stores as at 31 March 2017 and 31 March 2018 respectively.
(10) Include 5 Melvita and 1 Erborian stores as at 31 March 2017 and 4 Melvita and 1 Erborian stores as at 31 March 2018.
(11) Include 54 Melvita, 36 L'Occitane au Brésil and 5 Erborian stores as at 31 March 2017 and 55 Melvita, 78 L'Occitane au Brésil and 7 Erborian stores as at 31 March 2018.

Japan

Japan's net sales for FY2018 were €218.9 million, a decrease of 8.3% as compared to FY2017. In local currency, the growth was 0.1%. The performance was impacted by a sluggish retail market in the second half of the financial year, the closures of two underperforming large stores, and a high base last year. Sell-out sales growth in local currency was 0.1%, with 0.3% Same Store Sales Growth. Japan also ceased the mail order business, which was more than offset by the strong double-digit growth in Web Sell-out channels. Melvita continued double-digit growth, supported by strong Same Store Sales Growth and recent openings. There were 10 net store openings in FY2018, including 7 Melvita stores. Sell-in sales were flat with lower sales in TV and wholesale, compensated by strong developments in web-partners and B2B.

Hong Kong

Hong Kong's net sales for FY2018 were €124.6 million, an increase of 0.2% as compared to FY2017. At constant exchange rates, the growth was 8.3%, contributing 17.0% to Overall Growth. Sell-out segment growth was -2.9% at constant exchange rates, yet Same Store Sales returned to healthy growth of 1.5%. Hong Kong retail market saw a rebound in the second half of FY2018, with improvements in both local and Chinese tourist customers. The Immortelle Divine Youth Oil campaign succeeded in boosting sales as well as average ticket value. Sell-in sales increased by 15.6% at constant exchange rates, driven by the dynamic travel retail business in the region.

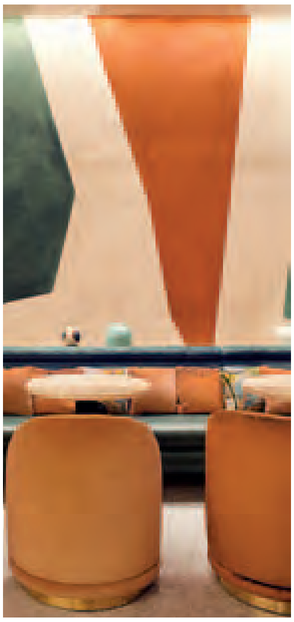
China

China's net sales for FY2018 were €159.1 million, an increase of 14.5% as compared to FY2017. At constant exchange rates, the growth was 20.5%, contributing 46.6% to Overall Growth. Sell-out sales growth was 21.6% at constant exchange rates, with Same Store Sales Growth at 15.1% and marketplace growth at 75.0%. Sales momentum remained strong online and offline throughout the year, thanks to successful marketing campaigns with celebrity Lu Han, who broadened L'Occitane's appeal to a younger demographic. Growth was particularly strong for the Cherry Blossom range, with some of the demand seen in other markets in the region as well as the travel retail channel. At the end of FY2018, there were 197 stores, representing 5 net closings. Sell-in channels also delivered good results, with contribution from B2B, department stores and web-partners.

Management Discussion & Analysis

Taiwan

Taiwan's net sales for FY2018 were €39.4 million, a decrease of 5.1% or 3.3% at constant exchange rates as compared to FY2017. Against the backdrop of a challenging and competitive retail market, the decrease in Sell-out was largely explained by the 4 stores closed in FY2018 and negative Same Store Sales Growth. The drop in Sell-in was from sluggish B2B sales. However, Taiwan remains one of the markets with highest repurchase rates in the Group, and the new product range Aqua Réotier saw encouraging initial results in the last month of FY2018. Meanwhile, the interface between e-commerce platform and CRM was improved in the second half of FY2018, paving the way to even better omni-channel experiences for our valuable VIP customers in Taiwan.

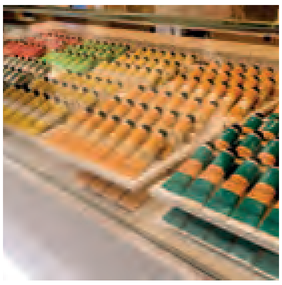


France

France's net sales for FY2018 were €102.2 million, an increase of 1.7% as compared to FY2017, contributing 2.8% to Overall Growth. On a like-for-like basis (excluding Le Couvent des Minimes), growth was 4.6%. The growth was driven by both Sell-out and Sell-in and by all brands. Retail picked up in the second half, helped by a recovery in tourist sales, good results of the new Aqua Réotier product launch as well as encouraging performances of the new and refurbished stores, such as La Vallée Village and Forum des Halles. We are also delighted with the opening of the flagship concept store on Champs-Élysées in Paris, which generated enormous publicity and uplifted the brand image. Sell-in sales grew by 5.4% (like-for-like), mainly driven by wholesale, web-partners and B2B.

United Kingdom

United Kingdom's net sales for FY2018 were €59.8 million, a decrease of 7.7% as compared to FY2017. At constant exchange rates, the growth was -3.5%. Sell-out sales dropped by 0.9%. Retail sales were affected by sluggish market, coupled with closures of some underperforming stores and loss of sales during renovations. Yet, Same Store Sales Growth was 0.2%, thanks to healthy growth in E-commerce. The flagship store on Regent Street in London also created excitement with unique in-store features and experiences. Sell-in sales reduced by 12.1%, due mainly to TV channel which had a high base last year. B2B and web-partners recorded double-digit growth.



United States

United States' net sales for FY2018 were €172.2 million, an increase of 0.6% as compared to FY2017. At constant exchange rates, the growth was 8.8%, posting a contribution of 24.6% to Overall Growth. Like-for-like growth (excluding LimeLife) was -4.1%. Sell-out sales, excluding LimeLife, of the year ended at -4.9% at constant exchange rates compared to FY2017, which was largely explained by the planned closure of 11 non-performing stores under the store rationalization program. Though market was tough in the first half, retail sales saw growth and positive Same Store Sales Growth in the second half of FY2018, thanks to the successful campaigns such as co-branding Shea Collection with Rifle Paper Co., and the Friends & Family and "Refer a Friend" programs. Sell-in channels posted an increase of 1.2%, with encouraging growth in web-partners and TV channels.

Brazil

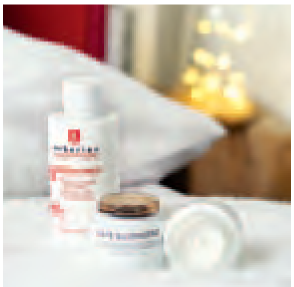
Brazil's net sales for FY2018 were €60.2 million, an increase of 6.5% as compared to FY2017. At constant exchange rates, the growth was 11.3%, contributing 10.5% to Overall Growth. Although the market remained challenging with a complex political environment, the Group achieved robust growth contributed by both Sell-out and Sell-in segments, thanks to the double-digit growth of L'Occitane au Brésil. Sell-out grew 12.2% at constant exchange rates, contributed by healthy 4.5% Same Store Sales Growth and the stores opened during this year and last year. E-commerce maintained a solid trend with mid-double-digit growth. Sell-in grew 7.1%, mainly from distributors of L'Occitane au Brésil. L'Occitane au Brésil achieved strong growth in Same Store Sales, E-commerce and distribution. There were 43 net openings in FY2018, including 28 L'Occitane au Brésil stores which were reclassified from temporary kiosks to own retail stores in view of their good sales performance. At the end of FY2018, the 166 own retail stores in Brazil consisted of 88 L'Occitane en Provence and 78 L'Occitane au Brésil stores.

Russia

Russia's net sales for FY2018 were €50.5 million, an increase of 3.1% as compared to FY2017. At constant exchange rates, the growth was 3.6%, contributing 2.9% to Overall Growth. Retail market remained tough with aggressive competition and a highly promotional environment. Sell-out grew 1.4% with slightly positive Same Store Sales Growth, achieved by dynamic E-commerce growth. Yet Sell-in remained solid with 13.0% growth, with contribution mainly from B2B, wholesale and web-partners. The encouraging development of Erborian also helped to grow in the flattish market. At the end of FY2018, there were 103 own retail stores, including 5 Erborian stores.

Other countries

Other countries' (including Luxembourg) net sales for FY2018 were €332.4 million, an increase of 0.2% at constant exchange rates, contributing 1.4% to Overall Growth. On a like-for-like basis (excluding Le Couvent des Minimes and the one-off deal concerning L'Occitane au Brésil), the growth was 1.9%. The Sell-out segment grew by 0.5% with almost flat Same Store Sales Growth. Australia, Malaysia and Mexico delivered decent growth. Sell-in (like-for-like) grew 4.7%, mainly contributed by distributors, B2B and travel retail in Europe and America.



PROFITABILITY ANALYSIS

COST OF SALES AND GROSS PROFIT

Cost of sales increased by 0.1%, or €0.2 million, to €221.0 million in FY2018. The gross profit margin remained the same at 83.3%, reflecting the following factors:

- reduction in production and freight costs for 0.6 points;
- favourable price and product mix effect for 0.3 points; and
- reduction in obsolescence and others for 0.3 points.

The rise in gross profit margin was offset by unfavourable foreign exchange ("FX") effects for 0.7 points, unfavourable brand mix for 0.2 points, increase in use of Mini Products and Pouches ("MPPs") & boxes for 0.2 points and a reclassification from General and Administrative Expenses for 0.1 points.

DISTRIBUTION EXPENSES

Distribution expenses increased by 2.8%, or €17.6 million to €639.5 million in FY2018. As a percentage to net sales, distribution expenses increased by 1.5 points to 48.5%. The higher cost percentage is attributable to a combination of:

- lower leverage under tough retail environment on rental and personnel costs for 1.1 points;
- one-off pre-opening costs for flagship stores for 0.4 points;
- unfavourable brand mix for 0.1 points;
- investment in Asia central warehouse for 0.1 points; and
- reclassification from General and Administrative Expenses and rounding for 0.2 points.

This deterioration was partly offset by:

- favourable channel mix for 0.4 points, driven by higher growth in Web channels and healthy growth in Sell-in channels.

MARKETING EXPENSES

Marketing expenses increased by 4.8%, or €8.3 million, to €179.2 million in FY2018. As a percentage of net sales, marketing expenses increased by 0.7 points to 13.6% of net sales. The increase was attributable to:

- investment in celebrities, influencers and advertising in key countries for 1.1 points;
- unfavourable FX effects for 0.1 points; and
- reclassification from General and Administrative Expenses for another 0.1 points.

This was partly offset by leverage effects mainly from higher sales of emerging brands for 0.3 points, together with favourable brand and channel mix for another 0.3 points.

RESEARCH & DEVELOPMENT EXPENSES

Research and development ("R&D") expenses increased by 12.3%, or €1.9 million, to €17.5 million in FY2018, due mainly to increased investments dedicated to new projects for the L'Occitane en Provence brand and unfavourable exchange rates. These additional investments represented 0.1 points of net sales, causing R&D expenses to reach 1.4% of net sales.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses decreased by 3.8%, or €4.8 million, to €123.0 million in FY2018. As a percentage of net sales, general and administrative expenses decreased by 0.4 points to 9.3%. The improvement was due mainly to the following items:

- a reclassification of certain IT expenses to other expense categories for 0.4 points;
- a leaner organization structure with higher leverage for a total of 0.3 points; and
- favourable brand mix for 0.1 points.

This was partly offset by higher IT investment for 0.3 points and unfavourable foreign currency effect for 0.1 points.

OTHER GAINS AND LOSSES

Other gains were €1.6 million in FY2018, being tax credits on research expenditures plus net gains on stores closures. In FY2017, net other gains were €2.2 million, which included profits from disposal of the brand Le Couvent des Minimes.

OPERATING PROFIT

Operating profit decreased by 16.2%, or €27.3 million, to €141.0 million in FY2018, and the operating profit margin decreased by 2.0 points of net sales to 10.7%. The decrease in the operating profit margin is explained by:

- unfavourable FX effects for 1.1 points;
- lower leverage from softer retail sales for 0.6 points;
- strengthening investments in celebrities, influencers and advertising in key countries for new product launches and during festive seasons for a total of 1.3 points;
- one-off pre-opening costs for new flagship stores for 0.4 points; and
- investments in infrastructure including IT and Asia central warehouse for a total of 0.4 points.

This was partly offset by the following:

- higher efficiency in production, freight costs and administrative leverage for 0.9 points;
- favourable channel mix for 0.6 points, driven by the development of Web and Sell-in channels; and
- beneficial price & product mix for 0.3 points.

FINANCE COSTS, NET

Net finance costs were €0.8 million in FY2018, same as in FY2017.

For FY2018, the net finance costs consisted of €0.2 million interest expenses on borrowings netting off interest income on cash balances, and €0.6 million non-cash accrual.

FOREIGN CURRENCY GAINS/LOSSES

Net foreign currency losses amounted to €4.2 million in FY2018 (FY2017: net gains of €1.1 million) and were composed of €3.1 million realized losses and €1.1 million unrealized losses.

The realized losses were due largely to intercompany trade and current accounts settlements during the year, notably in Chinese yuan, Hong Kong dollar, Russian ruble and Korean won, partly offset by the gains from Japanese yen, Swiss franc and Australian dollar. The unrealized losses resulted from year-end conversion of foreign currency bank and intercompany financing balances into euro, at relatively stronger euro rates against various foreign currencies at the end of March 2018 as compared to those rates at the end of March 2017. This led to unrealized foreign exchange losses on these foreign currency balances at Group level, largely related to US dollar, Australian dollar, Swiss franc and Japanese yen, being netted off by unrealized gains in Hong Kong dollar, Brazilian real and Chinese yuan.

INCOME TAX EXPENSE

The effective tax rate increased from 21.5% in FY2017 to 29.0% in FY2018, an increase of 7.5 percentage points due to:

- The one-time effect of changes in tax rates, essentially explained by the tax reform in the US, which resulted in a depreciation of the deferred tax assets in the US, for 4.1 points;
- Unfavourable exchange rates effect impacting the deferred tax assets related to the intercompany margin elimination in the inventories, for 2.5 points; and
- Other effects for 0.9 points.

PROFIT FOR THE YEAR

For the aforementioned reasons, profit for FY2018 was €96.5 million, reduced by 27.1% or €35.8 million as compared to FY2017. Basic and diluted earnings per share in FY2018 were €0.066 (FY2017: €0.090), and decreased by 26.7%. The numbers of basic and diluted shares used in the calculations of earnings per share in FY2018 were 1,460,682,471 and 1,461,891,614 respectively (FY2017: basic 1,462,720,221 and diluted 1,463,878,454).

BALANCE SHEET AND CASH-FLOW REVIEW

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2018, the Group had cash and cash equivalents of €385.7 million as compared to €452.8 million as at 31 March 2017. As at 31 March 2018, the aggregate amount of undrawn borrowing facilities was €332.4 million. As at 31 March 2018, total borrowings, including finance lease liabilities, current accounts with non-controlling interests and related parties and bank overdrafts, amounted to €88.0 million, as compared to €73.0 million as at 31 March 2017. The increase was due to higher drawing of revolving banking facilities.

SUMMARIZED CASH-FLOW STATEMENT

For the year ended 31 March	***2018 €'000***	*2017 €'000*
Profit before tax, adjusted for non-cash items	**202,111**	233,246
Changes in working capital	**1,926**	635
Income tax paid	**(33,703)**	(39,753)
Net cash inflow from operating activities	**170,334**	194,128
Net cash (outflow) from investing activities	**(202,728)**	(52,045)
(Negative)/Positive free cash flow	**(32,394)**	142,083
Net cash (outflow) from financing activities	**(35,104)**	(110,466)
Effect of exchange rate changes	**459**	(3,684)
Net (decrease) increase in cash, cash equivalents and bank overdrafts	**(67,039)**	27,933

Negative free cash flow generated for the year was €32.4 million, due mainly to net cash outflow from investing activities, which increased from €52.0 million last year to €202.7 million this year. The sharp increase was explained by the shares acquisition in LimeLife, the investments in flagship stores, factory production lines and various IT projects. In FY2018, net cash outflow from financing activities amounted to €35.1 million, €75.4 million lower than in FY2017. The decrease was explained partly by the increase in borrowing in FY2018, by the payments to purchase shares back from non-controlling shareholders of Taiwan subsidiary as well as net repayment of borrowings in FY2017.

INVESTING ACTIVITIES

Net cash used in investing activities was €202.7 million in FY2018, as compared to €52.0 million in FY2017, representing an increase of €150.7 million. The investing activities for FY2018 primarily related to:

- further acquisition of businesses and financial assets, essentially LimeLife for a total of €109.8 million;
- the additions of leasehold improvements, other tangible assets, key moneys and changes in deposits related to stores for €62.1 million;
- the additions of machinery and equipment, enhancing production lines for new products, building a new factory in Brazil and improvements in warehouse and offices at subsidiaries for a total of €16.4 million; and
- the additions in information technology software, licenses and equipment for €14.0 million, including computer hardware and servers upgrade in factories, server centres, offices and stores in various countries.

FINANCING ACTIVITIES

Net cash used in financing activities in FY2018 was €35.1 million (FY2017: €110.5 million — which was affected by acquisition of Taiwan minority shareholding for €36.6 million and net repayment of borrowing for €14.4 million). Net cash used during the year mainly reflected the following:

- payment of final dividend during the year for €46.3 million;
- purchase of treasury shares for a total of €4.4 million; and
- net borrowing of €16.8 million for cash needed at subsidiary level.

INVENTORIES

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

	FY2018	*FY2017*
Average inventory turnover days(1)	**243**	227

(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 increased by 13.3%, or €18.4 million, to €156.5 million as at 31 March 2018. Inventory turnover increased by 16 days as a result of:

- product pipeline for the Asia central warehouse for 7 days;
- inclusion of LimeLife for 6 days;
- increase in inventory in some subsidiaries for 6 days, namely Brazil, Japan and China;
- increase in raw materials at the factories for 3 days; and
- reduction in inventory allowance for 2 days.

The increase in inventory turnover was partly alleviated by favorable foreign exchange impact of 8 days.

TRADE RECEIVABLES

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

	FY2018	*FY2017*
Turnover days of trade receivables(1)	**30**	28

(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 increased by 2 days to 30 days for FY2018 as compared to FY2017. The increase was mainly due to higher receivables in both Sell-in and Sell-out accounts.

TRADE PAYABLES

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

	FY2018	*FY2017*
Turnover days of trade payables(1)	**188**	161

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

The increase in turnover days of trade payables was due mainly to an increase in trade payables at the factory, in China, France and the US.

BALANCE SHEET RATIOS

Return on capital employed in FY2018 was 15.1%, reduced by 9.5 points as compared to FY2017, as a result of a decrease in net operating profit after tax by 27.0% accompanied by an increase of 18.6% in capital employed under higher working capital and non-current assets. The capital and reserves attributable to the equity owners increased by €11.2 million from 31 March 2017 to 31 March 2018. The increase was affected by a significant foreign exchange reserve provision for year-end conversions at relatively stronger euro compared to last year. Return on equity ratio was then affected and decreased to 10.3% in FY2018.

The Group remained in high net cash position with healthy liquidity and capital adequacy ratio. The gearing ratio increased slightly to 6.8%, due mainly to an increase in net borrowing for the financing needs at subsidiary level.

		FY2018	FY2017
Profitability			
Net operating profit after tax (NOPAT) (1)	€'000	**97,078**	132,997
Capital employed(2)	€'000	**641,118**	540,634
Return on capital employed (ROCE) (3)		**15.1%**	24.6%
Return on equity (ROE) (4)		**10.3%**	14.3%
Liquidity			
Current ratio (times) (5)		**3.1**	3.6
Quick ratio (times) (6)		**2.4**	2.9
Capital adequacy			
Gearing ratio(7)		**6.8%**	5.9%
Debt to equity ratio(8)		**Net cash position**	Net cash position

(1) (Operating profit + foreign currency net gains or losses) x (1 - effective tax rate)
*(2) Non-current assets - (deferred tax liabilities + other non-current liabilities) + working capital**
** excluded current financial liabilities to show only working capital relating to operations*
(3) NOPAT/capital employed
(4) Net profit attributable to equity owners of the Company/shareholders' equity at year end excluding minority interest
(5) Current assets/current liabilities
(6) (Current assets - inventories)/current liabilities
(7) Total debt/total assets
(8) Net debt/(total assets - total liabilities)

FOREIGN EXCHANGE RISK MANAGEMENT

The 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 2018, the Company had foreign exchange derivatives net liabilities of €0.3 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 2018 were primarily sale of Japanese yen for an equivalent of €22.8 million, Chinese yuan for €16.1 million, Great British pound for €4.8 million, Thai baht for €2.4 million and US dollar for €2.3 million.

DIVIDENDS

At the Board meeting held on 12 June 2017, the Board recommended a gross dividend distribution of €0.0316 per share for a total amount of €46.2 million or 35.0% of the net profit attributable to the equity owners of the Company. The amount of the final dividend was based on 1,462,720,221 shares in issue as at 12 June 2017 excluding 14,244,670 treasury shares. The shareholders of the Company (the "Shareholders") approved this dividend at a meeting held on 27 September 2017. The dividend was duly paid on 19 October 2017.

The Group remained healthy in generating operating cashflow and was able to self-finance almost fully the significant acquisition of LimeLife from it. In view of the solid cash position, the Board is pleased to recommend an increase of distribution ratio from 35% to 45% of the net profit attributable to the equity owners of the Company, with a gross final dividend of €0.0297 per share (the "Final Dividend"). The total amount of the dividend is €43.4 million.

The Final Dividend is based on 1,460,682,471 shares in issue as at 11 June 2018 excluding 16,282,420 treasury shares.

EVENTS SUBSEQUENT TO THE END OF FINANCIAL YEAR

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

STRATEGIC REVIEW

In FY2018, the Group remained focused on executing its strategies to achieve long-term growth, namely by re-enchanting audiences to the roots of its core brand, providing an extraordinary customer experience — both offline and online, as well as by driving operational efficiency. This three-pronged approach has helped the Group deliver healthy growth and better position itself to become the top group of natural brands in the affordable premium segment.

Despite ongoing foreign exchange headwinds and challenging retail environments in key markets, FY2018 was a solid financial year. The Group performed strongly in emerging markets while its online channels continued to make steady progress.

Flagship store in Yorkdale Toronto, Canada

Seamless and enchanting omni-channel customer experiences

The Group recognises the importance of building long-term relationships with its customers across online and offline channels, in ways that are both seamless and complementary. Although the role of physical storefronts remains integral for customers to familiarise themselves with products and brands, the shift to online retail has become an irreversible trend.

The Group continued to re-orient its physical store network to deliver a more unforgettable shopping experience to its customers. One of the key aspects of this strategy is the 'Sunshine Concept', which aims to bring Provence, the essence of the land that inspired L'Occitane, into its stores. Retaining the use of the Group's signature yellow, the Sunshine Concept incorporates modernity and simpler navigation into its storefronts. Having received precious feedback and learning points from its first pilot stores for the Sunshine Concept in key markets, the Group is continuing to adapt and evolve the concept for future renovations.

During the year, the Group also launched several high-profile flagship stores in key cities to create further excitement around its core L'Occitane en Provence brand. The most high profile of these — 86 Champs, named after its address on the Avenue des Champs-Élysées in Paris — was opened in the Group's home market of France. It is a one-of-a-kind concept store in partnership with famous French pastry chef, Pierre Hermé. A second flagship store was opened on Regent Street in London, which offers exclusive services including engraving, gift-wrapping and personalised messages, as well as a hand and arm massage bar. A third flagship store was opened at the Yorkdale Shopping Centre in Toronto, which provides an immersive digital experience and connected shopping model to customers, and was listed as one of the finalists at the coveted *2018 World Retail Awards*.

While these flagship stores share a common thread in expressing the brand identity of L'Occitane en Provence, each of them deliver unique elements and experiences that captivate customers.

The Group's store network expansion remained selective during FY2018, during which it opened a net 41 stores to reach a total of 1,555 own stores. The openings were primarily for emerging brands in selected markets, namely L'Occitane au Brésil, Melvita in Japan, and Erborian in Russia. In additon to the flagship stores, the Group also opened new stores for L'Occitane en Provence at handpicked locations in Japan, Australia and Europe, and rationalised its store network in the United States to adapt to changing consumer behaviour. At the same time, the Group upgraded its store network with 153 renovations, to deliver a refreshed layout that incorporates more digital features and in-store technology, driving more return traffic.

In line with its aim to create fluid on- and offline customer journeys, the Group launched a new e-commerce website during FY2018 that is streamlined, mobile-friendly and incorporates features such as a special beauty advice section, an automatic replenishment subscription service and a 'Click-and-Collect' function in some markets (where customers collect their online purchases in-store) that has increased conversion rates.

Expanding brand appeal with strategic and hero products

The Group stayed on track to focus its resources on fewer, but larger scale, product launches in FY2018, which were synchronised across all countries and sales channels. These strategic products — which included the re-launch of Immortelle Divine Youth Oil and the brand new Aqua Réotier range — greatly improved the Group's visibility and reputation in the face care product category and was highly effective in trading up existing customers, and also attracting new ones, particularly younger customers.

Looking forward, the Group will continue to focus on these hero or iconic products, while balancing this with timeless bestsellers and novelty launches that not only generate sales, but also traffic and loyalty.

Innovative marketing — co-brandings and celebrity campaigns

Innovative co-branding and brand ambassador campaigns also underpinned the Group's success in driving brand recognition and popularity in key markets.

This success was seen particularly in China where the Group saw strong results from high-profile brand ambassador campaigns with local celebrity Lu Han, whose endorsement sustained robust on- and offline sales throughout the year. The Group also saw the benefits of this campaign flow through to other markets within the Greater China region. The success of this campaign highlighted the Group's understanding of the new generation of online savvy consumers in emerging markets.

Another successful initiative was the Group's collaboration with the lifestyle brand, Rifle Paper Co. on the packaging of certain products with beautiful hand-painted designs that highlight the botanical origins of its products. This limited-edition product range received widespread attention in many markets including the United States, where it was one of the key driving factors of the positive Same Store Sales Growth seen in the final quarter of FY2018. The L'Occi Truck, inspired by the vintage French Citroën H Van and the Group's signature yellow, also hit the roads of North America as a mobile interactive station to test-and-play products. Both of these initiatives pointed to the Group's ability to tap into customer demand even in competitive and challenging retail markets.

The Group continued to scale up its collaboration with beauty bloggers and vloggers to target a new generation of consumers, as well as its use of social media platforms including WeChat in China, Line in Japan and Kakao Talk in South Korea.

Multi-brand strategy delivered encouraging results

The performances of the Group's emerging brands, Melvita, L'Occitane au Brésil, and Erborian, strengthened considerably in FY2018, with each recording double-digit growth. This growth was seen primarily in Japan, France and Brazil, where there is strong demand for superior quality products at reasonable price points.

The acquisition of LimeLife was a major move for the Group during FY2018 to launch its foray into the colour cosmetics space. The brand achieved exceptional growth, with sales growing more than three-fold in the past calendar year. LimeLife has now expanded beyond its home market in the United States, launching in Canada in March 2018 and in the United Kingdom in June 2018, under the same direct sales model that is both scalable and controllable. The brand is leading the Group's exploration into new product streams and remains profitable.

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

Increasing operational efficiency and agility

The Group further optimised its management structure and operations in FY2018 to control costs and increase efficiency. It opened an Asian Central Distribution Centre in Singapore, which has allowed better product allocation to regional markets, more agile distribution to distributors and subsidiaries, the maintenance of almost 100% maritime transport, as well as other services such as kitting, quality control and labeling. The Group plans to launch a similar Central Distribution Centre in Europe in the coming financial year.

Meanwhile, construction of the Group's Brazilian factory is well underway. It is expected to bring benefits not only in terms of production efficiency for the L'Occitane au Brésil brand, but also considerable tax advantages when it begins operations during the next financial year.

The Group also continued to implement a controlled pricing and discount strategy to safeguard and strengthen its brand integrity, proposition and profitability, while seeking new ways to achieve operational excellence.

Continued dedication to social & environmental responsibility

The Group takes seriously its role within the natural environment and society. L'Occitane is committed to being respectful of the natural heritage of the lands from which it is inspired, and to exude positive influence on the people around it — including its suppliers and employees.

The Group is proud of its philanthropic commitments in promoting fair trade and craftsmanship, protecting biodiversity, reducing the use of plastic, and fighting against preventable blindness. Through the L'Occitane Foundation, the Group has worked in partnership with NGOs and agencies including UNICEF, Orbis, USAID, RONGEAD, and Global Shea Alliance (GSA). The Group also continues to work towards achieving Objective 2020, a goal to switch its operations to 100% renewable energy. All of the Group's production sites and own stores in France now run completely on renewable energy, and it is currently exploring ways to move its main subsidiaries away from CO2-emitting energy, starting with its stores in the United States and the United Kingdom.

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

OUTLOOK

Looking ahead to FY2019, the Group will continue to boost its appeal through innovative storefronts that highlight its true stories and origins, creative marketing initiatives, and new products. The brand new Aqua Réotier range and a promising new hero product due to launch in September 2018 are expected to further boost the Group's profile and reputation in face care.

To focus on strengthening customer engagement and unifying the omni-channel experiences that it offers, the Group is investing in more powerful and agile online platforms with capabilities such as predictive intelligence and order management. It is also working tirelessly to deep-dive into its treasure trove of customer insights through centralised data management and the synchronisation of existing channels. This will be key for increasing customer profitability, starting from recruitment to lasting loyalty. The Group also recently revamped its loyalty program and piloted it in Spain. Apart from earning points for purchases, best customers are rewarded with exclusive experiences and surprises, which are intended to evoke an emotional connection with the brand, strengthening proximity and engagement. A related initiative has also been introduced in Asia, where the Group is progressively rolling out a revamped CRM interface for VIP customers that will allow loyalty points earned in-store to be used online.

Meanwhile, the Group will continue to invest in the development of its emerging brands as part of its multi-brand strategy. Much of this focus will be dedicated to the international expansion of LimeLife to capture the fast growth of 'social commerce', as well as the colour cosmetics segment. The Group is also fostering its other emerging brands, in particular Melvita in Japan, Erborian in the United States and Russia, as well as L'Occitane au Brésil. For example, Melvita recently introduced new store layouts, giving the brand a more modern look while providing customers with a richer experience. The Group also recently launched a new dedicated TMall store for the brand, to build brand awareness in a much more efficient manner in the China market. L'Occitane au Brésil recently debuted three product lines in the strategic hair care category.

With its new corporate structure, the Group is operating with an even better alignment of interests between management and stakeholders. Under the leadership of the Group Managing Director, the Group is set to leverage on his entrepreneurial spirit and digital expertise to fulfil ambitious growth targets while protecting profitability.

These well-defined objectives, combined with the Group's commitment to focus resources on key markets and products, will continue to support its ability to deliver profitable growth and lasting value to its shareholders.

Corporate Governance Report


TERRE DE
LUMIÈRE
L'OCCITANE
NÉROLI
&
ORCHIDÉE
L'OCCITANE

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 "CG Code"), there are two levels of corporate governance practices, namely: code provisions that a listed company must comply with or explain its non-compliance, and recommended best practices that a listed company is encouraged to comply with but need not disclose in the case of non-compliance.

On 17 June 2013, the Board adopted its own corporate governance manual which is based on the principles, provisions and practices set out in the CG Code; this is available on the Company's website group.loccitane.com. Please select "Governance" under "Investors".

DEVIATIONS FROM THE CODE

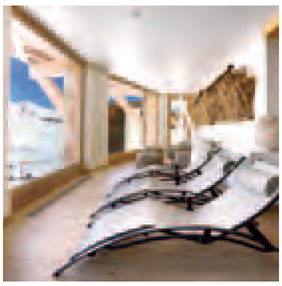
The Company has complied with all of the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules throughout FY2018 save as disclosed below:

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

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

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

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



Mr. Karl Guénard ("Mr. Guénard"), 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 ("Ms. Mok"), another joint company secretary of the Company, is based in Hong Kong. Ms. Mok works in coordination with Mr. Guénard in the discharge of all 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 year ended 31 March 2018 ("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.

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

Shareholders' Meeting
Annual General Meeting
Extraordinary General Meeting

Board of Directors
Directors elected by the Shareholders' Meeting

Audit Committee	**Nomination Committee**	**Remuneration Committee**

Chairman & CEO

Management

Composition of the Board

The Board consists of nine Directors, comprising four executive Directors ("ED"), one non-executive Director ("NED") and four independent non-executive Directors ("INED"). All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director are set out on pages 54 to 57 of this 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

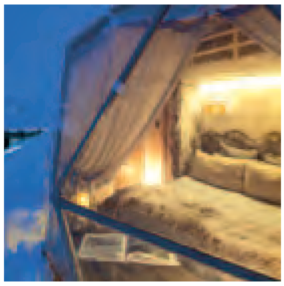
The following is the attendance record of Directors at the Board, Board committee and general meetings held during FY2018:

		Attendance:				
Name	**Category**	**Board Meeting**	**Audit Committee Meeting**	**Nomination Committee Meeting**	**Remuneration Committee Meeting**	**General Meeting**
		Meeting Attended/ Eligible to Attend	*Meeting Attended/ Eligible to Attend*	*Meeting Attended/ Eligible to Attend*	*Meeting Attended/ Eligible to Attend*	*Meeting Attended/ Eligible to Attend*
Reinold Geiger	ED	7/10				1/1
André Hoffmann	ED	8/10		1/1		0/1
Domenico Trizio [(1)]	ED	8/8			1/1	0/1
Thomas Levilion	ED	10/10				1/1
Karl Guénard	ED	10/10				1/1
Martial Lopez	NED	10/10	4/4			0/1
Mark Broadley	INED	10/10	4/4		1/1	0/1
Jackson Ng	INED	9/10	4/4	1/1		0/1
Valérie Bernis	INED	8/10		1/1		0/1
Pierre Milet	INED	9/10			1/1	0/1

Note:

[(1)] *Mr. Domenico Trizio resigned as an ED with effect from 9 January 2018.*

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

Responsibilities of the Senior Management

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

— Formulating strategies and business development plans, submitting to the Board for approval, and implementing such strategies and business development plans thereafter;

— Submitting annual budgets to the Board on regular basis;

— Reviewing salary increment proposals and remuneration policy and submitting to the Board for approval; and

— Assisting the Board in conducting the review of the effectiveness of the internal control systems of the Group.

Joint Company Secretaries

Ms. Ming Wai Mok, director of TMF Hong Kong Limited, was appointed as joint company secretary on 24 March 2016. 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 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 FY2018 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 FY2018, 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 auditor of the Group whenever required.

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

The following is a summary of the work performed by the Audit Committee during FY2018:

i. Review of the report from the auditor on the audit of the final results of the Group for FY2017;

ii. Review of the draft financial statements of the Group for FY2017;

iii. Review of the draft results announcement and annual report of the Group for FY2017;

iv. Review of the audit fees payable to the external auditor for FY2017;

v. Review of the external auditor's independence and transmission of a recommendation to the Board for the re-appointment of the external auditor at the forthcoming annual general meeting ("AGM");

vi. Review of the draft results announcement and interim report of the Group for the period ended 30 September 2017;

vii. Review of the financial statements for the period ended 31 December 2017;

viii. Review of the internal control system including the internal audit results analysis and the internal audit plan for 2017-2018, and report to the Board;

ix. Review of the Listing Rules modification affecting the Group in order to monitor appropriate corporate governance and oversaw 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 CG 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 proposal of re-election of Mr. Thomas Levilion and Domenico Trizio as EDs and the proposal of re-election of Mr.Charles Mark Broadley and Mr. Jackson Chik Sum Ng as INEDs at the FY2017 AGM, one Nomination Committee meeting was held during FY 2018.

Remuneration Committee

The terms of reference of the Remuneration Committee were amended on 29 March 2012 to comply with the provisions set out in the CG Code. The Remuneration Committee had three members, who are Mr. Pierre Milet (Chairman), Mr. Mark Broadley, and Mr. Domenico Trizio (until 9 January 2018). Mr. Domenico Trizio was an ED, and the other two members are INEDs. A new member will be appointed by the Board after the next AGM to be held on 26 September 2018.

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 FY2018:

i. Review of the repartition and cost of the Long Term Incentive Plan 2016 (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 one meeting of the Remuneration Committee during the Review Period.

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

i. The remuneration of the Directors is determined by the Board which receives recommendations from the Remuneration Committee. Under our current compensation arrangements, the EDs receive compensation in the form of salaries, bonus subject to performance and share-based payments. One of the EDs received service fees. The NED and 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 FY2018 was approximately €3,091,000. 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 FY2018 was approximately €3,708,000.

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 FY2018. Further, none of the Directors has waived any remuneration during the same period.

AUDITOR'S REMUNERATION

The fees in relation to the audit and related services for FY2018 provided by PricewaterhouseCoopers, the external auditor of the Company, amounted to approximately €1,201,000 and €211,065 respectively. There were no non-audit services provided by the auditor during the year.

	€'000
Annual audit and interim review services	1,201
Audit related services	211
TOTAL	1,412

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 its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 78 to 83 of this Annual Report.

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

The system of risk management and internal control is designed to provide reasonable assurance against human errors, material misstatements, losses, damages, or fraud, and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives. During FY2018, the internal control deviations were addressed effectively and action plans implemented to reduce the risks. The Audit Committee was satisfied that appropriate actions were undertaken and the overall risk management and internal control systems have functioned effectively as intended.

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

INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS

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

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

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.

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.

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

Environmental, Social and Governance (ESG) Report

To answer to its ambition, the Group has developed a sustainable policy and since the financial year ended 31 March 2011, the Group has been establishing an annual 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, under the section of "investors/financial information/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.

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L-1724 Luxembourg

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


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EN PROVENCE
depuis 1976

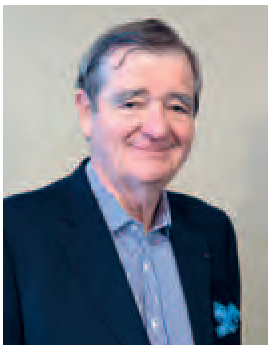
Directors and Senior Management

Directors and Senior Management

DIRECTORS

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

Name	Age	Position
Reinold Geiger	70	Executive Director, Chairman and Chief Executive Officer
André Hoffmann	62	Vice-Chairman
Thomas Levilion	58	Executive Director and Group Deputy General Manager, Finance and Administration
Karl Guénard	51	Executive Director and Joint Company Secretary
Martial Lopez	58	Non-Executive Director
Pierre Milet	75	Independent Non-Executive Director
Charles Mark Broadley	54	Independent Non-Executive Director
Jackson Chik Sum Ng	57	Independent Non-Executive Director
Valérie Bernis	59	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, L'Occitane Groupe S.A. ("LOG") and LOG Investment S.A. ("LOGI"), president of L'Occitane Innovation LAB SAS, a member of the board of directors or managers of LimeLife Co-Invest SarL, L'Occitane (Suisse) S.A., L'Occitane Australia Pty. Ltd., L'Occitane Japon K.K. and L'Occitane Russia. He is also the chairman of L'Occitane Inc. and L'Occitane LLC and the president of the Fondation d'entreprise L'Occitane. Since joining L'Occitane, Mr. Geiger has developed the Group from a largely domestic operation based in France to an international business. He has spent time travelling to the Group's worldwide locations in order to implement this growth strategy, where he has established the Group's subsidiaries and strong relationships with the local management. In June 2008, Mr. Geiger was awarded the accolade of "INSEAD entrepreneur of the year" for his international development strategy of the Group. Mr. Geiger began his career at the American Machine and Foundry Company in 1970. In 1972 he left to start his own business, and was involved in the distribution of machinery used in the processing of rubber and plastic, which he sold in 1978. Mr. Geiger then established and developed AMS Packaging SA, which specialised in packaging for the high end perfumes and cosmetics market. This company was floated on the Paris stock exchange in 1987 and Mr. Geiger left the company entirely in 1990. Between 1991 and 1995, he worked for a packaging company with operations primarily based in France and developed it into an international business. Mr. Geiger graduated from the Swiss Federal Institute of Technology in Zürich, Switzerland with a degree in engineering in 1969 and from INSEAD in Fontainebleu, France with a master's degree in business administration in 1976.

André Hoffmann
Vice-Chairman

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 and is also a director of LOG and LOGI. Mr. Hoffmann is primarily responsible for the Group's strategic planning. He was previously in charge of the Group's business in Asia-Pacific between June 1995 and December 2017 as Managing Director, Asia Pacific. Mr. Hoffmann is the chairman of L'Occitane Trading (Shanghai) Limited, L'Occitane (Far East) Limited, L'Occitane (Korea) Limited and L'Occitane Taiwan Limited. He is also a director of L'Occitane Singapore Pte. Limited, L'Occitane Australia Pty. Limited, L'Occitane Japon K.K., L'Occitane (China) Limited and L'Occitane (Macau) Limited. He has over 30 years' experience in the retail and distribution of cosmetics, luxury products and fashion in Asia-Pacific. He is a director of Pacifique Agencies (Far East) Limited, which was a joint venture partner with the Company for the distribution of L'Occitane products in the Asia-Pacific region between 1995 and 2004. Between 1979 and 1986, Mr. Hoffmann worked in various sales management roles at the GA Pacific Group, a business specialising in the investment and management of retailing, wholesaling, trading, manufacturing and distribution operations and the hotel and tourism trade in Asia-Pacific. Mr. Hoffmann graduated from the University of California at Berkeley, USA in 1978 with a bachelor of arts degree in economics.

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 M&L Distribution S.à.r.l. as well as the President of Verveina SAS. Between 1988 and 2007, Mr. Levilion worked at Salomon S.A., which was a subsidiary of Adidas AG and was subsequently acquired by the Amer Sports Corporation, where he was the controller and the VP controller and subsequently the chief financial officer. During this time he gained experience in global supply chains, turn-arounds, re-engineering of organisations and mergers and acquisitions. He has a master's degree in business administration from the Ecole des Hautes Etudes Commerciales in Paris, France, where he majored in finance, and a postgraduate degree in scientific decision making methods from the University of Paris-Dauphine, France.

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 has been an executive Director and Joint Company Secretary of the Group, he also has been further member of the board of directors or managers of LOG, LOGI, LOI Participations and LimeLife Co-Invest SarL. 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 Suez Environnement Company (since 2008), L'Arop (since 2013), and Atos (since 2015). She is Officier de l'Ordre National de la Légion d'Honneur (2011), Commandeur de l'Ordre National du Mérite (2016) and Chevalier des Palmes académiques et des Arts et Lettres. Mrs. Bernis graduated from Paris Institut Supérieur de Gestion (ISG) in 1982.

Directors and Senior Management

SENIOR MANAGEMENT

Sylvain Desjonquères

Mr. Sylvain Desjonquères, aged 51, is the Group Managing Director, responsible for the overall management of the Company. Mr. Desjonquères joined the Group in April 2018. He has over 28 years of experience in Fast Moving Consumer Goods ("FMCG"), prêt-à-porter, retail and e-commerce sectors, and has held senior positions in marketing, consulting and as Chief Executive Officer in international companies. Before joining the Company, Mr. Desjonquères worked as an independent investor, administrator and advisor. Prior to that, he was the president and chief executive officer of Redcats USA (now FullBeauty Brands) from 2010 to 2014, leading a successful digital transformation and reviving growth. Between 2002 and 2009, Mr. Desjonquères worked at La Halle, Vivarte Group, where he joined as chief marketing officer, and moved on to become the chief merchandising officer and lastly the chief executive officer. He also worked at L'Oreal Group as Marketing Vice President, Latin America. Mr. Desjonquères holds a Master's degree in Business Administration and General Management from the ESSEC Business School Paris. Mr. Desjonquères has also been actively involved in a number of charitable or social organisations, including "Action Against Hunger, USA" and "Kinomé– forest & life".

Adrien Geiger

Mr. Adrien Geiger, aged 33, is the L'Occitane en Provence Global Brand Director. Mr. Geiger joined the Group in 2014 as Product Manager, and progressed to Digital Director shortly after. He was then Global Brand Director, in charge of marketing strategy, customer experience and revamping the e-commerce website of L'Occitane en Provence. Before joining the Group, Mr. Geiger worked for Électricité de France, a French energy group, for 3 years. Mr. Geiger graduated from the University of Oxford, UK with a degree in engineering and from the Wharton School in Pennsylvania, USA with an MBA in digital marketing. Adrien is the son of Mr. Reinold Geiger, Chairman of the Group, and brother of Mr. Nicolas Geiger, President of L'Occitane Japan.

Nicolas Geiger

Mr. Nicolas Geiger, aged 37, is the President of L'Occitane Japan. Mr. Geiger joined the Group in 2011 as Marketing and Retail Director in Brazil and was then promoted to Managing Director of Brazil in 2014. Nicolas continues to be in charge of the development of the L'Occitane au Brésil brand. Mr. Geiger holds a Master's degree in Engineering, Economics and Management from the University of Oxford, UK and an MBA from INSEAD. Nicolas is the son of Mr. Reinold Geiger, Chairman of the Group, and brother of Mr. Adrien Geiger, L'Occitane en Provence Global Brand Director.

Lorenzo Giacomoni

Mr. Lorenzo Giacomoni, aged 49, is the Group Operations Vice President. Mr. Giacomoni joined the Group in October 2012, overseeing the Group's supply chain, including demand planning, stock management, order to delivery, warehousing and distribution, indirect procurement as well as the Group's information technology function. He has over 20 years of solid experience in FMCG and beauty sectors, and previously held senior positions in supply chain at SC Johnson Wax, Beiersdorf, Reckitt & Colman and Coty. Mr. Giacomoni holds a master's degree in industrial technology engineering from the University of Milan, Italy.

Jean-François Gonidec

Mr. Jean-François Gonidec, aged 61, 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.

Marcin Jasiak

Mr. Marcin Jasiak, aged 51, is the Group Managing Director for STREAM Region comprising of Poland, Scandinavia and Central Europe subsidiaries as well as Export, Travel Retail, spas and B2B 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.

Directors and Senior Management

Bénédicte Le Bris

Ms. Bénédicte Le Bris, aged 52, 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.

Lina Ly-Dutron

Ms. Lina Ly-Dutron, aged 46, is the Group's Managing Director for Asia Pacific. Ms. Ly-Dutron recently joined the Group in January 2018. She has about 20 years of experience in Asia, starting her career as Brand Manager for Sanofi China, followed by 2 years as Chief Representative of Bluebell to set up their office in China. In 2002, she started her career in luxury beauty as General Manager for Chanel's Cosmetic Division in China. From 2008 to 2017, Ms. Ly-Dutron held various management positions at L'Oréal Group; first as Division Manager for Lancôme in Travel Retail Asia Pacific, then General Manager of L'Oreal Luxe Division Hong Kong and lastly as General Manager of Decleor & Carita in the USA. Ms. Ly-Dutron holds a Masters Degree from the Lincoln International Business School and a D.E.S.S. from the Sorbonne, as well as a Bachelor Degree in Chinese language and civilization from the Institut National Des Langues et Civilisations Orientales in Paris.

Mikolaj Pietrzak

Mr. Mikolaj Pietrzak, aged 44, is the General Manager for the Western Europe and Russia business unit. Mr. Pietrzak joined the Group in 2008 as General Manager for Poland and was promoted to General Manager for Central Europe in 2013. From 2014 to 2016, he was Managing Director for L'Occitane Russia where he achieved profitable growth despite the economic and political downturn. Prior to joining the Group, he was a Commercial Director of Conforama Poland in PPR Group. Mr. Pietrzak has over 18 years of experience in retail, marketing and general management. Mr. Pietrzak holds a Master's degree in Management from the University of Lodz Poland and a Master's degree in Business Administration from the Univeristy of Lyon III, France.

Armelle Saint-Raymond

Mrs. Armelle Saint-Raymond, aged 51, is the Group Human Resources Vice President. Mrs. Saint-Raymond joined the Group in January 2018. She has over 25 years of experience in the human resources field, having held senior Human Resources positions in different divisions of French cosmetics group, Groupe Rocher, and at US industrial group, 3M. Mrs. Saint-Raymond graduated from École supérieure de commerce de Lille with Human Resources specialization, and from CELSA Sorbonne University with a Master's degree in Human Resources Management. She also obtained qualifications in Coaching by Transformance and in Neuro-Linguistic Programming.

Maddie Smith

Ms. Maddie Smith, aged 51, is the 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.

"THE DIRECTORS SUBMIT THEIR REPORT TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2018."

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 FY2018 by operating segments is set out in note 5 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided in the Management Discussion & Analysis on pages 13 to 35 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 9. 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 if any affecting the Group that have occurred since the end of the financial year ended 31 March 2018 are provided in Note 32 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 27 to 29 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 9 and Corporate Governance Report on page 51 and in this Directors' Report on page 75 and in the ESG report available on the Group's corporate website in due course.

RESULTS AND DIVIDENDS

The results of the Group for FY2018 are set out in the Consolidated Statements of Income on page 84 of this Annual Report.

The Board recommends a final dividend of €0.0297 per Share. The payment shall be made in Euros, except that payment to Shareholders whose names appear on the register of members in Hong Kong shall be paid in Hong Kong dollars. The relevant exchange rate will be the opening buying telegraphic transfer rate of Hong Kong dollars to Euros as announced by the Hong Kong Association of Banks (www.hkab.org.hk) on the day of the approval of the dividend.

The final dividend will be subject to approval by the Shareholders at the forthcoming AGM to be held on 26 September 2018. The record date to determine which Shareholders will be eligible to attend and vote at the forthcoming AGM will be on 26 September 2018. The register of members of the Company will be closed from Thursday, 20 September 2018 to Wednesday, 26 September 2018, 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, 19 September 2018.

Subject to the Shareholders approving the recommended final dividend at the forthcoming AGM, such dividend will be payable on Friday, 19 October 2018 to Shareholders whose names appear on the register of members on Tuesday, 9 October 2018. To determine eligibility for the final dividend, the register of members will be closed from Wednesday, 3 October 2018 to Tuesday, 9 October 2018, 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, 2 October 2018.

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

FIVE YEARS FINANCIAL SUMMARY

The five years financial summary of the Group is set out on page 182 of this Annual Report.

DISTRIBUTABLE RESERVES

As at 31 March 2018, 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 €589,055,624.

DONATIONS

Charitable and other donations made by the Group during FY2018 amounted to €1,806,718.

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 FY2018, the Company repurchased a total of 2,583,250 Shares on the Hong Kong Stock Exchange with an aggregate amount of HK$39,453,723. The Shares repurchased in June 2017 and in November 2017 were transferred to treasury on 27 September 2017 and 29 March 2018 respectively.

Details of Shares repurchased during FY2018 are set out as follows:

Month of repurchases	Number of Shares repurchased	Price paid per Share Highest (HK$)	Price paid per Share Lowest (HK$)	Aggregate consideration paid (HK$)
June 2017	1,284,750	16.14	15.62	20,365,960.68
November 2017	1,298,500	15.00	14.54	19,087,762.35

A total of 545,500 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 16,282,420 Shares in treasury on 31 March 2018. 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 FY2018.

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

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

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

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 March 2018 are set out in note 33 to the consolidated financial statements.

DIRECTORS

The Directors of the Company during FY2018 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 Levilion
(appointed on 30 September 2008)
Mr. Domenico Trizio
(appointed on 30 September 2011 and resigned on 9 January 2018)
Mr. Karl Guénard
(appointed on 30 June 2003 as Non-Executive Director and designated as Executive Director on 1 September 2013)

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 53 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' 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 2018, 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[Note 2]
Reinold Geiger[Note 1]	Interest in controlled corporation, beneficial Interest and deemed Interest	1,096,363,022 (long position)	74.23%
André Hoffmann	Beneficial interest	2,877,461 (long position)	0.19%
Thomas Levilion	Beneficial interest	1,945,300 (long position)	0.13%
Karl Guénard	Beneficial interest	354,400 (long position)	0.02%
Jackson Chik Sum Ng	Beneficial interest	80,000 (long position)	0.01%
Martial Lopez	Beneficial interest	60,000 (long position)	0.00%
Pierre Milet	Beneficial interest	50,000 (long position)	0.00%

Notes:

(1) Mr. Reinold Geiger is the ultimate beneficial owner of 1,148,750 Shares and of the entire issued share capital of CIME S.C.A. which in turn has 100% interest in Société d'Investissements CIME S.A. ("CIME"), which in turn has beneficial interest and deemed interest in approximately 82.73% of the entire issued share capital of LOG (being beneficial owner of 11,070,570 shares, having deemed interest in 7,412,176 treasury Shares being held by LOG and directly in 253 shares) Mr. Reinold Geiger is therefore deemed under the SFO to be interested in all the shares registered in the name of LOG, which holds 1,078,549,641 Shares and controls 16,282,420 treasury shares held by the Company. Mr. Geiger also has a beneficial interest in shares under option (382,211 underlying Shares). See details in Share Option Plan section.

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

(b) Interests in the shares of the associated corporations

Long Position in the shares of LOG

Name of Director	Capacity and Nature of Interest	Number of shares/ underlying shares held or controlled	Approximate % of Shareholding (Note 2)
Reinold Geiger	Beneficial interest and deemed Interest	18,482,999 (Note 1)	82.73%
André Hoffmann	Beneficial interest and deemed interest	2,868,676	12.84%
Thomas Levilion	Beneficial interest	25,832	0.12%
Martial Lopez	Beneficial interest	12,800	0.06%
Karl Guénard	Beneficial interest	8,470	0.04%

Notes:

(1) *Comprised of 253 shares held by Mr. Reinold Geiger, 11,070,570 shares held by CIME and 7,412,176 treasury shares held by LOG. Mr. Geiger is the ultimate beneficial owner of the entire issued share capital of CIME; Mr. Geiger is therefore deemed under the SFO to be interested in all the shares in LOG held by CIME. As ultimate controlling shareholder of LOG, Mr. Geiger is also deemed to be interested in the treasury shares being held by LOG.*

(2) *The approximate percentage shareholdings in the share capital of LOG are calculated on the basis of the total number of 22,341,954 shares issued, inclusive of 7,412,176 treasury shares held by LOG.*

Save as disclosed herein, as at 31 March 2018, none of the Directors and chief executive of the Company, or any of their spouses, or children under 18 years of age, had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

INTERESTS IN THE SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS

As at 31 March 2018, the register of substantial Shareholders maintained under section 336 of the SFO showed that the Company had been notified of the following substantial Shareholders' interests or short positions, other than a Director or chief executive of the Company, in the Shares or underlying Shares:

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

Notes:

(1) *Each of Cime Management SARL (indirectly) and Cime S.C.A (directly) has 100% interest in shareholding of CIME and CIME has an interest in approximately 82.73% of the total issued share capital of LOG (being beneficial owner of 11,070,570 shares and having deemed interest in 7,412,176 treasury shares being directly or indirectly held by LOG). CIME S.C.A. is the controlling corporation of CIME and CIME is the controlling corporation of LOG and CIME S.C.A. and CIME are therefore deemed under the SFO to be interested in all the 1,078,549,641 Shares held by LOG. As suggested by SFC, being the controlling corporations of the Company, Cime Management SARL, CIME S.C.A., CIME and LOG have deemed interest in the 16,282,420 treasury Shares being held by the Company.*

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

Save as disclosed herein, as at 31 March 2018, the Company had not been notified of any substantial Shareholder (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept under section 336 of the SFO.

ISSUED SHARES IN THE YEAR

Details of the Shares issued for the year ended 31 March 2018 are set out in note 16 to the consolidated financial statements.

SHARE OPTION PLANS

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

The purpose of the Share Option Plan 2016 is to provide employees of the Group, all its Directors (including non-executive Directors) and Shareholders (together, the "Eligible Persons") with an opportunity to have a proprietary interest in the Company through being granted share options under the Share Option Plan 2016 rules (the "Options"), which will motivate the Eligible Persons to optimise their performance, effectiveness and efficiency for the benefit of the Group and attract and retain or otherwise maintain ongoing business relationships with those Eligible Persons whose contributions are or will be beneficial to the long-term growth of the Group. The maximum number of Shares in respect of which Options may be granted under the Share Option Plan 2016 shall not exceed 29,291,184 Shares, being 2% of the Company's issued share capital (excluding shares held in treasury) as at 30 September 2016.

As at 31 March 2018, the total number of shares granted under the Share Option Plan 2016 was 18,000,100, leaving a balance of 11,291,084 Options representing 0.76% of the issued Shares as at date of this Annual Report available for grant in future. The Share Option Plan 2016 will expire on 27 September 2019 and its remaining life is around 1 year and 3 months.

Under the Share Option Plan 2016 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 2016 as a number of variables which arecrucial for the calculation of the Option value have not been determined. Such variables include but are not limited to the exercise price, vesting period, exercise period and the conditions that an Option is subject to. The Board believes that any calculation of the value of the Options based on a number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

Particulars and movements of share options granted under the Share Option Plans 2010, 2013 and 2016 (the "2010, 2013 and 2016 Options") during the twelve months ended 31 March 2018 were as follows:

Name/Category of Participant	As of 01/04/2017	Number of share options: Granted during the year	Cancelled or forfeited during the year	Exercised during the year	As of 31/03/2018	Date of grant	Exercise Period (Note 1)	Exercise Price per Share (HK$)	Price immediately preceding the date of grant(Note 2) (HK$)
Directors									
Reinold Geiger	105,000	–	–	–	105,000	4-Apr-11	04/04/2015-03/04/2019	19.84	19.84
	277,211	–	–	–	277,211	28-Nov-12	28/11/2016-28/11/2020	24.47	24.35
André Hoffmann	105,000	–	–	–	105,000	4-Apr-11	04/04/2015-03/04/2019	19.84	19.84
	277,211	–	–	–	277,211	28-Nov-12	28/11/2016-28/11/2020	24.47	24.35
Thomas Levilion	105,000	–	–	–	105,000	4-Apr-11	04/04/2015-03/04/2019	19.84	19.84
	118,000	–	–	–	118,000	28-Nov-12	28/11/2016-28/11/2020	24.47	24.35
	311,500	–	–	–	311,500	4-Dec-13	04/12/2017-03/12/2021	17.62	17.62
	91,000	–	–	–	91,000	24-Feb-15	24/02/2019-23/02/2023	19.22	19.22
	488,200	–	–	–	488,200	23-Mar-16	23/03/2020-22/03/2024	14.36	14.00
	418,600	–	–	–	418,600	10-Feb-17	10/02/2021-10/02/2025	15.16	15.03
	–	413,000	–	–	413,000	29-Mar-18	29/03/2022-29/03/2026	14.50	14.50
Karl Guénard	90,500	–	–	–	90,500	4-Dec-13	04/12/2017-03/12/2021	17.62	17.62
	97,600	–	–	–	97,600	23-Mar-16	23/03/2020-22/03/2024	14.36	14.00
	83,700	–	–	–	83,700	10-Feb-17	10/02/2021-10/02/2025	15.16	15.03
	–	82,600	–	–	82,600	29-Mar-18	29/03/2022-29/03/2026	14.50	14.50
Jackson Chik Sum Ng	50,000	–	–	–	50,000	4-Apr-11	04/04/2015-03/04/2019	19.84	19.84
Sub-total(Note 3)	2,618,522	495,600	–	–	3,114,122				
Others									
Employees	3,062,625	–	(508,750)	–	2,553,875	4-Apr-11	04/04/2015-03/04/2019	19.84	19.84
	1,973,060	–	(533,060)	–	1,440,000	26-Oct-12	26/10/2016-26/10/2020	23.60	23.60
	169,000	–	–	–	169,000	28-Nov-12	28/11/2016-28/11/2020	24.47	24.35
	6,518,000	–	(1,295,750)	–	5,222,250	4-Dec-13	04/12/2017-03/12/2021	17.62	17.62
	456,000	–	(123,200)	–	332,800	24-Feb-15	24/02/2019-23/02/2023	19.22	19.22
	7,103,100	–	(1,029,200)	–	6,073,900	23-Mar-16	23/03/2020-22/03/2024	14.36	14.00
	10,102,400	–	(1,255,800)	–	8,846,600	10-Feb-17	10/02/2021-10/02/2025	15.16	15.03
	–	6,899,800	–	–	6,899,800	29-Mar-18	29/03/2022-29/03/2026	14.50	14.50
Sub-total(Note 3)	29,384,185	6,899,800	(4,745,760)	–	31,538,225				
Total	32,002,707	7,395,400	(4,745,760)	–	34,652,347				

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

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

(3) Mr. Domenico Trizio resigned as Executive Director on 9 January 2018. Mr. Trizio 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 Plan on 4 April 2011, 26 October 2012, 28 November 2012, under the 2013 Share Option Plan on 4 December 2013, 24 February 2015 and 23 March 2016 and under the 2016 Share Option Plan on 10 February 2017 and 29 March 2018 were approximately €0.44, €0.45, €0.47, €0.31, €0.40, €0.31, €0.36 and €0.36 respectively. The following significant assumptions were used to derive the fair value, using the Black-Scholes option pricing model::

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

In total, share-based compensation expense of €3,521,000 was included in the consolidated statement of comprehensive income for the year ended 31 March 2018 (year ended 31 March 2017: €1,563,000). 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, 2013 and 2016 Share Option Plans.

FREE SHARE PLANS

On 30 September 2010, a meeting of the Shareholders authorised the adoption of a free share plan (the "Free Share Plan 2010"), which expired and was terminated on 29 September 2013 and replaced by another free share plan (the "Free Share Plan 2013") which was adopted on 25 September 2013. This Free Share Plan 2013 expired on 24 September 2016 and was replaced by another free share plan (the "Free Share Plan 2016") which was adopted on 28 September 2016. The purpose of the Free Share Plan 2016 is to provide employees of the Group (the "Employees") with an opportunity to have a proprietary interest in the Company through being granted free shares under the Free Share Plan 2016 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 2016 shall not exceed 5,858,237 Shares, being 0.4% of the Company's issued share capital (excluding shares held in treasury) as at 30 September 2016.

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

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

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

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

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 and on the Hong Kong Stock Exchange's website at www.hkexnews.hk.

The Company confirmed that during FY2018, 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 paragraphs headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES" and "SHARE OPTION PLANS" in this Annual Report, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executive of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

At the end of the year or at any time during FY2018, there was no transaction, arrangement or contract of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party, and in which a Director had, whether directly or indirectly, a material interest.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 March 2018 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 regarding the grant of Share Options and Free Shares during the year ended 31 March 2018, the Company has not entered into any other equity-linked agreement.

CONNECTED TRANSACTIONS

The Company has entered into certain contracts with its connected persons (as defined under Chapter 14A of the Listing Rules). These transactions were monitored and managed by the Company in accordance with the Listing Rules.

During the year, the Group had the following non-exempted continuing connected transactions with Patisseries Paris Saint-Sulpice P2S2 ("P2S2"):

(1) Sublease agreement

On 26 July 2017, M&L Distribution (France) S.à.r.l. (a wholly-owned subsidiary of the Company, as sub-lessor) entered into a sub-lease agreement with P2S2 for an initial period of 3 years from 1 August 2017 to 20 July 2020. Rentals for the property subleasing were determined after arm's length negotiations between the parties with reference to the prevailing market rent for comparable premises. The Group recharged rentals and fees of €386,000 for the year ended 31 March 2018.

(2) Paris supply and distribution agreement

On 8 December 2017, M&L Distribution (France) S.à.r.l. (a wholly-owned subsidiary of the Company, as purchaser) entered into a supply and distribution agreement with P2S2 for the Champs-Elysées shop in Paris, France for an initial period from 7 December 2017 to 20 July 2020. P2S2 shall supply Pierre Hermé products to the Champs-Elysées shop of the Group. The parties also agreed to reimburse each other for certain expenses relating to the opening and operation of the shop. For the year ended 31 March 2018, P2S2 invoiced the Group €864,000 for supply of Pierre Hermé products, €634,000 for services related to sales of products, €213,000 for pre-opening expenses and €39,000 for other operating costs. Meanwhile, during FY2018, the Group re-invoiced P2S2 €3,339,000 for fixtures, fittings and furniture incurred, €336,000 for pre-opening costs and €99,000 for other operating costs.

(3) London supply and distribution agreement

On 8 December 2017, L'Occitane Limited (a wholly-owned subsidiary of the Company, as purchaser) entered into a supply and distribution agreement with P2S2 for the Regent Street shop in London, UK for an initial period from 15 December 2017 to 14 December 2020. For the year ended 31 March 2018, P2S2 invoiced the Group €5,000 for the supply of Pierre Hermé products.

P2S2 is a wholly-owned subsidiary of PHP Invest SAS, which is indirectly owned as to 40% by L'Occitane Groupe S.A. ("LOG"), the controlling shareholder of the Company. Mr. Reinold Geiger, the Chairman of the Company, being the ultimate shareholder of LOG, is then considered to have material interest in the above mentioned continuing connected transactions by virtue of his deemed interests in P2S2.

The pricing and the terms of the above transactions have been determined in accordance with pricing policies and guidelines as set out in the respective announcements. Proper internal control procedures are in place to identify, approve and record all these transactions. The Independent Non-executive Directors have reviewed all the above continuing connected transactions and confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) either on normal commercial terms or, on terms no less favourable to the Group than terms available to or from independent third parties; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to rule 14A.56 of the Listing Rules, the Board of Directors engaged the Company's auditor to perform certain procedures in respect of the continuing connected transactions set out above in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected

Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has, based on the procedures performed, issued an unqualified letter containing his findings and conclusions in respect of the continuing connected transactions to the Board of Directors. Save as disclosed above, none of the transactions disclosed as related party transactions in Note 30 to the consolidated financial statements is a connected transaction or a continuing connected transaction which is subject to the reporting and disclosure requirements under the Listing Rules. The Company has complied with the disclosure requirements governing connected transactions under the Listing Rules.

BANK LOANS AND OTHER BORROWINGS

Details of the Group's bank loans and other borrowings as at 31 March 2018 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 had 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 51 of this Annual Report.

CONTINGENT LIABILITIES

Details of contingent liabilities are set out in notes 28.2 to the consolidated financial statements.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 32 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

HUMAN RESOURCES

As at 31 March 2018, the Group had 8,672 employees (31 March 2017: 8,630 employees).

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

By order of the Board

Reinold Geiger
Chairman
11 June 2018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Consolidated Financial Statements

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AUDIT REPORT

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated statement of financial position of L'Occitane International S.A. (the "Company") and its subsidiaries (the "Group") as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board and as adopted by the European Union.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 March 2018;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in shareholders' equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under those Law and standards are further described in the "Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements" section of our report.

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

PricewaterhouseCoopers, Société coopérative, 2 rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg
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Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n°10028256)
R.C.S. Luxembourg B 65 477 - TVA LU25482518

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements. We have fulfilled our other ethical responsibilities under those ethical requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Revenue recognition	
For the year ended 31 March 2018, the Group has revenue of €1,319 million. As described in the notes to the consolidated financial statements, the revenue derived from two operating segments:	We assessed and tested the effectiveness of management's controls in respect of the Group's sales transactions. In addition, we tested the general IT control environment and related automated control of the Group's systems.
a) "Sell-out" segment comprises the sales of the products directly to the final customers mainly through a worldwide network of stores and the Group's website. Sell-out accounted for approximately 75% of the total revenue; b) "Sell-in and B-to-B" segment comprises the sales of the products to an intermediate (mainly distributors, wholesalers, TV show channels and travel retailers). This segment also comprises sales of products to corporate customers and the sales of the Group's products to an intermediate who will provide them as free amenities to its final customers.	We assessed the compliance of the Group's revenue recognition policies with IFRS and tested the application of those policies. We tested the different revenue streams as follows: For retail sales, our procedures included: a) Reconciliation between the revenue recorded in the point-of-sale system and the general ledger; b) Reconciliation between the revenue recorded and cash collection; c) Test the number and the fair value of award credits recognized in deferred revenue.
Sales of goods to the customers are recognised when the risks and rewards of the goods are transferred. We focused on this area due to the risks arising from the large volume of transactions generated from the sale of different products to a significant number of customers that take place in many different locations. This area required significant audit attention to test the occurrence and accuracy of this kind of transactions.	For sell-in and B-to-B sales, our procedures included: a) Testing of the relevant supporting documents (sales order, bill of lading, invoice and/or payments) for a sample of revenue transactions covering different clients; b) Confirmation of a sample of client's outstanding invoices at the balance sheet date;

Key audit matter	How our audit addressed the Key audit matter
Customer loyalty programs are used by the Group to provide customers with incentives to buy their products. Each time a customer buys goods, or performs another qualifying act, the Group grants the customer award credits. The Group accounts for award credits as a separately identifiable component of the sales transactions. This separate component is recognised as deferred revenue. The Group then recognizes revenue in respect of the award credits in the periods which awards credits are redeemed. We focused on this area due to the risk arising from the volume of award credits generated in different locations and from the management estimates about the total number of award credits expected to be redeemed. Sales of goods to intermediates are recognised when the risks and rewards of the goods are transferred, which usually happens upon pick up of the products from a warehouse and the wholesale accepts the products, and there is no unfulfilled obligation that could affect the client's acceptance of the products. We focused on this area due to the risk of revenue being recognised inappropriately close to the year-end and the possibility for sales returns after the year-end.	c) Testing to assess whether revenue was recognised in the correct reporting period. We tested recognition of revenue based on the transfer of the risks and rewards of ownership to the intermediates and the accounting period in which products were delivered by reconciling a sample of revenue items to contract and shipping documents.
Assessment of impairment on non-current assets and goodwill; and onerous contract provision	
As at 31 March 2018, the Group has goodwill of €226.6m and intangible assets of €76.6m including key moneys for €32.3m and trademarks for €15.5m and leasehold improvements for €52.9m in tangible assets. These areas required significant audit attention due to the size of these balances and because the Group's assessment of the recoverable amounts of the group's Cash Generating Units (the stores) involves significant management judgments about the future performance of the business (e.g. forecasted sales based on stores' location, expectations of market developments) and the discount rates applied to future cash flow forecast.	a) We assessed Group's process for identifying indicators of impairment of goodwill and non-current assets; b) When triggering events were identified such as change in future use of an asset, a detailed impairment review was performed. We discussed the changes in use or changes in development plans with management. We reviewed and tested the process by which management's future cash flow forecasts were prepared.

Key audit matter	How our audit addressed the Key audit matter
In addition to the impairment loss recorded on stores, Group also assesses if certain operating lease contracts of these stores are onerous contracts (when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from it). An €5.5m provision is recorded at year-end for onerous contracts and we focused on this area due to the judgmental nature of this provision, involving significant management estimates such as the estimated future operating loss or the lease period.	We corroborated key assumptions to confirm the changes in use assumptions (future revenue growth rate, terminal growth rate, EBITDA, discount rate) were reasonable and we checked the impairment charges and releases; c) We assessed Group's process for identifying onerous leases as well as factors considered and determined whether appropriate provision had been recorded.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report but does not include the consolidated financial statements and our audit report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, the Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the "Réviseur d'entreprises agréé" for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management;

- conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The consolidated Management report is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

Luxembourg, 11 June 2018

PricewaterhouseCoopers, Société coopérative
Represented by

Philippe Duren

Consolidated Statements of Income

Year ended 31 March	*Notes*	***2018***	***2017***
In thousands of Euros, except per share data			
Net Sales	(5.2)	**1,319,366**	**1,323,177**
Cost of sales		(220,968)	(220,751)
Gross profit		**1,098,398**	**1,102,426**
% of net sales		*83.3%*	*83.3%*
Distribution expenses	(21)	(639,457)	(621,883)
Marketing expenses	(21)	(179,195)	(170,908)
Research & development expenses	(21)	(17,548)	(15,622)
General and administrative expenses	(21)	(123,048)	(127,862)
Share of profit/(loss) from joint ventures accounted for using the equity method		150	(27)
Other (losses)/gains-net	(22)	1,687	2,188
Operating profit		**140,987**	**168,312**
Finance income	(23)	2,207	2,222
Finance costs	(23)	(3,013)	(3,041)
Foreign currency gains/(losses)	(24)	(4,222)	1,100
Profit before income tax		**135,959**	**168,593**
Income tax expense	(25)	(39,453)	(36,239)
Profit for the year		**96,506**	**132,354**
Attributable to:			
Equity owners of the Company		96,313	131,910
Non-controlling interests		193	444
Total		**96,506**	**132,354**
Earnings per share for profit attributable to the equity owners of the Company during the year *(expressed in Euros per share)*			
Basic	(26)	0.066	0.090
Diluted	(26)	0.066	0.090
Number of shares used in earnings per share calculation			
Basic	(26)	1,460,682,471	1,462,720,221
Diluted	(26)	1,461,891,614	1,463,878,454

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*	*Notes*	***2018***	***2017***
Profit for the year		**96,506**	**132,354**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses) on defined benefit obligation	(25.5)	349	586
		349	**586**
Items that may be subsequently reclassified to profit or loss			
Cash flow hedges fair value gains net of tax		109	—
Currency translation differences	(25.5)	(33,065)	23,088
		(32,956)	**23,088**
Other comprehensive income for the year, net of tax		**(32,607)**	**23,674!**
Total comprehensive income for the year		**63,899**	**156,028**
Attributable to:			
Equity owners of the Company		65,118	155,735
Non-controlling interests		(1,219)	293
Total		**63,899**	**156,028**

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 €2,157,000 of exchange gains 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

ASSETS *In thousands of Euros*	*Notes*	**31 March 2018**	**31 March 2017**
Property, plant and equipment	(7)	175,920	172,357
Goodwill	(8)	226,646	138,676
Intangible assets	(9)	76,556	56,677
Deferred income tax assets	(25.2)	62,882	80,058
Other non-current assets	(10)	40,253	41,449
Non-current assets		**582,257**	**489,217**
Inventories	(11)	156,479	138,096
Trade receivables	(12)	109,401	107,983
Other current assets	(13)	68,485	55,162
Derivative financial instruments	(14)	155	153
Cash and cash equivalents	(15)	385,712	452,751
Current assets		**720,232**	**754,145**
TOTAL ASSETS		**1,302,489**	**1,243,362**

EQUITY AND LIABILITIES *In thousands of Euros*	*Notes*	***31 March 2018***	***31 March 2017***
Share capital	(16)	44,309	44,309
Additional paid-in capital	(16)	342,851	342,851
Other reserves		(105,376)	(66,125)
Retained earnings		649,189	598,845
Capital and reserves attributable to the equity owners		**930,973**	**919,880**
Non-controlling interests		7,828	465
Total equity		**938,801**	**920,345**
Borrowings	(17)	80,595	70,572
Other financial liabilities	(6.3)	13,158	5,603
Other non-current liabilities	(18)	31,743	31,405
Deferred income tax liabilities	(25.2)	3,473	3,973
Non-current liabilities		**128,969**	**111,553**
Trade payables	(19)	125,455	102,429
Social and tax liabilities		68,785	64,339
Current income tax liabilities		5,532	9,496
Borrowings	(17)	7,434	2,468
Derivative financial instruments	(14)	493	442
Provisions	(20)	9,690	14,266
Other current liabilities	(18)	17,330	18,024
Current liabilities		**234,719**	**211,464**
TOTAL EQUITY AND LIABILITIES		**1,302,489**	**1,243,362**

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

Consolidated Statements of Changes in Shareholders' Equity

		Attributable to equity owners of the Company											
					Other reserves								
In thousands of Euros (except "Number of Shares")	*Notes*	Number of shares	Share capital	Additional paid-in capital	Share based payments	Hedging reserve	Cumul. Currency Transl. Diff.	Excess of consideration paid in transaction with non-controlling interests	Actuarial gains/(losses)	Other reserves	Profit for the year	Non-controlling interests	TOTAL EQUITY
Balance at 31 March 2016		**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**
Comprehensive income													
Profit for the year		–	–	–	–	–	–	–	–	–	131,910	444	132,354
Other comprehensive income									–				
Currency translation differences		–	–	–	–	–	23,239	–	–	–	–	(151)	23,088
Actuarial losses on defined benefit obligation	(25.5)	–	–	–	–	–	–	–	586	–	–	–	586
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	***23,239***	**–**	***586***	**–**	***131,910***	***293***	***156,028***
Transactions with owners													
Allocation of prior year earnings		–	–	–	–	–	–	–	–	–	–	–	–
Dividends declared		–	–	–	–	–	–	–	–	–	(42,619)	(3,388)	(46,007)
Contribution from the parent	(16.3)	–	–	–	169	–	–	–	–	–	–	–	169
Distribution of 742,500 free shares		–	–	–	–	(1,407)	–	–	–	1,407	–	–	–
Acquisition of 6,639,000 treasury shares		–	–	–	–	–	–	–	–	(11,973)	–	–	(11,973)
Employee share option: value of employee services	(16.3)	–	–	–	1,394	–	–	–	–	–	–	–	1,394
Non-controlling interests in capital increase		–	–	–	–	–	–	–	–	–	–		–
Total contributions by and distributions to owners of the Company		**–**	**–**	**–**	***1,563***	***(1,407)***	**–**	**–**	**–**	***(10,566)***	***(42,619)***	***(3,388)***	***(56,417)***
Non-controlling interests arising on business combination		–	–	–	–	–	–	–	–	–	–	–	–
Non-controlling interests recorded as a liabilities	(6.3)	–	–	–	–	–	–	7,218	–	–	155	(155)	7,218
Transactions with Taiwanese non-controlling interests	(6.1)	–	–	–	–	–	–	(37,073)	–	–	–	(492)	(37,565)
Transactions with Austrian non-controlling interests	(6.1)	–	–	–	–	–	–	(3,710)	–	–	–	(766)	(4,476)
Total transactions with owners		**–**	**–**	**–**	**–**	**–**	**–**	**(33,565)**	**–**	**–**	**155**	**(1,413)**	**(34,823)**
Balance at 31 March 2017		**1,476,964,891**	**44,309**	**342,851**	**19,232**	**(2,089)**	**(11,185)**	**(48,821)**	**(727)**	**(22,535)**	**598,845**	**465**	**920,345**

Consolidated Statements of Changes in Shareholders' Equity

		Attributable to equity owners of the Company											
					Other reserves								
In thousands of Euros (except "Number of Shares")	*Notes*	Number of shares	Share capital	Additional paid-in capital	Share based payments	Hedging reserve	Cumul. Currency Transl. Diff.	Excess of consideration paid in transaction with non-controlling interests	Actuarial gains/(losses)	Other reserves	Profit for the year	Non-controlling interests	TOTAL EQUITY
Balance at 31 March 2017		**1,476,964,891**	**44,309**	**342,851**	**19,232**	**(2,089)**	**(11,185)**	**(48,821)**	**(727)**	**(22,535)**	**598,845**	**465**	**920,345**
Comprehensive income													
Profit for the year		–	–	–	–	–	–	–	–	–	96,313	193	96,506
Other comprehensive income									–				
Currency translation differences		–	–	–	–	–	(31,653)	–	–	–	–	(1,412)	(33,065)
Actuarial gain on defined benefit obligation	(25.5)	–	–	–	–	–	–	–	349	–	–	–	349
Cash flow hedge fair value gain, net of tax		–	–	–	–	–	–	–	–	109	–	–	109
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	***(31,653)***	**-**	***349***	***109***	***96,313***	***(1,219)***	***63,899***
Transactions with owners													
Allocation of prior year earnings		–	–	–	–	–	–	–	–	–	–	–	–
Dividends declared		–	–	–	–	–	–	–	–	–	(46,181)	(76)	(46,257)
Contribution from the parent	(16.3)	–	–	–	2,174	–	–	–	–	–	–	–	2,174
Distribution of 545,500 free shares		–	–	–	–	(883)	–	–	–	883	–	–	–
Acquisition of 2,583,250 treasury shares		–	–	–	–	–	–	–	–	(4,422)	–	–	(4,422)
Employee share option: value of employee services	(16.3)	–	–	–	1,347	–	–	–	–	–	–	–	1,347
Non-controlling interests in capital increase		–	–	–	–	–	–	–	–	–	–	424	424
Total contributions by and distributions to owners of the Company		**-**	**-**	**-**	***3,521***	***(883)***	**-**	**-**	**-**	***(3,539)***	***(46,181)***	***348***	***(46,734)***
Acquisition of Limelight business		–	–	–	–	–	–	(150)	–	–	–	8,446	8,296
Non-controlling interests recorded as a liabilities	(6.3)	–	–	–	–	–	–	(7,005)	–	–	212	(212)	(7,005)
Total transactions with owners		**-**	**-**	**-**	**-**	**-**	**-**	***(7,155)***	**-**	**-**	***212***	***8,234***	***1,291***
Balance at 31 March 2018		**1,476,964,891**	**44,309**	**342,851**	**22,753**	**(2,972)**	**(42,838)**	**(55,976)**	**(378)**	**(25,965)**	**649,189**	**7,828**	**938,801**

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*	***2018***	***2017***
Cash flows from operating activities			
Profit for the year from continuing operations		96,506	132,354
Adjustments to reconcile profit for the year to net cash from operating activities			
Depreciation, amortization and impairment	(27.3)	64,309	66,746
Deferred income taxes	(25.1)	11,130	(6,163)
Unwinding of discount on other financial liabilities	(23)	550	782
Share based payment	(21)	3,521	1,563
Change in the fair value of derivatives	(14), (24)	158	690
Other losses/(gains) - net	(27.2)	(432)	(834)
Net movements in provisions	(27.4)	(1,804)	(4,321)
Share of (profit)/loss of joint ventures	(6.1)	(150)	27
Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation)			
Inventories		(16,304)	2,078
Trade receivables		(8,624)	(5,882)
Trade payables		24,134	7,948
Social and tax liabilities		8,435	(1,487)
Current income tax assets and liabilities		(5,380)	2,649
Other assets and liabilities, net		(5,713)	(2,022)
Net cash inflow from operating activities		**170,336**	**194,128**
Cash flows from investing activities			
Acquisition of subsidiaries and businesses, net of cash acquired	(6.1), (6.2)	(105,113)	4,347
Acquisition of financial assets	(6.1), (6.2)	(4,721)	(6,762)
Purchases of property, plant and equipment	(7)	(65,738)	(43,395)
Purchases of intangible assets	(9)	(30,469)	(7,022)
Proceeds from sale of fixed assets	(27.2)	2,633	2,806
Change in deposits and key moneys paid to the landlords		895	556
Change in non-current receivables and liabilities		(215)	(2,575)
Net cash outflow from investing activities		**(202,728)**	**(52,045)**

Consolidated Statements of Cash Flows

Year ended 31 March *In thousands of Euros*	*Notes*	***2018***	***2017***
Cash flows from financing activities			
Transactions with non-controlling interests	(6.2), (6.3)	—	(36,648)
Proceeds from non-controlling interests		424	—
Dividends paid to equity owners of the Company	(16.5)	(46,181)	(42,619)
Dividends paid to non-controlling interests		(76)	(3,388)
Purchase of treasury shares	(16.2)	(4,422)	(11,973)
Proceeds from borrowings	(17), (27.8)	72,973	55,912
Repayments of borrowings	(17), (27.8)	(57,984)	(71,750)
Net cash outflow from financing activities		**(35,266)**	**(110,466)**
Exchange gains/(losses) on cash, cash equivalents and bank overdrafts	(27.7)	619	(3,684)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(67,039)**	**27,933**
Cash, cash equivalents and bank overdrafts at beginning of the year		**452,751**	**424,818**
Cash and cash equivalents		*452,751*	*424,818*
Cash, cash equivalents and bank overdrafts at end of the year		**385,712**	**452,751**
Cash and cash equivalents		*385,712*	*452,751*

Notes to the Consolidated Financial Statements

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, "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 11 June 2018.

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 Commission as follows:

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.

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

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

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 below:

(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 2017:

Standard	Topic	Key requirements
IAS 12 (amendment)	Income taxes	• Clarify that the extent to which the estimate of future taxable profits may include amounts from recovering assets for more than their carrying amounts. • The estimates of future taxable profits against which deductible temporary differences are assessed for utilisation should exclude tax deductions resulting from the reversal of deductible temporary differences. • An entity should assess recognition of a deferred tax asset in combination with other deferred tax assets, of the appropriate type if so restricted by the tax law.
IFRS 12 (amendment)	Disclosures of interests in other entities	• Clarify the scope of IFRS 12 by specifying that the disclosure requirements, except for those summarised financial information for subsidiaries, joint ventures and associates, apply to entity's interests which are classified as held for sale, as held for distribution to owners in their capacity as owners or as discontinued operations in accordance with IFRS 5.
IAS 7 (amendment)	Cash Flow statements - Disclosure initiative	Entities should disclose change of financial items arising from cash flows and non-cash changes (for example acquisitions, disposals and exchange differences).

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

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 2018 and have not been applied in preparing these consolidated financial statements, including:

Standard	Topic	Key requirements
IFRS 9	Financial instruments	IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets IFRS 9 must be applied for financial years commencing on or after 1 January 2018, with the practical expedients permitted under the statement. Comparatives for 2017 will not be restated. The Group estimates that there will be no significant impact on the consolidated financial statements.
IFRS 15	Revenue from contracts with customers	The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognized in retained earnings as of 1 April 2018 and that comparatives will not be restated. The Group estimates that there will be no significant impact on the consolidated financial statements.
IFRS 16	Leases	IFRS 16 will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. IFRS 16 is mandatory for financial years commencing on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. The Group has already identified all existing lease contracts in the Group and gathered their characteristics in order to build a complete database. The quantitative and disclosure impacts anticipated from implementing IFRS 16 are currently being determined.

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

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.

(b) Separate financial statement

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.

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

2.2. Principles of consolidation *(continued)*

(c) Transactions with non-controlling interests

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

Put options arrangements

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.

(d) 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.

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

2.2. Principles of consolidation *(continued)*

(e) 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.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation of items are remeasured. The exchange rates prevailing at these dates are approximated by a single rate per currency for each day (unless these rates are not reasonable approximations of the cumulative effect of the rates prevailing on the transaction dates). Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are 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.

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.

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

2.3. Foreign currency translation *(continued)*

(c) Group companies

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

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

i. Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

ii. Income and expenses for each statement of income are translated at an estimated monthly average exchange rate (unless this rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

iii. All resulting exchange differences are 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.

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.

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

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 geographical and 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, or over the lease term taking into account the renewal option (for flagships).

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.

(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.

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

2.5. Intangible assets *(continued)*

(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:

Tangible assets	Estimated useful lives
Buildings	20 years
Equipment and machinery	Between 5 and 10 years
Information system equipment and cash registers	3 years
Leasehold improvements	Between 5 and 10 years
Leasehold improvements related to 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.

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.

2.8. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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".

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. Management could not reliably estimate the fair value of the Group's investment in shares as the investees have not published recent financial information about their operations, the shares are not quoted and recent trade prices are not publicly accessible.

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.

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

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.

(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.

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

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

(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)".

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.

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.

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.

Actuarial gains and losses resulting from experience adjustments and changes in the actuarial assumptions that are used to calculate the obligations (excluding the estimated return on 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.

(b) *Other post-employment obligations*

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

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

2.19. Employee benefits *(continued)*

(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.

Equity settled share-based compensations

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).

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".

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.

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.

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 of the 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, no deferred income tax is accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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.

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

2.29. Income taxes *(continued)*

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 foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1. Financial risk factors *(continued)*

(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.

As at 31 March 2018, the exposure to foreign exchange risk on the statement of financial position is as follows:

In thousands of Euros	EUR	JPY	HKD	USD	GBP	CNY	BRL	TWD	CHF	CAD	Other	Total
Trade receivables	36,589	18,477	10,232	2,553	1,260	17,589	9,268	3,484	306	524	9,119	109,401
Other current receivables	29,544	1,029	2,201	9,150	5,600	2,223	13,087	544	53	40	6,073	69,544
Cash and cash equivalents	291,165	14,318	3,996	26,195	4,788	10,474	2,235	1,565	5,855	1,595	23,526	385,712
Monetary assets	**357,298**	**33,824**	**16,429**	**37,898**	**11,648**	**30,286**	**24,590**	**5,593**	**6,214**	**2,159**	**38,718**	**564,657**
Borrowings	14,681	–	–	39,283	10,758	–	332	5,020	5,603	5,347	7,005	88,029
Trade payables	77,937	6,686	6,216	10,240	6,922	5,821	2,605	1,316	426	1,086	6,200	125,455
Social and tax liabilities	39,217	5,167	2,094	3,825	393	3,805	6,285	1,238	118	330	7,372	69,844
Monetary liabilities	**131,835**	**11,853**	**8,310**	**53,348**	**18,073**	**9,626**	**9,222**	**7,574**	**6,147**	**6,763**	**20,577**	**283,328**
Gross exposure in the statement of financial position before hedging	**225,463**	**21,971**	**8,119**	**(15,450)**	**(6,425)**	**20,660**	**15,368**	**(1,981)**	**67**	**(4,604)**	**18,141**	**281,329**

As at 31 March 2017, the exposure to foreign exchange risk on the statement of financial position is as follows:

In thousands of Euros	EUR	JPY	HKD	USD	GBP	CNY	BRL	TWD	CHF	CAD	Other	Total
Trade receivables	27,279	20,253	11,707	5,656	2,884	15,983	9,125	3,618	314	342	10,822	107,983
Other current receivables	23,555	1,305	1,149	2,107	6,178	877	11,290	1,388	97	117	7,099	55,162
Cash and cash equivalents	378,665	15,605	2,402	9,359	3,319	17,847	1,736	963	2,054	197	20,604	452,751
Monetary assets	**429,499**	**37,163**	**15,258**	**17,122**	**12,381**	**34,707**	**22,151**	**5,969**	**2,465**	**656**	**38,525**	**615,896**
Borrowings	17,497	–	–	32,738	5,494	–	–	–	7,106	4,907	5,298	73,040
Trade payables	61,327	7,970	4,144	5,003	6,657	5,292	2,892	1,121	280	874	6,869	102,429
Social and tax liabilities	35,654	4,550	2,371	3,535	569	4,919	4,126	872	63	216	7,464	64,339
Monetary liabilities	**114,478**	**12,520**	**6,515**	**41,276**	**12,720**	**10,211**	**7,018**	**1,993**	**7,449**	**5,997**	**19,631**	**239,808**
Gross exposure in the statement of financial position before hedging	**315,021**	**24,643**	**8,743**	**(24,154)**	**(339)**	**24,496**	**15,133**	**3,976**	**(4,984)**	**(5,341)**	**18,894**	**376,088**

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

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1. Financial risk factors *(continued)*

(a) Market risk (continued)

Foreign exchange risk *(continued)*

- Commercial transactions:

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

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

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

- Financing operations:

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

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

  During the fiscal year 2018 and 2017 and on 31 March 2018 and 2017, if the Euro had weakened/strengthened by 10% in comparison to the currencies listed below with all other variables held constant, equity, net sales and post-tax profit for the year would have been higher/lower as illustrated below:

In thousands of Euros	**Currency translation differences (other comprehensive income)**		**Net sales**		**Profit of the year**	
March 31,	***2018***	***2017***	***2018***	***2017***	***2018***	***2017***
USD	1,578	2,438	18,027	18,050	912	2,580
JPY	12,902	13,932	21,893	23,879	7,225	7,613
HKD	7,666	9,078	10,747	10,752	5,683	5,207
CNY	12,159	10,287	15,912	13,901	8,811	6,672
GBP	1,904	2,036	6,178	6,689	1,428	1,647

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

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 margin of certain bank borrowings can change.

Based on the simulations performed, on 31 March 2018 and 2017, 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).

In thousands of Euros	***2018***	***2017***
Sensitivity of finance costs	413	464
Sensitivity of finance income	1,343	1,686
Sensitivity of the post-tax profit	685	901

The above sensitivity takes into consideration the impact of the interest rate derivatives existing at 31 March 2018 and 2017 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 financial assets such as equity, fixed income, private equity, real estate, or multi assets funds. The investments are done in accordance with the limits and rules set by the Financial Investments Policy.

On 31 March 2018, the Group has no significant investment in external 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 2018 and 2017, the Group did not have any significant concentration of business conducted with a particular customer that could, if suddenly eliminated, severely impact the operations of the Group;

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

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

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1. Financial risk factors *(continued)*

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash 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 five-year 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 2018 are as follows:

31 March *In thousands of Euros*	***2018***	***2017***
Cash and cash equivalents and bank overdrafts	385,712	452,751
Undrawn borrowing facilities (note 17.6)	332,358	344,458
Liquidity reserves	**718,070**	**797,209**

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

The repayment of certain bank borrowings depends on a financial 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:

		Between			
In thousands of Euros	**Less than 1 year**	**1 and 2 years**	**2 and 5 years**	**Over 5 years**	**Total**
Borrowings (note 17)	7,434	—	75,689	4,906	88,029
Trade payables (note 19)	125,455	—	—	—	125,455
Interests payments on borrowings	1,499	548	180	46	2,273
Total on 31 March 2018	**134,388**	**548**	**75,869**	**4,952**	**215,757**
Borrowings (note 17)	2,468	—	63,825	6,747	73,040
Trade payables (note 19)	102,429	—	—	—	102,429
Interests payments on borrowings	893	364	226	76	1,559
Total on 31 March 2017	**105,790**	**364**	**64,051**	**6,823**	**177,028**

The interests payments on borrowings are based on the existing interest rates as at 31 March 2018.

3. FINANCIAL RISK MANAGEMENT *(continued)*

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.

3.3. 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):

	31 March 2018		***31 March 2017***	
In thousands of Euros	**Net book value**	**Fair value**	**Net book value**	**Fair value**
Assets				
Available-for-sale financial assets (a)	10,625	10,625	6,904	6,904
Other non-current receivables	40,253	40,253	34,545	34,545
Derivative financial instruments (b)	155	155	153	153
Total assets	51,033	51,033	41,602	41,602
Liabilities				
Floating rate	88,029	88,029	73,040	73,040
Total borrowings	88,029	88,029	73,040	73,040
Derivative financial instruments (b)	493	493	442	442
Total liabilities	493	493	442	442

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

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

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.3. Fair value estimation *(continued)*

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).

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

	31 March 2018			*31 March 2017*		
In thousands of Euros	**Level 1(a)**	**Level 2(b)**	**Level 3(c)**	**Level 1(a)**	**Level 2(b)**	**Level 3(c)**
Assets						
Derivatives at fair value through profit and loss	—	155	—	—	153	—
Cash equivalents	1,999	—	—	1,844	—	—
Total assets	**1,999**	**155**	**—**	**1,844**	**153**	**—**
Liabilities						
Derivatives at fair value through profit and loss	—	(493)	—	—	(442)	—
Total liabilities	**—**	**(493)**	**—**	**—**	**(442)**	**—**

(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 Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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 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 2017);
- The pre-tax discount rate of 10% (10% in the fiscal year ended 31 March 2017). The same pre-tax discount rate has been used for all the segments as:
  - All the products are produced in France;
  - Most of the financing is done centrally, and;
  - 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 five-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.

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.

5. SEGMENT INFORMATION

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 2018 and 2017 is as follows:

31 March 2018 *In thousands of Euros*	**Sell-out**	**Sell-in and B-to-B**	**Other reconciling items**	**Total**
Net sales	**987,788**	**331,578**	**—**	**1,319,366**
In % of total	*74.9%*	*25.1%*	*—*	*100%*
Gross profit	**865,080**	**233,961**	**(643)**	**1,098,398**
% of net sales	*87.6%*	*70.6%*	*N/A*	*83.3%*
Distribution expenses	(534,114)	(55,089)	(50,254)	(639,457)
Marketing expenses	(51,966)	(9,675)	(117,554)	(179,195)
Research & development expenses	—	—	(17,548)	(17,548)
General and administrative expenses	—	—	(123,048)	(123,048)
Share of profit/(losses) from joint operations	—	—	150	150
Other (losses)/gains-net	797	(91)	981	1,687
Operating profit	**279,797**	**169,106**	**(307,916)**	**140,987**
% of net sales	*28.3%*	*51.0%*	*N/A*	*10.7%*

31 March 2017 *In thousands of Euros*	**Sell-out**	**Sell-in and B-to-B**	**Other reconciling items**	**Total**
Net sales	**992,512**	**330,665**	**—**	**1,323,177**
In % of total	*75%*	*25%*	*—*	*100%*
Gross profit	**871,032**	**231,394**	**—**	**1,102,426**
% of net sales	*88%*	*70%*	*—*	*83%*
Distribution expenses	(515,732)	(57,394)	(48,757)	(621,883)
Marketing expenses	(54,853)	(10,622)	(105,433)	(170,908)
Research & development expenses	—	—	(15,622)	(15,622)
General and administrative expenses	13	—	(127,875)	(127,862)
Share of profit/(losses) from joint operations	—	—	(27)	(27)
Other (losses)/gains-net	136	(105)	2,157	2,188
Operating profit	**300,596**	**163,273**	**(295,557)**	**168,312**
% of net sales	*30.3%*	*49.4%*	*N/A*	*12.7%*

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. SEGMENT INFORMATION *(continued)*

5.2. Geographic areas

(a) Net sales

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

31 March	2018		2017	
In thousands of Euros	**Total**	**In % of total**	**Total**	**In % of total**
Japan	218,932	*16.6%*	238,795	*18.0%*
United States	172,160	*13.0%*	171,198	*12.9%*
Hong Kong	124,584	*9.4%*	124,329	*9.4%*
China	159,118	*12.1%*	139,012	*10.5%*
France	102,177	*7.7%*	100,478	*7.6%*
United Kingdom	59,837	*4.5%*	64,816	*4.9%*
Luxembourg	67,301	*5.1%*	65,907	*5.0%*
Russia	50,493	*3.8%*	48,973	*3.7%*
Brazil	60,208	*4.6%*	56,509	*4.3%*
Taiwan	39,433	*3.0%*	41,555	*3.1%*
Other countries	265,123	*20.1%*	271,605	*20.5%*
Net sales	**1,319,366**	***100%***	**1,323,177**	***100%***

(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	2018			2017		
In thousands of Euros	**Property, Plant and Equipment**	**Goodwill**	**Intangible assets**	**Property, Plant and Equipment**	**Goodwill**	**Intangible assets**
Japan	9,703	19,787	57	9,465	21,714	405
United States	19,652	103,374	162	22,833	6,327	174
Hong Kong	3,632	2,369	—	3,760	2,758	—
China	1,195	1,499	165	1,280	1,744	48
France	91,963	38,440	48,858	91,701	38,440	27,314
Russia	3,178	30,208	147	3,462	35,034	172
United Kingdom	7,819	1,403	—	4,612	1,436	6
Luxembourg	2,027	—	20,224	2,127	—	18,558
Brazil	9,112	2,418	4,072	7,084	2,926	5,678
Taiwan	1,044	1,881	30	1,271	2,080	42
Other countries	26,595	25,267	2,841	24,762	26,217	4,280
Total	**175,920**	**226,646**	**76,556**	**172,357**	**138,676**	**56,677**

6. INFORMATION RELATING TO THE GROUP STRUCTURE

6.1. Changes in the Group structure for the year ended 31 March 2018

Acquisition of LimeLight

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

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

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

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

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

As of January 2018, LimeLight is fully consolidated.

Purchase consideration
in thousands of Euros

The purchase consideration is as follows:

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

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

6.1. Changes in the Group structure for the year ended 31 March 2018 *(continued)*

Assets and liabilities acquired

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

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

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

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

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

Purchase consideration – cash outflow

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

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

6.1. Changes in the Group structure for the year ended 31 March 2018 *(continued)*

Revenue and profit contribution

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

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

Acquisition –related costs

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

6.2. Changes in the Group structure for the year ended 31 March 2017

On October 17, 2016, L'Occitane International S.A. signed a purchase agreement to acquire the remaining Taiwanese non-controlling interests for an amount of €37,565,000. The difference between the consideration paid and the carrying amount of net assets of the subsidiary €37,073,000 is recorded in 'Other reserves' for an amount of €492,000.

On October 11, 2016, a purchase agreement was signed between L'Occitane International S.A. and the Austrian non-controlling interests for an amount of €1,283,000 (which represents 13% of the share capital). The difference between the consideration paid and the carrying amount of net assets of the subsidiary €982,000 is recorded in 'Other reserves' for an amount of €301,000.

On January 1, 2017, "Le Couvent des Minimes" business was sold for a total price of €7,400,000. The capital gain amounts to €4,397,000 and is recorded on the line 'other (losses)/gains – net' of the statement of income.

On February 27, 2017, the Company purchased new shares in Shanghvi Technologies Private Ltd ("MyGlamm") for an amount of €4,914,000 accounted as financial assets in 'Other non-current assets' (note 10).

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

6.3. Other financial liabilities

For the year ended 31 March 2018

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

In thousands of Euros	31 March 2017	Dividend paid to the non-controlling interests	Change in estimates in the valuation of the exercise price	Unwinding of discount (note 23)	31 March 2018
Katalin Berenyi and Hojung Lee (Erborian)	2,244	—	7,005	200	9,449
Elizabeth Hajek (Austria)	3,359	—	—	350	3,709
Total put options	**5,603**	**—**	**7,005**	**550**	**13,158**

One of the minority shareholders in Erborian has exercised her put option to require the acquisition of its shareholding of 18.7% by the Group. Due to a disagreement on the valuation of the shares, a claim was lodged against the Group. A first Luxembourg court decided in favour of the minority shareholder. The Group has disclaimed liability and is defending the action. Having received legal advice, the directors believe that a favorable outcome is probable and therefore the contingent liability was not taken into account in the above valuation of the other financial liability.

For the year ended 31 March 2017

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

In thousands of Euros	31 March 2016	Dividend paid to the non-controlling interests	Change in estimates in the valuation of the exercise price	Unwinding of discount (note 23)	31 March 2017
Katalin Berenyi and Hojung Lee (Erborian)	8,846	—	(7,218)	616	2,244
Elizabeth Hajek (Austria)	—	—	3,193	166	3,359
Total put options	**8,846**	**—**	**(4,025)**	**782**	**5,603**

The change in estimates in the valuation of the exercise price of €7,218,000 is related to the revision of business plan for the Erborian business.

7. PROPERTY, PLANT AND EQUIPMENT

7.1. Year ended 31 March 2018

As of 31 March 2018, property, plant and equipment can be analysed as follows:

In thousands of Euros	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
Cost as of 1 April 2017	**3,352**	**74,587**	**48,978**	**84,849**	**165,208**	**51,062**	**9,236**	**437,272**
Additions	32	956	4,043	10,396	31,187	8,130	11,178	65,922
Disposals	–	–	(481)	(4,606)	(21,960)	(5,972)	(293)	(33,312)
Acquisition of subsidiaries	–	–	84	405	–	–	–	489
Other movements	–	498	1,888	1,085	854	(109)	(4,216)	–
Exchange differences	–	8	(229)	(4,880)	(14,936)	(4,408)	(834)	(25,279)
Cost as of 31 March 2018	**3,384**	**76,049**	**54,283**	**87,249**	**160,353**	**48,703**	**15,071**	**445,092**
Accum. depreciation as of April 1, 2017	**–**	**(26,074)**	**(34,080)**	**(54,516)**	**(115,553)**	**(34,692)**	**–**	**(264,915)**
Depreciation	–	(4,780)	(5,383)	(10,821)	(22,897)	(7,821)	–	(51,702)
Impairment loss	–	–	–	(2,275)	–	–	(2,275)	
Reversal of impairment loss	–	–	–	938	–	–	938	
Disposals	–	–	306	3,841	21,315	5,725	–	31,187
Acquisition of subsidiaries	–	–	(7)	(33)	–	(15)	–	(55)
Other movements	–	–	–	(496)	(57)	841	–	288
Exchange differences	–	–	175	4,147	9,689	2,811	–	16,822
Accum. depreciat. as of 31 March 2018	**–**	**(30,854)**	**(38,989)**	**(59,215)**	**(107,503)**	**(33,151)**	**–**	**(269,712)**
Net book value as of 31 March 2018	**3,384**	**45,195**	**15,294**	**28,034**	**52,850**	**15,552**	**15,071**	**175,380**
Including assets under finance leases:								
Property, plant & equipment, gross	898	20,871	4,758	350	–	–	–	26,877
Accumulated depreciation	–	(13,649)	(3,977)	(200)	–	–	–	(17,826)
Net book value under finance leases as of 31 March 2018	**898**	**7,222**	**781**	**150**	**–**	**–**	**–**	**9,051**

Main additions during the period are related to the leasehold improvements for the opening of 131 stores.

Excluding the costs of dismantling and restoring and the acquisitions under finance lease that are non-cash items, total cash additions amount to €65,738,000.

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

7.2. Year ended 31 March 2017

As of 31 March 2017, property, plant and equipment can be analysed as follows:

In thousands of Euros	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
Cost as of 1 April 2016	**3,353**	**71,082**	**49,494**	**80,654**	**154,551**	**47,225**	**11,772**	**418,131**
Additions	–	26	2,755	9,076	20,626	6,944	4,338	43,765
Disposals	(1)	(101)	(4,092)	(8,687)	(18,330)	(5,359)	(201)	(36,771)
Other movements	–	3,580	701	1,587	931	(297)	(6,953)	(451)
Exchange differences	–	–	120	2,219	7,430	2,549	280	12,598
Cost as of 31 March 2017	**3,352**	**74,587**	**48,978**	**84,849**	**165,208**	**51,062**	**9,236**	**437,272**
Accum. depreciation as of April 1, 2016	**–**	**(21,404)**	**(32,394)**	**(48,841)**	**(103,404)**	**(30,427)**	**–**	**(236,470)**
Depreciation	–	(4,757)	(5,421)	(11,084)	(24,429)	(8,198)	–	(53,889)
Impairment loss	–	–	–	(453)	(2,481)	–	–	(2,934)
Reversal of impairment loss	–	–	–	–	1,450	–	–	1,450
Disposals	–	87	3,868	7,962	17,797	4,851	–	34,565
Other movements	–	–	(32)	(318)	(34)	638	–	254
Exchange differences	–	–	(101)	(1,782)	(4,452)	(1,556)	–	(7,891)
Accum. depreciat. as of 31 March 2017	**–**	**(26,074)**	**(34,080)**	**(54,516)**	**(115,553)**	**(34,692)**	**–**	**(264,915)**
Net book value as of 31 March 2017	**3,352**	**48,513**	**14,898**	**30,333**	**49,655**	**16,370**	**9,236**	**172,357**
Including assets under finance leases:								
Property, plant & equipment, gross	898	20,871	4,688	350	–	–	–	26,807
Accumulated depreciation		(12,415)	(3,734)	(175)	–	–	–	(16,324)
Net book value under finance leases as of 31 March 2017	**898**	**8,456**	**954**	**175**	**–**	**–**	**–**	**10,483**

Main additions during the period are related to the leasehold improvements for the opening of 143 stores.

Excluding the costs of dismantling and restoring and the acquisitions under finance lease that are non-cash items, total cash additions amount to €43,395,000.

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*	***2018***	***2017***
Cost of goods sold	10,193	10,706
Distribution expenses	35,361	37,645
Research & development expenses	1,003	1,007
General and administrative expenses	4,605	4,531
Depreciation expenses	**51,162**	**53,889**

7.4. Impairment tests for property, plant and equipment

31 March *In thousands of Euros*	***2018***	***2017***
Accumulated impairment provision as of the beginning of the year	**(6,671)**	**(4,946)**
Impairment provision	(2,275)	(2,934)
Reversal of impairment provision (used)	938	1,450
Exchange differences	732	(241)
Accumulated impairment provision as of 31 March	**(7,276)**	**(6,671)**

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 €2,275,000 at 31 March 2018 and €2,934,000 at 31 March 2017 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.

8. GOODWILL

8.1. Goodwill variation analysis

Goodwill variation analysis is as follows:

31 March *In thousands of Euros*	***2018***	***2017***
Cost as of the beginning of the year	139,676	130,508
Acquisition of Limelight	102,499	—
Exchange differences	(14,529)	9,168
Cost as of 31 March	**227,646**	**139,676**
Accumulated impairment as of the beginning of the year	**(1,000)**	**(1,000)**
Accumulated impairment as of 31 March	**(1,000)**	**(1,000)**
Net book value as of 31 March	**226,646**	**138,676**

8.2. Goodwill breakdown

As of 31 March 2018, the breakdown of the Group's goodwill by country of origin is detailed as follows:

Geographic areas *In thousands of Euros*	**Net book value on 1 April 2017**	**Additions**	**Exchange differences**	**Net book value on 31 March 2018**	**Net book value on 31 March 2018 Sell-out**	**Net book value on 31 March 2018 Sell-in**
France	36,056	—	—	36,056	22,158	13,898
France - Erborian business	2,384	—	—	2,384	2,384	—
Japan	21,714	—	(1,924)	19,790	19,790	—
Russia	35,034	—	(4,827)	30,207	30,207	—
United States	6,327	—	(835)	5,492	5,492	—
United States - Limelight	—	102,499	(4,617)	97,882	97,882	—
Brazil	2,926	—	(510)	2,416	2,416	—
Canada	3,493	—	(358)	3,135	3,135	—
Netherlands	1,033	—	—	1,033	1,033	—
Hong Kong	2,758	—	(388)	2,370	2,370	—
Taiwan	2,080	—	(198)	1,882	1,882	—
United Kingdom	1,436	—	(32)	1,404	1,404	—
Ireland	2,715	—	—	2,715	2,715	—
China	1,744	—	(246)	1,498	1,498	—
Thailand	688	—	(116)	572	572	—
Poland	1,031	—	4	1,035	1,035	—
Spain	880	—	—	880	880	—
Australia	921	—	(124)	797	797	—
Belgium	323	—	—	323	323	—
Germany	130	—	—	130	130	—
Norway	5,468	—	(287)	5,181	5,181	—
Malaysia	9,535	—	(69)	9,466	9,466	—

8. GOODWILL *(continued)*

8.3. Impairment test for goodwill

As at 31 March 2018, 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.

9.1. Year ended 31 March 2018

As of 31 March 2018, intangible assets can be analysed as follows:

In thousands of Euros	Websites	Trademarks	Key moneys	Software	Contractual customer relationships	Intangible assets in progress	Other intangible assets	Total
Cost as of 1 April 2017	**86**	**16,087**	**48,997**	**54,546**	**1,761**	**2,312**	**6,355**	**130,143**
Additions	–	–	20,905	2,630	–	6,578	356	30,469
Disposals	–	–	(1,103)	(2,341)	–	–	–	(3,444)
Acquisition of subsidiaries	–	–	–	356	–	–	–	356
Other movements	–	–	2,250	509	–	(1,456)	925	2,228
Exchange differences	(4)	–	(2,392)	(484)	–	(5)	(51)	(2,936)
Cost as of 31 March 2018	**82**	**16,087**	**68,657**	**55,216**	**1,761**	**7,429**	**7,585**	**156,816**
Accumulated amortization and impairment as of April 1, 2017	**(86)**	**(611)**	**(35,573)**	**(31,244)**	**(1,761)**	**–**	**(4,191)**	**(73,466)**
Amortization	–	–	(3,250)	(7,307)	–	–	(1,253)	(11,810)
Impairment loss	–	–	–	–	–	–	–	–
Reversal of impairment loss	–	–	–	–	–	–	–	–
Disposals	–	–	1,050	2,339	–	–	(21)	3,368
Acquisition of subsidiaries	–		–	(242)	–	–	–	(242)
Other movements	–	–	–	–	–	–	–	–
Exchange differences	4	–	1,420	347	–	–	119	1,890
Accumulated amortization and impairment as of 31 March 2018	**(82)**	**(611)**	**(36,353)**	**(36,107)**	**(1,761)**	**–**	**(5,346)**	**(80,260)**
Net book value as of 31 March 2018	**–**	**15,476**	**32,304**	**19,109**	**–**	**7,429**	**2,240**	**76,556**

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

9. INTANGIBLE ASSETS *(continued)*

9.1. Year ended 31 March 2018 *(continued)*

Additions mainly concern:

- Assets in progress for €5,400,000 are related mainly to software;
- Key moneys for an amount of €20,905,000. Such key moneys were mainly acquired in France;
- Software for an amount of €2,630,000.

The amount of intangible assets whose title is restricted or that are pledged as security for liabilities is nil as at 31 March 2018.

9.2. Year ended 31 March 2017

As of 31 March 2017, intangible assets can be analysed as follows:

In thousands of Euros	Websites	Trademarks	Key moneys	Software	Contractual customer relationships	Intangible assets in progress	Other intangible assets	Total
Cost as of 1 April 2016	**86**	**16,241**	**48,888**	**52,665**	**1,761**	**1,717**	**5,990**	**127,347**
Additions	–		1,909	3,253	–	1,729	131	7,022
Disposals	–	(154)	(3,473)	(2,600)	–	(5)	(189)	(6,421)
Other movements	–		–	807	–	(1,131)	402	78
Exchange differences	–		1,673	421	–	2	21	2,117
Cost as of 31 March 2017	**86**	**16,087**	**48,997**	**54,546**	**1,761**	**2,312**	**6,355**	**130,143**
Accumulated amortization and impairment as of April 1, 2016	**(86)**	**(765)**	**(34,402)**	**(26,769)**	**(1,761)**	**–**	**(3,024)**	**(66,807)**
Amortization	–	–	(3,475)	(6,758)	–	–	(1,340)	(11,573)
Impairment loss	–	–	–	–	–	–	–	–
Reversal of impairment loss	–	–	200	–	–	–	–	200
Disposals	–	154	2,859	2,589	–	–	194	5,796
Other movements	–	–	–	–	–	–	–	–
Exchange differences	–	–	(755)	(306)	–	–	(21)	(1,082)
Accumulated amortization and impairment as of 31 March 2017	**(86)**	**(611)**	**(35,573)**	**(31,244)**	**(1,761)**	**–**	**(4,191)**	**(73,466)**
Net book value as of 31 March 2017	**–**	**15,476**	**13,424**	**23,302**	**–**	**2,312**	**2,165**	**56,677**

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

9. INTANGIBLE ASSETS *(continued)*

9.2. Year ended 31 March 2017 *(continued)*

Additions mainly concern:

- Assets in progress for €1,729,000 are related mainly to software;
- Key moneys for an amount of €1,909,000. Such key moneys were mainly acquired in France and Brazil;
- Software for an amount of €3,253,000.

The amount of intangible assets whose title is restricted or that are pledged as security for liabilities is nil as at 31 March 2017.

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*	***2018***	***2017***
Cost of goods sold	1,010	1,013
Distribution expenses	3,598	3,865
Marketing expenses	761	739
Research & development costs	16	24
General and administrative expenses	6,425	5,932
Amortization expenses	**11,810**	**11,573**

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*	***2018***	***2017***
Accumulated impairment provision as of the beginning of the year	(27)	(227)
Impairment provision	—	—
Reversal of impairment provision	—	200
Exchange differences	—	—
Accumulated impairment provision as of 31 March	**(27)**	**(27)**

10. OTHER NON-CURRENT ASSETS

The other non-current assets consist of the following:

31 March *In thousands of Euros*	***2018***	***2017***
Deposits	26,110	29,154
Available-for-sale financial assets	11,625	6,904
Key moneys paid to the landlord	2,277	5,145
Loan to joint-venture	241	246
Other non-current assets	**40,253**	**41,449**

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).

Available-for-sale financial assets mainly correspond to the investment in MyGlamm.

11. INVENTORIES

Inventories consist of the following items:

31 March *In thousands of Euros*	***2018***	***2017***
Raw materials and supplies	24,784	22,120
Finished goods and work in progress	140,528	127,856
Inventories, gross	**165,312**	**149,976**
Less, allowance	(8,833)	(11,880)
Inventories	**156,479**	**138,096**

12. TRADE RECEIVABLES

Trade receivables consist of the following:

31 March *In thousands of Euros*	***2018***	***2017***
Trade receivables, gross	110,508	109,903
Less, allowances for doubtful accounts	(1,107)	(1,920)
Trade receivables	**109,401**	**107,983**

12. TRADE RECEIVABLES *(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*	***2018***	***2017***
Current and past due within 3 months	109,338	108,670
3 to 6 months	641	755
6 to 12 months	155	33
Over 12 months	374	445
Trade receivables, gross	**110,508**	**109,903**

Movement of the Group's provision for impairment on trade receivables is as follows:

31 March *In thousands of Euros*	***2018***	***2017***
At beginning of the year	(1,920)	(1,583)
Provision for impairment	(419)	(1,058)
Reversal of impairment	1,191	649
Reclassification	(60)	153
Exchange differences	101	(81)
At end of the year	**(1,107)**	**(1,920)**

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

12. TRADE RECEIVABLES *(continued)*

Credit risk: *(continued)*

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

31 March *In thousands of Euros*	***2018***	***2017***
Within 3 months	522	1,085
3 to 6 months	192	392
6 to 12 months	108	32
Over 12 months	285	411
Impaired receivables	**1,107**	**1,920**

The individually impaired receivables relate to wholesalers which are in unexpectedly difficult economic situations.

The ageing analysis of trade receivables from due date that was past due but not impaired as of 31 March 2018 and 2017 is as follows:

31 March *In thousands of Euros*	***2018***	***2017***
Within 3 months	9,166	5,219
3 to 6 months	449	363
6 to 12 months	47	1
Over 12 months	89	34
Trade receivables past due but not impaired	**9,751**	**5,617**

These trade receivables relate to a number of customers for whom there is no significant financial difficulty based on past experience, the overdue amounts can be recovered.

The Group considers that there is no recoverability risk on these past due receivables.

13. OTHER CURRENT ASSETS

The following table presents details of other current assets:

31 March *In thousands of Euros*	***2018***	***2017***
Value added tax receivable and other taxes and social items receivable	20,552	21,061
Prepaid expenses (a)	22,921	20,952
Income tax receivable (b)	10,463	6,958
Advance payments to suppliers	8,753	4,571
Other current assets	5,796	1,620
Total other current assets	**68,485**	**55,162**

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

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

14. DERIVATIVE FINANCIAL INSTRUMENTS

Analysis of derivative financial instruments

Derivative financial instruments are analyzed as follows:

31 March	***2018***		***2017***	
In thousands of Euros	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Foreign exchange derivatives - held for trading	46	493	153	442
Sub-total derivative financial instruments at fair value through profit and loss	**46**	**493**	**153**	**442**
Interest rate derivatives - cash flow hedges	109	—	—	—
Foreign exchange derivatives - cash flow hedges	—	—	—	—
Sub-total derivative financial instruments designated as hedging instruments	**109**	**—**	**—**	**—**
Current portion of derivative financial instruments	**155**	**493**	**153**	**442**

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.

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*	***2018***	***2017***
– within 'foreign currency gains/(losses)' for currency derivatives (note 24)	(158)	(690)
Total change in the fair value of derivatives at fair value through profit and loss: gains/(losses)	**(158)**	**(690)**

Derivatives designated as hedging instruments

There is no derivative designated as hedging instruments as at 31 March 2018 and 2017.

14. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

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	***2018***	***2017***
Sale of currencies		
JPY	22,760	15,893
CNY	16,136	10,456
USD	2,273	4,209
GBP	4,801	3,355
AUD	1,528	2,442
THB	2,429	1,634
RUB	1,970	1,592
MXN	1,010	1,048
NOK	376	490
PLN	228	322
CZK	267	299
SEK	173	153
ZAR	41	—
CAD	—	70
Purchase of currencies		
CHF	—	106
ZAR	—	11

15. CASH AND CASH EQUIVALENTS

The following table presents details of cash and cash equivalents:

31 March *In thousands of Euros*	***2018***	***2017***
Cash at bank and in hand	383,713	450,907
Cash equivalents	1,999	1,844
Cash and cash equivalents	**385,712**	**452,751**

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:

	2018	***2017***
Cash in Euros	Eonia or Euribor + margin	Eonia or Euribor + margin
Cash in foreign currencies	Libor/Local market rate + margin	Libor/Local market rate + margin

The effective interest rates on cash equivalents are as follows:

	2018	***2017***
Cash equivalents in Euros (short-term bank deposits)	Euribor/Local market rate	Euribor/Local market rate

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 2018. At 31 March 2018, the Company's share capital is held by the company "L'Occitane Groupe S.A." ("LOG"), in a proportion of 73.02%.

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:

In thousands of Euros except "Number of shares"	**Number of shares**	**Share capital**	**Additional paid-in capital**
Balance at 31 March 2017	**1,476,964,891**	**44,309**	**342,851**
Balance at 31 March 2018	**1,476,964,891**	**44,309**	**342,851**

16.2. Treasury shares

As at 31 March 2017, the Company holds 14,244,670 Shares in treasury and the aggregate price of the purchased shares was deducted from equity as treasury shares reserve for an amount of €22,535,000.

During the fiscal year ended on 31 March 2018, the Company acquired 2,583,250 own shares for an amount of €4,422,877. In addition, the Company also transferred out of treasury a total of 545,500 shares held in treasury pursuant to the employees' free share schemes of the Company.

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

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

During the fiscal year ended on 31 March 2018, stock options and free shares plans were granted.

Options

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 options granted during the fiscal year ended on 31 March 2018 are the following:

(a) Vested options are exercisable for a period of four years after vesting

(b) Exercise price: 14.5 HKD

(c) Grant date: 29 March 2018

(d) Vesting date: 29 March 2022

(e) Share price at grant date: 14.5HKD

(f) Expected price volatility of the Company's shares: 22.0 %

(g) Expected dividend yield: 6.1%

(h) Risk-free interest rate: 1.9 %

Set out below are summaries of stock options plans:

	2018		*2017*	
	Average exercise price in HKD per share option	**Number of options**	**Average exercise price in HKD per share option**	**Number of options**
As at 1 April	16.84	32,002,707	17.81	27,865,588
Granted during the year	14.50	7,395,400	15.16	10,604,700
Exercised during the year	—	—	—	—
Forfeited during the year	17.21	(4,745,760)	18.33	(6,467,581)
As at 31 March	**16.29**	**34,652,347**	**16.84**	**32,002,707**

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

16. CAPITAL AND RESERVES *(continued)*

16.3. Share-based payments *(continued)*

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

Options *(continued)*

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

			Number of share options	
Grant date	**Expiry date**	**Exercise price**	***2018***	***2017***
4 April 2011	4 April 2015	19.84 HKD	1,481,875	1,990,625
4 April 2011	4 April 2015	19.84 HKD	117,000	117,000
4 April 2011	4 April 2015	19.84 HKD	1,320,000	1,320,000
26 October 2012	26 October 2016	23.60 HKD	1,440,000	1,973,060
28 November 2012	29 November 2016	24.47 HKD	841,422	841,422
4 December 2013	4 December 2017	17.62 HKD	5,624,250	6,920,000
23 February 2015	23 February 2019	19.22 HKD	423,800	547,000
21 March 2016	21 March 2020	14.36 HKD	6,659,700	7,688,900
02 February 2017	02 February 2021	15.16 HKD	9,348,900	10,604,700
29 March 2018	29 March 2022	14.50 HKD	7,395,400	—
Total			**34,652,347**	**32,002,707**

Free shares

Set out below are summaries of free shares plans:

	2018		***2017***	
	Average exercise price in HKD per free shares	**Number of free shares**	**Average exercise price in HKD per free shares**	**Number of free shares**
As at 1 April	16.76	1,969,000	19.43	3,928,380
Granted during the year	14.50	5,559,500	—	—
Exercised during the year	17.62	(537,250)	23.60	(1,411,180)
Forfeited during the year	16.81	(299,250)	18.31	(548,200)
As at 31 March	**14.81**	**6,692,000**	**16.76**	**1,969,000**

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

			Number of free shares	
Grant date	**Expiry date**	**Exercise price**	***2018***	***2017***
4 December 2013	4 December 2017	—	—	580,500
24 February 2015	24 February 2019	—	456,700	578,400
23 March 2016	23 March 2020	—	519,500	618,000
23 March 2016	23 March 2020	—	156,300	192,100
29 March 2018	29 March 2022	—	5,559,500	—
Total			**6,692,000**	**1,969,000**

16. CAPITAL AND RESERVES *(continued)*

16.3. Share-based payments *(continued)*

(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.

(iii) Total share-based compensation expense

During the year ended 31 March 2018, the share-based compensation expense recognized within the employee benefits is the following:

In thousands of Euros	***2018***	***2017***
LOI equity instruments	1,347	1,394
LOG equity instruments	2,174	169
Total (note 21)	**3,521**	**1,563**

The total remaining share-based compensation expense to be recognized within the future employee benefits is the following:

In thousands of Euros	***2018***	***2017***
LOI equity instruments	7,168	5,613
LOG equity instruments	8,148	7,962
Total	**15,316**	**13,575**

On 31 March 2018, an amount of €873,000 should have been recognized as share-based compensation for the minority shareholders of Limelight.

16.4. Distributable reserves

On 31 March 2018, the distributable reserves of L'Occitane International S.A. amounted to €589,055,624 (€530,095,863 as at 31 March 2017).

On 22 March 2016, the Board of directors decided to constitute a non-distributable reserve in the amount of €500,000 for a period of five years.

16.5. Dividend per share

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

16.6. 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.

17. BORROWINGS

Borrowings include the following items:

31 March *In thousands of Euros*	***2018***	***2017***
FY 2015 Revolving facility	67,753	55,651
FY 2012 bank borrowing	6,429	7,144
Other bank borrowings	5,020	—
Finance lease liabilities	8,720	10,137
Current accounts with minority shareholders and related parties	107	108
Total	**88,029**	**73,040**
Less, current portion:		
– FY 2015 Revolving facility	(113)	(109)
– FY 2012 bank borrowing	(714)	(713)
– Other bank borrowings	(5,020)	—
– Finance lease liabilities	(1,587)	(1,646)
Total current	**(7,434)**	**(2,468)**
Total non-current	**80,595**	**70,572**

17.1. Maturity of non-current borrowings

For the years ended 31 March 2018 and 2017, maturity of non-current borrowings, can be broken down as follows:

In thousands of Euros	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total non-current**
FY 2015 Revolving facility	67,640	—	—	67,640
FY 2012 bank borrowing	714	2,144	2,857	5,715
Current account with minority interests	107	—	—	107
Finance lease liabilities	1,162	3,922	2,049	7,133
Maturity on 31 March 2018	**69,623**	**6,066**	**4,906**	**80,595**
FY 2015 Revolving facility	55,542	—	—	55,542
FY 2012 bank borrowing	716	2,143	3,572	6,431
Current account with minority interests	108	—	—	108
Finance lease liabilities	1,855	3,461	3,175	8,491
Maturity on 31 March 2017	**58,221**	**5,604**	**6,747**	**70,572**

17. BORROWINGS *(continued)*

17.2. Credit facilities agreements

FY2015 Revolving facility

On 18 July 2014, the Company signed a multi-currency revolving facility agreement for an amount of €400 million with a five-year maturity plus an option of extension for 2 additional years. An amount of €67,640,000 is drawn as at 31 March 2018.

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

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

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

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

Leverage financial ratio	**Repricing**
Ratio higher than 1.5	Euribor/Libor + Margin - 0.35
Ratio being comprised between 1 and 1.5	Euribor/Libor + Margin - 0.50
Ratio being comprised between 0.5 and 1	Euribor/Libor + Margin - 0.60
Ratio lower than 0.5	Euribor/Libor + Margin - 0.70

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

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-year 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). Five repayments occurred in December 2013, 2014, 2015, 2016 and 2017 for an amount of €714,000 each. New balance of the FY 2012 bank borrowing as at 31 March 2018 is €6,429,000.

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. BORROWINGS *(continued)*

17.3. Current accounts with non-controlling interests

Current accounts with non-controlling interests:

31 March *In thousands of Euros*	**Minority shareholder**	***2018***	***2017***
L'Occitane Nordic AB	Johan Nilsson	107	108
Total current accounts		**107**	**108**

17.4. Finance lease liabilities

Finance lease liabilities outstanding are analyzed as follows:

31 March *In thousands of Euros*	***2018***	***2017***
Within one year	1,663	1,649
One to two years	1,512	2,125
Two to three years	1,172	1,164
Three to four years	1,180	1,172
Four to five years	3,493	1,180
Thereafter	—	3,235
Total future minimum lease payments	**9,020**	**10,525**
Less, amount representing interest	(300)	(388)
Present value of finance lease liabilities	**8,720**	**10,137**
Less, current portion of finance lease liabilities	(1,587)	(1,646)
Non-current portion of finance lease liabilities	**7,133**	**8,491**

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. BORROWINGS *(continued)*

17.5. Effective interest rates

The effective interest rates at the balance sheet date were as follows:

	2018	*2017*
FY 2015 bank borrowing	Euribor/Libor + Margin	Euribor/Libor + 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

17.6. Borrowing facilities

The Group has the following undrawn borrowing facilities:

31 March *In thousands of Euros*	*2018*	*2017*
Floating rate:		
– Expiring within one year	—	—
– Expiring beyond one year	332,358	344,458
Fixed rate:		
– Expiring within one year	—	—
– Expiring beyond one year	—	—
Total	**332,358**	**344,458**

17.7. Borrowing cash flow variation

The Group recognized the changes arising from cash flows and non-cash changes;

In thousands of Euros	*31 March 2017*	**Non-cash** Exchange translation	**Cash** Acquisition	**Other**	*31 March 2018*
FY 2015 Revolving facility	55,542	(7,618)	19,716	—	67,640
FY 2012 bank borrowing	6,431	—	(716)	—	5,715
Other bank borrowings	—	—	—	—	—
Finance lease liabilities	8,491	—	(1,358)	—	7,133
Current accounts with minority shareholders and related parties	108	—	(1)	—	107
Total	**61,973**	**(7,618)**	**17,641**	**—**	**80,595**

18. OTHER CURRENT AND NON-CURRENT LIABILITIES

Other current and non-current liabilities include the following:

31 March *In thousands of Euros*	***2018***	***2017***
Retirement indemnities	10,208	9,808
Long term employment benefits	672	612
Liabilities linked to operating leases (a)	14,496	14,659
Provisions for dismantling and restoring	6,292	6,326
Grants to a foundation	75	—
Total non current liabilities	**31,743**	**31,405**
Grants to a foundation	159	47
Deferred revenue (b)	17,171	15,777
Deferred payment relating to the acquisition of the Taiwanese non-controling interests	—	2,200
Total current liabilities	**17,330**	**18,024**

(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.

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 exists in France. A lump-sum payment is made on the date the employee reaches retirement age, such award being determined for each individual based upon factors such as years of service provided and projected final salary. There are no plan assets.

18. OTHER CURRENT AND NON-CURRENT LIABILITIES *(continued)*

18.1. Provision for retirement indemnities *(continued)*

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*	***2018***	***2017***
Present value of unfunded obligations	10,208	9,808
Liability in the balance sheet	**10,208**	**9,808**

The movements in the defined benefit obligation over the year are as follows:

31 March *In thousands of Euros*	***2018***	***2017***
Beginning of the year	9,808	9,071
Current service cost	913	1,181
Past service cost	—	285
Interest cost	136	126
Actuarial (gains)/losses (note 25.5)	(577)	(918)
Exchange differences	(58)	130
Benefits paid	(14)	(67)
End of year	**10,208**	**9,808**

The amounts recognized in the income statement are as follows:

31 March *In thousands of Euros*	***2018***	***2017***
Current service cost	913	1,181
Past service cost	—	285
Interest cost	136	126
Total included in employee benefit expenses (note 21)	**1,049**	**1,592**

Main assumptions

The principal actuarial assumptions used were as follows:

31 March *In percentage*	***2018***	***2017***
Discount rate	1.65	1.75
Inflation rate	2.00	2.00
Future salary increases	3.00	3.00
Retirement age (in number of years)	**62-65**	**62-65**

18. OTHER CURRENT AND NON-CURRENT LIABILITIES *(continued)*

18.1. Provision for retirement indemnities *(continued)*

Main assumptions (continued)

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 €370,000 in the defined benefit obligation.

18.2. Provision for dismantling and restoring

As at 31 March 2018, provisions for dismantling and restoring costs are as follows:

		Charged/(credited) to the statement of income (note 27.4)						
In thousands of Euros	***31 March 2017***	**Provisions recorded in the statement of income**	**Unused amounts reversed**	**Used during the year**	**Provisions recorded as a component of tangible fixed assets**	**Reclassification**	**Exchange differences**	***31 March 2018***
Provisions recorded over the length of the lease	1,945	498	(26)	(174)	–	293	(266)	2,270
Provisions recorded at the inception of the lease	4,381	184	–	(162)	–	–	(381)	4,022
Total	**6,326**	**682**	**(26)**	**(336)**	**–**	**293**	**(647)**	**6,292**

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	***2018***	***2017***
Current and past due within 3 months	123,591	101,406
Past due from 3 to 6 months	1,036	339
Past due from 6 to 12 months	801	7
Past due over 12 months	27	677
Trade payables	**125,455**	**102,429**

20. PROVISIONS

As at 31 March 2018 provisions can be analyzed as follows:

		Charged/(credited) to the income statement (note 27.4)					
In thousands of Euros	31 March 2017	Additional provisions	Unused amounts reversed	Used during the year	Reclassification	Exchange differences	31 March 2018
Social litigations (a)	2,676	490	(319)	(1,202)	(100)	(251)	1,294
Commercial claims (b)	521	269	(121)	(12)	–	(34)	623
Provision for returned goods	1,738	1,095	(1,418)	(376)	–	(195)	844
Onerous contracts (c)	8,062	888	(5)	(2,434)	–	(823)	5,688
Tax risks (d)	1,269	195	–	(25)	–	(198)	1,241
Total	**14,266**	**2,937**	**(1,863)**	**(4,049)**	**(100)**	**(1,501)**	**9,690**

(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.

21. EXPENSES BY NATURE

Expenses by nature

Expenses by nature include the following amounts:

31 March *In thousands of Euros*	***2018***	***2017***
Employee benefit expenses (a)	385,098	379,576
Rent and occupancy (b)	234,954	240,777
Raw materials and consumables used	113,599	98,342
Change in inventories of finished goods and work in progress	(13,822)	2,623
Advertising costs (c)	142,739	134,715
Professional fees (d)	90,638	80,383
Depreciation, amortization and impairment (note 27.3)	64,309	66,746
Transportation expenses	51,713	52,400
Auditor's remuneration (e)	1,574	1,677
Other expenses	109,412	99,787
Total cost of sales, distribution expenses, marketing expenses, research and development expenses and general and administrative expenses	**1,180,216**	**1,157,026**

(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 € 1,201,000 (€1,009,493 for the fiscal year ended 31 March 2017) and audit related services for €211,065 (€329,426 for the fiscal year ended 31 March 2017).

21. EXPENSES BY NATURE *(continued)*

Employee benefits

Employee benefits include the following amounts:

31 March *In thousands of Euros*	***2018***	***2017***
Wages, salaries and bonus	310,196	309,070
Share-based payments (note 16.3)	3,521	1,563
Social security	69,312	67,283
Post employment benefits (note 18.1)	1,049	1,592
Others	1,020	68
Total employee benefits	**385,098**	**379,576**
Workforce (full time equivalent)	**8,672**	**8,630**

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)/GAINS - NET

Other (losses)/gains – net are detailed as follows:

31 March *In thousands of Euros*	***2018***	***2017***
Profit/(loss) on sale of assets (note 27.2)	432	(30)
Government grants	1,255	1,354
Capital gain on Le Couvent des Minimes disposal	—	4,397
Other (losses)/gains	—	(3,533)
Previously held interests in LimeLight remeasured to fair value (note 6.1)	5,346	—
Exchange losses on previously held interests in LimeLight reclassified from OCI (note 6.1)	(5,346)	—
Other (losses)/gains - net	**1,687**	**2,188**

The other losses mainly relate to depreciation of media credit whose realisation is not probable before expiration date.

The government grants correspond to grants on research and development costs and on employee profit sharing scheme.

23. FINANCE COSTS, NET

Finance costs, net consist of the following:

31 March *In thousands of Euros*	***2018***	***2017***
Interest on cash and cash equivalents	2,207	2,222
Finance income	**2,207**	**2,222**
Interest expense on:		
- Borrowings	(2,366)	(2,149)
- Finance lease	(97)	(110)
- Unwinding of discount on financial liabilities (note 6.3)	(550)	(782)
Finance costs	**(3,013)**	**(3,041)**
Finance costs, net	**(806)**	**(819)**

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 GAINS/(LOSSES)

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

31 March *In thousands of Euros*	***2018***	***2017***
Foreign exchange gains/(losses) differences	(4,064)	1,790
Fair value losses on derivatives (note 14)	(158)	(690)
Foreign currency gains/(losses)	**(4,222)**	**1,100**

Foreign exchange differences mainly correspond to:

- Unrealized net foreign exchange losses: €1,104,000 (gains of €1,754,000 for the fiscal year ended 31 March 2017);
- Realized net foreign exchange losses: €3,118,000 (losses of €653,000 for fiscal year ended March 31, 2017).

25. INCOME TAX EXPENSE

25.1. Income tax expense

The components of income tax expense are as follows:

31 March *In thousands of Euros*	***2018***	***2017***
Current income tax	(28,323)	(42,402)
Deferred income tax	(11,130)	6,163
Total tax income expense	**(39,453)**	**(36,239)**

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*	***2018***	***2017***
Profit before tax and share of loss from joint ventures accounted for using the equity method	135,809	168,620
Income tax calculated at corporate tax rate *(Luxembourg tax rate of 26.01% as at 31 March 2018 and 27.08% as at 31 March 2017)*	(35,324)	(45,662)
Effect of different tax rates in foreign countries	5,343	13,842
Changes in tax rates	(5,484)	(881)
Effect of unrecognized tax assets	(1,588)	(630)
Expenses not deductible for taxation purposes	(1,118)	(1,034)
Effect of unremitted tax earnings	(1,246)	(1,529)
Recognition of previously unrecognised tax assets	499	—
Minimum tax payments	(535)	(345)
Income tax expense	**(39,453)**	**(36,239)**

The net effect of changes in tax rate mainly concerns the USA where the enacted tax rate decreased from 39.5% to 27.7%.

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 2018 and 2017 are:

In thousands of Euros	***2018***	***2017***
ASSETS		
Tax losses carried forward	6,832	10,125
Intercompany margin in inventory	21,823	24,046
Excess tax basis over carrying amount of tangible fixed assets	15,576	22,069
Employee benefits	4,233	5,960
Promotional goods expensed	4,504	3,864
Inventory valuation	3,899	4,304
Rent on operating leases recognized on a straight-line basis	2,048	3,117
Loyalty programs	1,902	1,970
Provision for charges and other liabilities (onerous contracts, litigations)	2,165	3,436
Derivative financial instruments	—	37
New tax regulation	669	649
Other temporary differences	5,299	7,018
Total assets	**68,950**	**86,595**
To be recovered after more than 12 months	*39,358*	*44,925*
To be recovered within 12 months	*29,412*	*41,670*
LIABILITIES		
Identified intangible assets in business combinations	(3,474)	(3,915)
Income tax on unremitted earnings (note 25.4)	(5,421)	(5,960)
Excess carrying amount over tax basis of tangible fixed assets	(81)	(81)
Derivative financial instruments	(351)	(356)
Other temporary differences	(215)	(198)
Total liabilities	**(9,542)**	**(10,510)**
To be recovered after more than 12 months	*(5,772)*	*(6,316)*
To be recovered within 12 months	*(3,370)*	*(4,194)*
Deferred income tax, net	**59,408**	**76,085**
Deferred income tax assets	*62,882*	*80,058*
Deferred income tax liabilities	*(3,473)*	*(3,973)*

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 2018, the Group had tax losses of €50,760,000 to be carried over, generating a potential deferred income tax asset of €13,350,000. On 31 March 2017, these figures were €62,320,000 and €18,367,000 respectively.

The deferred income tax assets that were not recognized on 31 March 2018, amount to €6,518,000 (€8,242,000 on 31 March 2017).

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*	***2018***	***2017***
At the beginning of the year	**76,280**	**66,964**
(Charged)/credited to income (note 25.1)	(11,130)	6,163
(Charged)/credited to equity (note 25.5)	(174)	(415)
Exchange differences	(5,335)	3,568
At the end of the year	**59,641**	**76,280**

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 €5,421,000 on 31 March 2018 and €5,960,000 on 31 March 2017.

25.5. Income tax on components of other comprehensive income

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	31 March 2018			***31 March 2017***		
In thousands of Euros	**Before tax**	**Tax (charge)/ credit**	**After tax**	**Before tax**	**Tax (charge)/ credit**	**After tax**
Cash flow hedges fair value gains/(losses) (note 14)	109	–	109	–	-	–
Actuarial gains/(losses) on defined benefit obligation (18.1)	577	(228)	349	919	(333)	586
Currency translation differences	(43,858)	54	(43,804)	23,170	(82)	23,088
Other comprehensive income	**(43,172)**	**(174)**	**(43,346)**	**24,089**	**(415)**	**23,674**

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.

31 march	***2018***	***2017***
Profit for the year attributable to equity holders of the Company *(in thousands of Euros)*	**96,313**	**131,910**
Weighted average number of ordinary shares in issue (a)	1,460,682,471	1,462,720,221
Basic earnings per share (in € per share)	**0.066**	**0.090**

(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.

31 march	***2018***	***2017***
Profit for the year attributable to equity holders of the Company *(in thousands of Euros)*	**96,313**	**131,910**
Weighted average number of ordinary shares in issue (a)	1,460,682,471	1,462,720,221
Adjustments for:		
– Share options		—
– Free shares	1,209,143	1,158,233
Weighted average number of ordinary shares for diluted earnings per share in issue	**1,461,891,614**	**1,463,878,454**
Diluted earnings per share *(in € per share)*	**0.066**	**0.090**

(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*	***2018***	***2017***
Cash paid for:		
– Interest net	256	37
– Income taxes	21,580	41,643

27.2. Proceeds from sale of assets

In the cash flow statement, proceeds from sale of assets comprise the following:

	2018			***2017***		
31 March *In thousands of Euros*	**Intangible assets**	**Property, plant and equipment**	**Total**	**Intangible assets**	**Property, plant and equipment**	**Total**
Disposals - Cost	3,444	33,312	36,756	6,416	36,771	43,187
Disposals - Accumulated depreciation and amortization	(3,368)	(31,187)	(34,555)	(5,786)	(34,565)	(40,351)
Net book value (note 7 and 9)	**76**	**2,125**	**2,201**	**630**	**2,206**	**2,836**
Profit/(loss) on sale of assets (note 22)	2,156	(1,724)	432	474	(504)	(30)
Proceeds from sale of assets	**2,232**	**401**	**2,633**	**1,104**	**1,702**	**2,806**

The profit/(loss) on sale of assets is presented in the line "Other (losses)/gains – net" in the consolidated statement of income.

27.3. Depreciation, amortization and impairment

Depreciation, amortization and impairment include the following:

31 March *In thousands of Euros*	*Notes*	***2018***	***2017***
Depreciation of property, plant and equipment	(7.3)	51,162	53,889
Impairment charge/(reversal) on property, plant and equipment, net	(7.4)	1,337	1,484
Amortization of intangible assets	(9.3)	11,810	11,573
Impairment charge on intangible assets, net	(9.4)	—	(200)
Depreciation, amortization and impairment, net		**64,309**	**66,746**

27. SUPPLEMENTAL DISCLOSURE ON CASH FLOW INFORMATION *(continued)*

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 *In thousands of Euros*	*Notes*	***2018***	***2017***
Social litigations	(20)	(1,031)	(25)
Commercial claims	(20)	136	(156)
Provision for returned goods	(20)	(699)	(37)
Onerous contracts	(20)	(1,551)	936
Tax risks	(20)	170	(6,572)
Dismantling and restoring	(18.2)	136	8
Retirement indemnities	(18.1)	1,035	1,525
Net movement in provisions		**(1,804)**	**(4,321)**

27.5. Acquisition of fixed assets under finance lease

On 31 March 2018, no amount was drawn in connection with finance lease agreements (nil on 31 March 2017).

27.6. Other non-cash items

The Group has granted share-based payments that are described in the note 16.3.

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. LITIGATIONS AND 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. 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:

31 March *In thousands of Euros*	***2018***	***2017***
Property, plant and equipment	8,844	2,458
Intangible assets	1,622	1,909
Raw materials	4,022	3,683
Total	**14,488**	**8,050**

The amounts as of 31 March 2018 and 2017 are mainly related to the plants in France.

29. COMMITMENTS *(continued)*

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:

31 March *In thousands of Euros*	***2018***	***2017***
Within one year	112,084	114,979
One to two years	89,855	89,581
Two to three years	73,150	69,923
Three to four years	59,370	58,097
Four to five years	46,775	47,966
Subsequent years	100,013	97,301
Total	**481,247**	**477,847**

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

The increase 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 2018.

29.3. Other commitments

31 March *In thousands of Euros*	***2018***	***2017***
Pledge of land and building (a)	6,429	7,144
Total	**6,429**	**7,144**

(a) As at 31 March 2018, the pledge of land and building corresponds to the FY 2012 bank borrowing (see note 17).

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

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:

31 March 2018 *In thousands of Euros*	**Salaries and other benefits kind**	**Bonus**	**Directors fees**	**Share-based payments (c)**	**Services**	**Total**
Executive directors						
Reinold Geiger (a)	—	225	—	—	772	997
André Hoffmann	467	176	—	—	—	643
Domenico Trizio (b)	321	- 2	—	35	—	354
Thomas Levilion	358	131	—	236	—	725
Karl Guénard	99	53	—	58	—	210
Non executive director						
Martial Lopez	—	—	20	—	—	20
Independent Non executive directors						
Mark Broadley	—	—	44	—	—	44
Pierre Milet	—	—	30	—	—	30
Valérie Bernis	—	—	30	—	—	30
Jackson Ng	—	—	38	—	—	38
Total	**1,245**	**583**	**162**	**329**	**772**	**3,091**

(a) Reinold Geiger is the Chairman and Chief Executive Officer.

(b) Domenico Trizio resigned as an executive director and from managing responsibilities on 9 January 2018.

(c) 495,600 stock options were granted to the Directors during the financial year ended 31 March 2018.

30. TRANSACTIONS WITH RELATED PARTIES *(continued)*

30.1. Key management compensation *(continued)*

Director's emoluments (continued)

31 March 2017 *In thousands of Euros*	**Salaries and other benefits kind**	**Bonus**	**Directors fees**	**Share-based payments (b)**	**Services**	**Total**
Executive directors						
Reinold Geiger (a)	–	225	100	22	697	1,044
André Hoffmann	502	101	–	22	–	625
Domenico Trizio	449	183	–	252	–	884
Thomas Levilion	375	137	–	110	–	622
Karl Guénard	93	53	–	22	–	168
Non executive director						
Martial Lopez	–	–	20	–	–	20
Independent Non executive directors						
Mark Broadley	–	–	47	–	–	47
Pierre Milet	–	–	30	–	–	30
Valérie Bernis	–	–	30	–	–	30
Jackson Ng	–	–	41	–	–	41
Total	**1,419**	**699**	**268**	**427**	**697**	**3,510**

(a) Reinold Geiger is the Chairman and Chief Executive Officer.

(b) 1,060,500 stock options were granted to the Directors during the financial year ended 31 March 2017.

Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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 *In thousands of Euros*	***2018***	***2017***
Salaries and other benefits in kind	1,675	1,765
Bonus	704	762
Directors fees	—	75
Share-based payments	557	462
Services	772	697
Total	**3,708**	**3,761**

Three Directors' compensations are included in the 31 March 2018 and in 31 March 2017 amounts.

The emoluments of the five highest paid individuals are analysed by the following bands:

31 March *Number of individuals*	***2018***	***2017***
Nil to € 500,000	—	—
€ 500,000 to € 600,000	—	1
€ 600,000 to € 700,000	2	2
€ 700,000 to € 800,000	2	—
over € 800,000	1	2
Total	**5**	**5**

Senior management's emoluments expensed during the year

The emoluments of the senior management are as follows:

31 March *In thousands of Euros*	***2018***	***2017***
Salaries and other benefits in kind	2,516	1,499
Bonus	672	415
Directors fees	—	—
Share-based payments	993	303
Total	**4,181**	**2,217**

30. TRANSACTIONS WITH RELATED PARTIES *(continued)*

30.1. Key management compensation *(continued)*

Five highest paid individuals (continued)

The emoluments of the senior management are analysed by the following bands:

31 March *Number of individuals*	***2018***	***2017***
Nil to € 200,000	2	—
€ 200,000 to € 300,000	—	—
€ 300,000 to € 400,000	1	1
€ 400,000 to € 500,000	3	1
over € 500,000	4	3
Total	**10**	**5**

30.2. Sales of products and services

31 March *In thousands of Euros*	***2018***	***2017***
Sales of goods and services		
– Sales of L'Occitane products to Les Minimes (a)	74	87
– Management fees to parent (b)	231	231
– Sales of services to LOG Investments	326	302
– Sales of services to Pierre Hermé SAS (c)	4,161	—
Total Sales of products	**4,792**	**620**
Receivable to related parties in connection with the above sales of products		
– Receivables from Les Minimes (a)	15	11
– Receivables from parent (b)	—	—
– Receivables from LOG Investments	40	22
– Receivables from Pierre Hermé SAS (c)	4,628	—
Total receivables	**4,683**	**33**

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

(b) Management fees invoiced by the Company to the parent company amounted to €231,000 (€231,000 for the fiscal year ended 31 March 2017).

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

30. TRANSACTIONS WITH RELATED PARTIES *(continued)*

30.3. Purchases of goods and services

31 March *In thousands of Euros*	***2018***	***2017***
Purchases		
– Services from Directors (a)	2	18
– Services from Les Minimes (b)	33	357
– Goods and services from Pierre Hermé (C)	1,649	—
Total purchases	**1,684**	**375**
Payables to related parties in connection with the above services		
– Services from Directors (a)	—	31
– Services from Les Minimes(b)	1	—
– Goods and services from Pierre Hermé (C)	464	—
Total payables	**465**	**31**

(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%. The hotel is also invoicing nights for trainings and events.*

(c) *The Company run together with Pierre Hermé SAS two which is a participation of L'Occitane Group S.A., two flagship stores (in Paris and London). They share the opening costs, the rental fees and the Company buys to Pierre Hermé SAS pastries for take-away sales.*

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

No transactions with other related parties.

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 2018 and 31 March 2017.

30.7. Commitments and contingencies

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

31. COMPANY LEVEL INFORMATION

31.1. Balance sheet

ASSETS *In thousands of Euros*	***31 March 2018***	***31 March 2017***
Property, plant and equipment	2,027	2,127
Intangible assets	24,182	22,516
Investments in subsidiaries	453,996	329,135
Other non-current receivables due from subsidiaries	4,904	5,517
Other non-current receivable	372	2,624
Non-current assets	**485,481**	**361,919**
Inventories	14,647	—
Trade receivables due from subsidiaries	85,739	72,756
Trade receivables	17,486	15,799
Other current assets due from subsidiaries	239,654	194,805
Other current assets	4,123	3,723
Derivative financial instruments	155	153
Cash and cash equivalents	307,982	402,203
Current assets	**669,786**	**689,439**
TOTAL ASSETS	**1,155,267**	**1,051,358**

EQUITY AND LIABILITIES *In thousands of Euros*	***31 March 2018***	***31 March 2017***
Share capital	44,309	44,309
Additional paid-in capital	327,682	328,157
Retained earnings	581,960	535,794
Total equity	**953,951**	**908,260**
Borrowings	67,640	55,542
Deferred income tax liabilities	1,057	542
Other financial liabilities	13,158	5,603
Non-current liabilities	**81,855**	**61,687**
Trade payables due to subsidiaries	94,260	58,730
Trade payables	16,250	10,859
Social and tax liabilities	5,549	5,696
Borrowings	113	109
Other current liabilities due to subsidiaries	—	2,144
Other current liabilities	2,796	3,431
Derivative financial instruments	493	442
Current liabilities	**119,461**	**81,411**
TOTAL EQUITY AND LIABILITIES	**1,155,267**	**1,051,358**

31. COMPANY LEVEL INFORMATION *(continued)*

31.1. Balance sheet *(continued)*

The profits attributable to equity owners of the Company for the years ended 31 March 2018 and 2017 are dealt with in the consolidated financial statements of the Group to the extent of €101,935,000 and €116,243,000.

31.2. Company statement of changes in equity

In thousands of Euros	Share capital	Additional paid-in capital	Retained earnings	Total
April 1st, 2016	**44,309**	**340,131**	**451,530**	**835,970**
Profit for the year	—	—	116,243	116,243
Currency translation difference	—	—	2,219	2,219
Dividend declared	—	—	(42,980)	(42,980)
Acquisition of 6,639,000 treasury shares	—	—	(11,973)	(11,973)
Distribution of 742,500 free shares	—	(1,407)	1,407	—
Employee share option: value of employee services	—	—	1,563	1,563
Put option reevaluation	—	—	7,218	7,218
March 31, 2017	**44,309**	**338,724**	**525,227**	**908,260**
April 1st, 2017	**44,309**	**338,724**	**525,227**	**908,260**
Profit for the year	—	—	101,935	101,935
Currency translation difference	—	—	(2,157)	(2,157)
Dividend declared	—	—	(46,181)	(46,181)
Acquisition of 2,583,250 treasury shares	—	—	(4,422)	(4,422)
Distribution of 545,000 free shares	—	(883)	883	—
Employee share option: value of employee services	—	—	3,521	3,521
Put option reevaluation	—	—	(7,005)	(7,005)
March 31, 2018	**44,309**	**337,841**	**571,801**	**953,951**

32. POST BALANCE SHEET EVENTS

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

33. LIST OF SUBSIDIARIES AND ASSOCIATES

List of subsidiaries and associates

The list of subsidiaries and associates was as follows:

Subsidiaries		City - Country	% of interest 31 March 2018	2017	Method of consolidation 31 March 2018	2017
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
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
L'Occitane Holding Brasil	*	Sao Paulo - Brazil	100.0	100.0	Global	Global
L'Occitane Do Brasil	**	Jundjai - Brazil	100.0	100.0	Global	Global
Espaço Do Banho	**	Sao Paulo - Brazil	100.0	100.0	Global	Global
L'Occitane Ltd.	*	London - UK	100.0	100.0	Global	Global
L'Occitane GmbH	*	Villach – Austria	70.0	70.0	Global	Global
L'Occitane GmbH	*	Dusseldorf-Germany	100.0	100.0	Global	Global
L'Occitane Italia S.r.l.	*	Milan – Italy	100.0	100.0	Global	Global
L'Occitane Australia	**	Sydney – Australia	100.0	100.0	Global	Global
L'Occitane (Suisse) S.A.	*	Geneva – Switzerland	100.0	100.0	Global	Global
L'Occitane Espana S.L	*	Madrid – Spain	100.0	100.0	Global	Global
L'Occitane Central Europe s.r.o.	*	Prague – Czech Rep.	100.0	100.0	Global	Global
L'Occitane (Taiwan) Limited	**	Taipei - Taiwan	100.0	100.0	Global	Global
L'Occitane Belgium Sprl	*	Antwerpen – Belgium	100.0	100.0	Global	Global
L'Occitane Trading (Shanghai) Co. Limited	**	Shanghai - China	100.0	100.0	Global	Global
L'Occitane (Korea) Limited	**	Seoul - Korea	100.0	100.0	Global	Global
L'Occitane Airport Venture LLC	**	Dallas - USA	65.0	65.0	Global	Global
L'Occitane Mexico S.A. de CV	*	Mexico City - Mexico	99.9	99.9	Global	Global
L'Occitane (China) Limited	**	Hong Kong	100.0	100.0	Global	Global
L'Occitane Macau Limited	**	Macau	100.0	100.0	Global	Global
L'Occitane Russia OOO	*	Moscow - Russia	100.0	100.0	Global	Global

33. LIST OF SUBSIDIARIES AND ASSOCIATES *(continued)*

List of subsidiaries and associates *(continued)*

The list of subsidiaries and associates was as follows: *(continued)*

			% of interest		Method of consolidation	
			31 March		31 March	
Subsidiaries		**City - Country**	***2018***	***2017***	***2018***	***2017***
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
L'Occitane Canada Corp	*	Toronto - Canada	100.0	100.0	Global	Global
L'Occitane India Private Limited	**	New Delhi - India	51.0	51.0	Global	Global
L'Occitane Nederland B.V.	*	Amsterdam, The Netherlands	100.0	100.0	Global	Global
L'Occitane Malaysia SDN	**	Kuala Lumpur - Malaysia	100.0	100.0	Global	Global
L'Occitane Ireland Ltd	*	Dublin - Ireland	100.0	100.0	Global	Global
Symbiose Cosmetics France SAS	*	Paris - France	62.6	62.6	Global	Global
Symbiose Cosmetics Korea	*	Seoul - Korea	62.6	62.6	Global	Global
L'Occitane Nordic AB	*	Stockholm - Sweden	80.0	80.0	Global	Global
L'Occitane South Africa	*	Johannesburg - South Africa	75.0	75.0	Global	Global
L'Occitane International GMBH	*	Dusseldorf-Germany	100.0	100.0	Global	Global
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
L'Occitane Distribution Asia Pte. Ltd.	**	Singapore	100.0	100.0	Global	Global
L'Occitane Opera Industria e Comercio de Cosmeticos LTDA	***	Sao Paulo - Brazil	100.0	–	Global	–
Limelight 2 LLC	**	New-York - USA	60.5	–	Global	–
LimeCo Invest SARL	*	Luxembourg	60.5	–	Global	–
Limelife International Sarl	**	Plan-les-Ouates - Switzerland	60.5	–	Global	–
LOI Participation SARL	*	Luxembourg	100.0	–	Global	–
L'Occitane Innovation Lab	*	Manosque - France	100.0	–	Global	–

* *Directly held by the Company*
** *Indirectly held by the Company*
*** *Both directly and indirectly held by the Company*

The percentages of interest are representative of voting rights as no shares have multiple voting rights. These percentages are unchanged at the approval date of the financial statements.

The main changes in the list of subsidiaries and associates are disclosed in note 6.

33. LIST OF SUBSIDIARIES AND ASSOCIATES *(continued)*

Information on subsidiaries

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
L'Occitane Holding Brasil	*	Sao Paulo - Brazil	1999	BRL26,091,197	Holding
L'Occitane Do Brasil	**	Jundjai - Brazil	1999	BRL 8,700,000	Distribution
Espaço Do Banho	**	Sao Paulo - Brazil	1996	BRL 3,800,000	Distribution
L'Occitane Ltd.	*	London - UK	1996	GBP 1,398,510.75	Distribution
L'Occitane GmbH	*	Villach – Austria	2000	EUR 70,000	Distribution
L'Occitane GmbH	*	Dusseldorf-Germany	2004	EUR 25,000	Distribution
L'Occitane Italia S.r.l.	*	Milan – Italy	2001	EUR 80,000	Distribution
L'Occitane Australia	**	Sydney – Australia	2000	AUD 5,000,000	Distribution
L'Occitane (Suisse) S.A.	*	Geneva – Switzerland	2002	CHF100,000	Distribution
L'Occitane Espana S.L	*	Madrid – Spain	2003	EUR 6,459,650.10	Distribution
L'Occitane Central Europe s.r.o.	*	Prague – Czech Rep.	2004	CZK 9,361,000	Distribution
L'Occitane (Taiwan) Limited	**	Taipei - Taiwan	2005	TWD 28,500,000	Distribution
L'Occitane Belgium Sprl	*	Antwerpen – Belgium	2005	EUR 20,000	Distribution
L'Occitane Trading (Shanghai) Co. Limited	**	Shanghai - China	2005	USD 1,400,000	Distribution
L'Occitane (Korea) Limited	**	Seoul - Korea	2005	KRW 2,505,000,000	Distribution
L'Occitane Airport Venture LLC	**	Dallas - USA	2006	USD 10,000	Distribution
L'Occitane Mexico S.A. de CV	*	Mexico City - Mexico	2006	MXP 28,250,000	Distribution
L'Occitane (China) Limited	**	Hong Kong	2006	HKD 10,000	Distribution
L'Occitane Macau Limited	**	Macau	2007	MOP 25,000	Distribution
L'Occitane Russia OOO	*	Moscow - Russia	2006	RUB 10,000	Distribution
Verveina SAS	**	Manosque - France	2008	EUR 37,000	Dormant

33. LIST OF SUBSIDIARIES AND ASSOCIATES *(continued)*

Information on subsidiaries *(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 Americas Export & Travel Retail Inc	*	Miami - USA	2008	USD 1,000	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
L'Occitane India Private Limited	**	New Delhi - India	2009	INR 17,500,000	Distribution
L'Occitane Nederland B.V.	*	Amsterdam, the Netherlands	2010	EUR 200,000	Distribution
L'Occitane Malaysia SDN	**	Kuala Lumpur - Malaysia	2011	MYR 2	Distribution
L'Occitane Ireland Ltd	*	Dublin - Ireland	2012	EUR 100	Distribution
Symbiose Cosmetics France SAS	*	Paris - France	2012	EUR 140,000	Distribution
Symbiose Cosmetics Korea	*	Seoul - Korea	2012	KRW 100,000,000	Production
L'Occitane Nordic AB	*	Stockholm - Sweden	2012	SEK 50,000	Distribution
L'Occitane South Africa	*	Johannesburg - South Africa	2013	ZAR 750	Distribution
L'Occitane International GmbH	*	Dusseldorf-Germany	2014	EUR 25,000	Holding
L'Occitane Portugal Unipessoal LDA	*	Lisbon - Portugal	2013	EUR 50,000	Distribution
L'Occitane Communication Services Ltd	*	London - UK	2014	GBP 20,000	Services
L'Occitane Norge AS	*	Oslo - Norway	2014	NOK 129,000	Distribution
L'Occitane Distribution Asia Pte. Ltd.	**	Singapore	2016	SGD 10,000	General Warehousing
L'Occitane Opera Industria e Comercio de Cosmeticos LTDA	***	Sao Paulo - Brazil	2017	BRL 1,000,000	Production
Limelight 2 LLC	**	New-York - USA	2017	No capital contribution	Distribution
LimeCo Invest SARL	**	Luxembourg	2018	USD 42,229,729	Holding
Limelife International Sarl	**	Plan-les-Ouates - Switzerland	2018	CHF 50,000	Distribution
LOI Participation SARL	*	Luxembourg	2017	EUR 10,000,000	Holding
L'Occitane Innovation Lab	*	Manosque - France	2017	EUR 5,000,000	Investment

* *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.

Disclaimer: some information presented in the tables has been rounded to the nearest whole number or the nearest decimal point. 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.

Year ended 31 March	***2018***	***2017***	***2016***	***2015***	***2014***
	€'000	*€'000*	*€'000*	*€'000*	*€'000*
Net sales	**1,319,366**	1,323,177	1,282,676	1,177,877	1,054,872
Gross profit	**1,098,398**	1,102,426	1,061,505	963,216	855,593
Gross profit margin	**83.3%**	83.3%	82.8%	81.8%	81.1%
Operating profit	**140,987**	168,312	168,019	164,143	132,921
Operating profit margin	**10.7%**	12.7%	13.1%	13.9%	12.6%
Profit for the year	**96,506**	132,354	113,555	125,578	92,522
attributable to:					
equity owners of the Company	**96,313**	131,910	110,343	122,382	89,349
non-controlling interests	**193**	444	3,212	3,196	3,173
Total assets	**1,302,489**	1,243,362	1,188,343	1,209,353	1,074,951
Total liabilities	**363,688**	323,017	332,786	349,162	312,167
Equity attributable to the equity owners of the Company	**938,801**	919,880	850,584	853,819	757,396
Non-controlling interests	**7,828**	465	4,973	6,372	5,388

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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