THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other licensed securities dealer, a bank manager, solicitor, professional accountant or other independent advisers.

If you have sold or transferred all your Shares in **L'Occitane International S.A.**, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

L'OCCITANE
EN PROVENCE

L'OCCITANE INTERNATIONAL S.A.

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

MAJOR TRANSACTION

ACQUISITION OF ELEMIS

All capitalised terms used in this circular shall have the meanings set out in the section headed "Definitions" on pages 1 to 4 of this circular.

A letter from the Board is set out on pages 5 to 13 of this circular.

In case of any inconsistency between the English version and the Chinese version of this circular, the English version shall prevail.

30 June 2019

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Acquisition"	the acquisition of the Acquired Companies by the Company pursuant to the terms of the Purchase Agreement
"Acquired Companies"	together, ELEMIS USA and ELEMIS Limited
"Acquired Group"	together, the Acquired Companies and their subsidiaries
"Adjustment Time"	12.01 a.m. New York time on the date of Closing
"Announcement"	the announcement of the Company dated 13 January 2019 in relation to the Transaction
"Articles of Association"	the articles of association of the Company currently in force
"associate(s)"	has the meaning as ascribed to it under the Listing Rules
"Board"	the board of Directors
"Closing"	the completion of the Acquisition in accordance with the terms and conditions of the Purchase Agreement
"Company"	L'Occitane International S.A., a company incorporated in Luxembourg with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 00973)
"Company Expenses"	the amount of certain outstanding expenses payable by the Acquired Group at the Adjustment Time as specified under the Purchase Agreement
"Conditions Precedent"	the conditions precedent to Closing as set out in the Purchase Agreement
"connected person"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"Cosmetics Ltd."	Cosmetics Ltd., an international business company incorporated under the laws of the Commonwealth of The Bahamas
"Cosmetics Ltd Acquisition"	the acquisition of Cosmetics Ltd by the Company pursuant to the Cosmetics Ltd Transfer Agreement
"Cosmetics Ltd Transfer Agreement"	the share transfer agreement with respect to the transfer of all of the outstanding equity securities of Cosmetics Ltd to the Company

"Designated Foreign Antitrust Laws"	the Hart-Scott-Rodino Antitrust Improvements Act and any applicable antitrust or other competition laws of any non-U.S. jurisdictions
"Director(s)"	the director(s) of the Company
"ELEMIS"	the business of the beauty and skincare brand ELEMIS
"ELEMIS USA"	ELEMIS USA, Inc, a corporation incorporated under the laws of Florida
"Enlarged Group"	the Group as enlarged by the Transaction
"Escrow Amount"	the sum of (i) US$5,500,000 plus (ii) an amount equal to the lesser of (A) US$4,500,000 and (B) one half of the amount of retention under a representation and warranty insurance policy being purchased (or expected to be purchased) by the Company prior to the time of Closing
"Final Purchase Price"	the final amount of the Purchase Price as adjusted in accordance with the terms of the Purchase Agreement
"Funds Flow"	a flow of funds to be provided by the Seller Representative setting forth the amounts to be paid pursuant to the Purchase Agreement, which shall be calculated in accordance with the terms and conditions of the Purchase Agreement, along with wire instructions therefor and all legally required "know your client" information that the Company may reasonably request for each wire transfer
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Latest Practicable Date"	27 June 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"LOG"	L'Occitane Groupe S.A., a company incorporated under the laws of Luxembourg with limited liability and the controlling shareholder of the Company

"Luxembourg Companies Law"	the Luxembourg law of 10 August 1915 on commercial companies, as amended from time to time
"Main Board"	the Main Board of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"Nemo UK"	Nemo (UK) Holdco, Ltd., a private limited company incorporated in England and Wales
"Net Working Capital Adjustment"	(i) the amount by which the net working capital of the Acquired Group as of the Adjustment Time exceeds US$17,850,000, (ii) the amount by which the net working capital of the Acquired Group as of the Adjustment Time is less than the US$16,150,000 or (iii) $0, in the event that the net working capital of the Acquired Group as of the Adjustment Time does not exceed US$17,850,000 and is not less than US$16,150,000
"Parties"	the parties to the Purchase Agreement, and each a "Party"
"percentage ratios"	has the meaning ascribed to it in Rule 14.07 of the Listing Rules
"Pro Rata Portion"	with respect to a Seller, the percentage reflecting the valuations of the Acquired Companies agreed by the Parties as set out in the Purchase Agreement
"Purchase Agreement"	the equity purchase agreement entered into among the Sellers, the Seller Representative and the Company for the purchase of the Acquired Companies dated 11 January 2019
"Purchase Price"	the consideration payable by the Company to the Sellers under the Purchase Agreement for the Acquisition and the Cosmetics Ltd Acquisition
"Seller Representative"	Steiner Leisure
"Sellers"	together, Steiner Leisure and Nemo UK
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended from time to time
"Share"	an ordinary share in the issued share capital of the Company

"Shareholder"	a shareholder of the Company
"Steiner Leisure"	Steiner Leisure Limited, an international business company incorporated under the laws of the Commonwealth of The Bahamas
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Target Business"	has the meaning in note 1 of Appendix II to this circular
"Transaction"	the acquisition of ELEMIS through the Acquisition and the Cosmetics Ltd Acquisition
"UK"	the United Kingdom
"USA"	the United States of America
"US$"	United States dollars, the lawful currency of the USA
"€" or "EUR"	Euros, the single currency of participating members of the European Union
"%"	per cent.

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Executive Directors:
Reinold Geiger
(Chairman and Chief Executive Officer)
André Hoffmann
Silvain Desjonquères
Thomas Levilion
Karl Guénard

Non-executive Director:
Martial Lopez

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

Registered office:
49, Boulevard Prince Henri
L-1724 Luxembourg

Principal place of business in Hong Kong:
38/F, Tower Two Times Square
1 Matheson Street
Causeway Bay
Hong Kong

30 June 2019

To the Shareholders

Dear Sir/Madam,

INTRODUCTION

Reference is made to the Announcement.

On 11 January 2019 (after trading hours), Steiner Leisure and Nemo UK as sellers, Steiner Leisure as seller representative and the Company as buyer entered into the Purchase Agreement, pursuant to which, among other things, the Company agreed to purchase (i) 100% equity interest in ELEMIS USA from Steiner Leisure; and (ii) 100% equity interest in ELEMIS Limited from Nemo UK. The Closing of the Acquisition is subject to the satisfaction (or waiver) of the Conditions Precedent, including the signing of the Cosmetics Ltd Transfer Agreement, pursuant to which all of the outstanding equity securities of Cosmetics Ltd will be transferred to the Company. The closing of the Acquisition and the Cosmetics Ltd Acquisition took place on 1 March 2019, representing the completion of the Company's acquisition of ELEMIS.

The Transaction (comprising the Acquisition and the Cosmetics Ltd Acquisition) constitutes a major transaction for the Company. The Company has obtained the written approval of LOG and Mr. Reinold Geiger for the Transaction pursuant to Rule 14.44 of the Listing Rules. As a result, no extraordinary general meeting will be convened to consider the Transaction.

The purposes of this circular are to provide the Shareholders with, among others, the requisite information in relation to the Transaction, the accountants' report of the Target Business for the financial years ended 31 December 2018 and the other information as required under the Listing Rules.

THE ACQUISITION

Set out below is a summary of the principal terms and conditions of the Purchase Agreement and the transactions contemplated thereunder:

Date

11 January 2019

Parties

(a) the Company, as buyer;

(b) Steiner Leisure, as seller and representative of the Sellers; and

(c) Nemo UK, as seller.

Acquisition of the Acquired Companies

The Company agreed to purchase and the respective Sellers agreed to sell (i) 100% equity interest in ELEMIS USA from Steiner Leisure; (ii) 100% equity interest in ELEMIS Limited from Nemo UK.

Purchase Price

The Purchase Price represents the consideration payable by the Company for the Acquisition and the Cosmetics Ltd Acquisition.

The Purchase Price, subject to adjustments pursuant to the terms of the Purchase Agreement, is (i) US$900,000,000 (equivalent to approximately HK$7,020,000,000), plus (ii) the amount of cash and cash equivalents of the Acquired Group at the Adjustment Time, plus (iii) the amount of the Net Working Capital Adjustment, minus (iv) the amount of indebtedness of the Acquired Group as of the Adjustment Time, minus (v) the Company Expenses.

The Purchase Price was arrived at after arm's length commercial negotiations between the Parties. The Purchase Price is based on market conditions, the net asset value of the Acquired Companies and the prospects of ELEMIS. The Company took into consideration, among other things, the historic growth and future prospect of ELEMIS strategic fit with the Group's current brand portfolio as well as potential synergies and leverages in production, distribution and marketing activities. Considering the complexity of these dynamic factors, the Company did not find it practicable to, and did not, quantify or otherwise assign relative weights to the aforementioned factors in reaching the decision for the Transaction, nor was there any formula that was used by the Company to determine the Purchase Price.

The estimated maximum sum of the Purchase Price payable by the Company under the Purchase Agreement, which included consideration for Cosmetics Ltd Acquisition, having taken into account the maximum potential adjustments, is approximately US$900,000,000 (equivalent to approximately HK$7,020,000,000).

The Purchase Price will be funded by the Company's cash on hand and bank borrowings.

Terms of payment

At Closing, the Company shall pay, or cause to be paid:

(i) to the account(s) designated by the Seller Representative, by wire transfer of immediately available funds, an amount equal to the portion of the Company Expenses owing to the persons set forth in the Funds Flow;

(ii) to the account(s) designated in the relevant payoff letter(s), by wire transfer of immediately available funds, an amount equal to the portion of the indebtedness of the Acquired Group owing to the persons in accordance with such payoff letters, as set forth in the Funds Flow (if any);

(iii) to the account designated in writing by the Seller Representative, by wire transfer of immediately available funds, (A) the Escrow Amount, and (B) if the Seller Representative has not delivered a letter of credit notice on or prior to the date that is five business days prior to Closing, US$15,000,000, to an escrow agent in accordance with the Purchase Agreement;

(iv) to the account(s) designated by the Seller Representative and for the benefit of the applicable Seller, by wire transfer of immediately available funds, an amount equal to, with respect to each Seller, the product of (A) the Purchase Price estimated by the Sellers in accordance with the Purchase Agreement minus the Escrow Amount, multiplied by (B) such Seller's Pro Rata Portion.

Adjustments

The Company has delivered a closing statement containing its calculation of the Purchase Price to the Seller Representative to determine the Final Purchase Price, and upon the Parties' agreement on the Final Purchase Price, the entire amount of any excess or shortfall of the Purchase Price determined after such post-closing adjustment shall be paid within five business days after such amount has been finally determined pursuant to the Purchase Agreement. However, the Seller Representative is still reviewing the closing statement as at the Latest Practical Date. The Final Purchase Price is then not yet finalised. The amount concerned is approximately US$1.5 million in favour of the Company.

Conditions Precedent

Closing is conditional upon the satisfaction (or waiver) of the Conditions Precedent, including but not limited to the following:

(a) any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act and any Designated Foreign Antitrust Laws relating to the transactions contemplated by the Purchase Agreement shall have expired or been terminated;

(b) no order or law issued by any court of competent jurisdiction or other governmental entity or other legal restraint or prohibition preventing the consummation of the transactions contemplated by the Purchase Agreement shall be in effect; provided, however, that each of the Company and the Sellers shall have used reasonable best efforts (unless another standard of efforts is expressly required by the Purchase Agreement, in which case such Party shall have used such required effort) to prevent the entry of any such order and to appeal as promptly as possible any such order that may be entered; and

(c) the execution of the Cosmetics Ltd Transfer Agreement.

The Cosmetics Ltd Transfer Agreement has been executed by Steiner Leisure as seller and LOI International S.a.r.l. (a subsidiary of the Company) as purchaser. It was completed on the same date as the Purchase Agreement.

Steiner Leisure Guarantee

Pursuant to the Purchase Agreement, Steiner Leisure absolutely, unconditionally and irrevocably guarantees the payment and performance obligations of the Sellers under the Purchase Agreement on the terms and subject to the conditions set forth in the Purchase Agreement.

Closing

Closing took place on 1 March 2019.

INFORMATION ABOUT ELEMIS

ELEMIS

ELEMIS is a global distributor and innovator in the fields of beauty and skincare. ELEMIS sells premium quality beauty products both directly to consumers through its websites and wholesale to various distribution channels. ELEMIS also provides services including traditional and alternative massage and body and skin treatment options.

ELEMIS Limited

ELEMIS Limited is a private limited company incorporated in England and Wales which principal business activity is investment holding and the innovation and sale of premium quality beauty products both directly to consumers through its websites and wholesale to various distribution channels in the United Kingdom. ELEMIS Limited was a wholly-owned subsidiary of Nemo UK and an indirect wholly-owned subsidiary of Steiner Leisure. Upon Closing, ELEMIS Limited has become a wholly-owned subsidiary of the Company.

ELEMIS USA

ELEMIS USA is a corporation incorporated under the laws of Florida which principal business activity is investment holding and the innovation and sale of premium quality beauty products both directly to consumers through its websites and wholesale to various distribution channels in the USA. ELEMIS USA was a wholly-owned subsidiary of Steiner Leisure. Upon Closing, ELEMIS USA has become a wholly-owned subsidiary of the Company.

Cosmetics Ltd.

Cosmetics Ltd. is an international business company incorporated under the laws of the Commonwealth of The Bahamas. It is holding, materially, certain trademarks and related intellectual property rights in respect of the business of ELEMIS. Upon Closing, Cosmetics Ltd. has become a wholly-owned subsidiary of the Company.

Financial Information of the Target Business

The net profits of the Target Business (on a combined basis) for the three years ended 31 December 2018 are set out below:

	For the year ended 31 December 2018	**For the year ended 31 December 2017**	**For the year ended 31 December 2016**
	US$	*US$*	*US$*
Profit before income tax	39,269,000	22,561,000	45,445,000
Profit for the year	34,855,000	18,387,000	43,734,000

As at 31 December 2018, the audited net assets of the Target Business (on a combined basis) amounted to US$44,538,000 (equivalent to approximately HK$347,396,400). The estimated Purchase Price represents a premium over the said net assets of the Target Business.

FINANCIAL EFFECTS

Upon closing of the Transaction (which comprises the Acquisition and the Cosmetics Ltd Acquisition), the Acquired Companies and Cosmetics Ltd became wholly-owned subsidiaries of the Company, and their financial results, assets and liabilities are consolidated into the Group's financial statements as of and for the year ended 31 March 2019. Based on the provisional fair values determined as at 1 March 2019, the net identifiable assets acquired by the Company represented a liability of €8.7 million, including €51.4 million of social and tax liabilities. The social and tax liabilities notably include an amount of €50.3 million of exit bonuses decided by the previous owner of ELEMIS before the Transaction. Those employee benefits were paid at the time of the Transaction notably with ELEMIS own cash for 10.1 million of Euros. The €753.6 million provisional goodwill resulting from this business combination is attributable to the future synergies thanks to the penetration of a new channel distribution and the additional market stores in the USA and in the UK.

Earnings

The closing of the Transaction (which comprises the Acquisition and the Cosmetics Ltd Acquisition) is expected to broaden the Group's earnings base. The financial results of the Acquired Companies and Cosmetics Ltd will be fully consolidated into the Group, creating additional source of revenue and bring direct contributions to the earnings of the Group as a whole. In addition, as set out in the Accountants' Report on the Target Business in Appendix II to this circular, the net sales and profit for the year of the Target Business were US$151.3 million (equivalent to approximately HK$1,180.2 million) and US$34.9 million (equivalent to approximately HK$271.9 million), respectively, for the year ended 31 December 2018. On this basis, it is expected that the consolidation of the Target Business would have a positive impact on the Group's sales and earnings.

INFORMATION ABOUT THE GROUP AND THE PARTIES TO THE PURCHASE AGREEMENT

The Group

The Group is a global, natural ingredient-based cosmetics and well-being products manufacturer and retailer with origins and true stories from Provence and around the world. The Group has five main brands (L'Occitane en Provence, Melvita, Erborian, L'Occitane au Brésil and LimeLife) in its portfolio and is committed to developing and retailing high quality products that are rich in natural ingredients of traceable origins, while also respecting the environment.

Steiner Leisure

Steiner Leisure is an international business company incorporated under the laws of the Commonwealth of The Bahamas which principal business activity is investment holding.

Nemo UK

Nemo UK is a private limited company incorporated in England and Wales which principal business activity is investment holding. Nemo UK is indirectly wholly-owned by Steiner Leisure.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Steiner Leisure, Nemo UK and their ultimate beneficial owner(s) are third parties independent of the Company and connected persons (as defined under the Listing Rules) of the Company.

REASONS AND BENEFITS OF THE TRANSACTION

The Transaction (which comprises the Acquisition and the Cosmetics Ltd Acquisition) are in line with the Group's strategy of building a leading portfolio of premium cosmetics brands. ELEMIS is a strategic fit for the Group in terms of brand recognition and identity, product quality, management capability, as well as growth and profitability prospects. ELEMIS' digital presence and established skincare business in the UK and USA will help the Group strengthen those segments. Meanwhile, ELEMIS will leverage on the Group's geographical presence to expand into new markets.

The Board believes the Transaction is complementary to the Group's existing business strategy and will be accretive to the Group's future growth globally.

The Board considers that the terms of the Purchase Agreement, the Acquisition and the Cosmetics Ltd Acquisition are fair and reasonable, and are in the interest of the Group and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios set forth under Rule 14.07 of the Listing Rules in respect of the Transaction (which comprises the Acquisition and the Cosmetics Ltd Acquisition) are more than 25% but less than 100%, the Transaction constitutes a major transaction for the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Transaction and accordingly, no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the Transaction.

As at the date of the Announcement, LOG and Mr. Reinold Geiger (chairman of the Board and an executive Director) were a closely allied group of Shareholders interested in approximately 74.23% of the Company's issued share capital. The Company has obtained the written approval of LOG and Mr. Reinold Geiger for the Transaction pursuant to Rule 14.44 of the Listing Rules and as a result, no extraordinary general meeting will be convened to consider the Transaction.

Although no general meeting will be convened for approving the Transaction, the Directors (including the independent non-executive Directors) believe that they are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole. The Directors would have recommended the Shareholders to vote in favour of them if a general meeting were to be convened for approving the Transaction.

WAIVER FROM STRICT COMPLIANCE WITH RULE 4.03 OF THE LISTING RULES

Rule 4.03 of the Listing Rules provides that:-

"All accountants' reports must normally be prepared by certified public accountants who are qualified under the Professional Accountants Ordinance for appointment as auditors of a company and who are independent both of the issuer and of any other company concerned to the same extent as that required of an auditor under the Companies Ordinance and in accordance with the requirements on independence issued by the Hong Kong Institute of Certified Public Accountants, provided that, in the case of a circular issued by a listed issuer in connection with the acquisition of an overseas company, the Exchange may be prepared to permit the accountants' report to be prepared by a firm of practising accountants which is not so qualified but which is acceptable to the Exchange. Such a firm must normally have an international name and reputation and be a member of a recognised body of accountants."

The Company has engaged Ernst & Young LLP in the US ("**EY US**") to prepare the accountants report ("**Accountants' Report**") on the Target Business as set out in Appendix II to this circular. The Company has applied for and has been granted a waiver from strict compliance with Rule 4.03 of the Listing Rules as to the qualification of the reporting accountants in relation to the Accountants' Report.

The grounds of application are as follows:-

(A) EY US itself is a firm with international name and reputation. EY US is a member firm of Ernst & Young Global Limited, an international accounting practice. Although EY US is not registered under the Professional Accountants Ordinance, it is registered under the applicable laws of the United States. The U.S. Securities and Exchange Commission ("**SEC**") oversees the Public Company Accounting Oversight Board ("**PCAOB**"), which, in turn, is the principal U.S. regulator that oversees the audits of public companies. The PCAOB is required by U.S. law to conduct regular inspections of all registered public accounting firms, both domestic and foreign, that issue such audit reports or play a substantial role in the preparation of them. Both the SEC and the Hong Kong Securities and Futures Commission are signatories to the International Organization of Securities Commissions Multilateral Memorandum of Understanding. EY US is a member of the American Institute of Certified Public Accountants, which is a member of the International Federation of Accountants. EY US is independent of both the Company and the Target Business as required under the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants.

(B) EY US has audited the historical financial statements of the Target Business under US GAAP. It would be unduly burdensome to engage another certified public accountant who is qualified under the Hong Kong Professional Accountants Ordinance as reporting accountant as such a firm would require significant additional time to familiarise

themselves with the Target Business's business, financial reporting systems, and policies and procedures. Such appointment would likely result in a delay to the timetable for preparation and despatch of the circular and additional costs to the Company. Such appointment would therefore be unlikely to be in the best interests of the Company's shareholders.

WAIVER FROM STRICT COMPLIANCE WITH RULE 14.67(6)(a)(ii) OF THE LISTING RULES

The Company is required by Rule 14.67(6)(a)(ii) to include in this circular a pro forma statement of the assets and liabilities of the Enlarged Group. Such pro forma financial information must comply with Chapter 4 of the Listing Rules. Rule 4.29 requires the Company to ensure that information must comply with, among other things, Rules 4.29(1) to (6). Rule 4.29(1) states the purpose of the pro forma financial information is to "provide investors with information about the impact of the transaction the subject of the investment circular by illustrating how that transaction might have affected the financial information presented in the investment circular, had the transaction been undertaken at the commencement of the period being reported on or, in the case of a pro forma balance sheet or net asset statement, at the date reported on… the pro forma financial information presented must not be misleading, must assist investors in analysing the future prospects of the issuer…".

As mentioned above, closing of the Acquisition and the Cosmetics Ltd Acquisition took place on 1 March 2019. The annual results announcement of the Group for the year ended 31 March 2019 was announced on 17 June 2019. The consolidated financial statements of the Group for the year ended 31 March 2019 therefore have consolidated the financials of the Target Business as subsidiaries of the Company.

In other words, the historical financial information in the results announcement of the Group for the year ended 31 March 2019 which gives a true and fair view of the Enlarged Group have already been available to the Shareholders as illustration of the effect of the Transaction on all that information. Having regard to the purpose as stated in Rule 4.29(1), it is no longer meaningful for the Company to prepare and publish the pro-forma financial information of the Enlarged Group in respect of the last completed financial year in this circular. If Rule 14.67(6)(a)(ii) was strictly complied with, the publication of the pro-forma financial information of the Enlarged Group would cause confusion to the Shareholders and potential investors of the Company given the fact that the historical financial information of the Enlarged Group is already available in the published results announcement.

Based on the abovementioned reasons, the Company has applied for, and has been granted, a waiver from strict compliance with Rule 14.67(6)(a)(ii) of the Listing Rules to permit the Company not to include the pro forma financial information of the Enlarged Group in this circular.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information as set out in the appendices to this circular.

Yours faithfully,
By order of the Board of
L'Occitane International S.A.
Reinold Geiger
Chairman

1. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group as of and for the three years ended 31 March 2018 are set out in the FY2016 Annual Report of the Company at pages 70 to 175; FY2017 Annual Report at pages 73 to 175; and FY2018 Annual Report at pages 77 to 181, respectively. These annual reports have been posted on the Stock Exchange's website (http://www.hkexnews.hk) accessible by these links:

http://www3.hkexnews.hk/listedco/listconews/SEHK/2016/0729/LTN20160729236.pdf
http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0713/LTN20170713297.pdf
http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0717/LTN20180717269.pdf

The results announcement of the Group for the financial year ended 31 March 2019 have been published on the Stock Exchange's website (http://www.hkexnews.hk) accessible by this link: https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0617/ltn20190617344.pdf

2. STATEMENT OF INDEBTEDNESS

INDEBTEDNESS

Since the commencement of the listing of the shares of the Company on the Stock Exchange in May 2010, the Group has constantly been in a net cash position. Therefore, the Group has mainly financed its working capital needs by the cash flow from operations during the last 10 years. Its debt position included drawings on its main revolving credit facility in foreign currencies (used to finance subsidiaries) and long-term financings (Finance Leases).

As at 31 March 2018, the Group had cash and cash equivalents of €385.7 million compared with €452.8 million at March 2017. This decrease was mainly due the acquisition of a 60.48% interests in LimeLight for a total consideration of €114,224,000 (US$128 millions).

As at 31 March 2019, the Group had cash and cash equivalents of €144.4 million and its net position went for the first time since 2010, from a net cash position to a net debt position following the Transaction closed on March 2019 for an amount of €753.6 million. The following table sets forth the borrowings at the indicated dates:

In thousands of Euros	**As at 31 March 2018**	**As at 31 March 2019**	**As at 30 April 2019** *(Unaudited)*
FY 2019 Term Loan	—	300,211	300,293
FY 2019 Long Term Loan	—	21,532	21,549
FY 2015 Revolving Facility	67,753	238,246	266,513
FY 2012 Bank Borrowing	6,429	5,715	5,716
Other Bank Borrowings(1)	5,020	5,191	5,192
Finance Lease Liabilities(2)	8,720	6,955	6,685
Current accounts with minority shareholders and related parties(3)	107	90	90
Total	**88,029**	**577,940**	**606,039**
Less, current portion:			
FY 2019 Term Loan	—	(211)	(293)
FY 2019 Long Term Loan	—	(1,077)	(1,978)
FY 2015 Revolving Facility	(113)	(163)	(43)
FY 2012 Bank Borrowing	(714)	(715)	(714)
Other Bank Borrowings(1)	(5,020)	(5,191)	(5,192)
Finance Lease Liabilities(2)	(1,587)	(1,205)	(1,209)
Total current	**(7,434)**	**(8,562)**	**(9,429)**
Total non-current	**80,595**	**569,378**	**596,610**

(1) Other Bank Borrowings relates to L'Occitane Taiwan short term loan signed in March 2018 with a first facility of TWD 180 million and a second of $0.9 million. The facility in TWD has a maximum tenor of 75 days and interest rate is CLC + 1.35% p.a. The facility in USD has a maximum tenor of 3 months and interest rate is based on market price. This short term loan has been renewed for one year in March 2019.

(2) 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.

(3) Currents accounts with minority shareholders and related parties refers to Hohan Nilsson as minority shareholder of L'Occitane Nordic AB.The increase in our borrowings between 31 March 2018 and 31 March 2019 is due to the ELEMIS acquisition, which has been financed by the FY 2019 Term Loan for an amount of €300 million, a drawing in EUR of the FY 2015 Revolving Facility for an amount of €270 million and the balance in cash.

As at 30 April 2019, the Group had cash and cash equivalents of €160.1 million. Thus, its net debt position was €445.9 million.

The FY 2019 Long Term Loan and FY 2012 Bank borrowing are secured. The FY 2019 Term Loan, FY 2015 Revolving Facility, other bank borrowings and Finance lease liabilities are unsecured.

The following table sets forth the maturity dates of its borrowings as the dates indicated:

In thousands of Euros	**As at 31 March 2018**	**As at 31 March 2019**	**As at 30 April 2019**
Maturity			
Within one Year	7,434	8,562	9,429
Between 1 and 2 years	69,623	4,117	4,390
Between 2 and 5 years	6,066	549,950	578,131
Over 5 years	4,906	15,311	14,089
Total	**88,029**	**577,940**	**606,039**
Less: Amounts due for settlement within 12 months	(7,434)	(8,562)	(9,429)
Amounts due for settlement after 12 months	80,595	569,378	596,610

CONTINGENT LIABILITIES AND GUARANTEES

The Group has contingent liabilities in respect of bank, other guarantees and other matters arising in the ordinary course of business. As part of the FY 2012 bank borrowing, it has granted to the bank a pledge of land and building. As part of the FY 2019 Long Term Loan it has granted to the bank a pledge on business assets. The Group is also committed to invest up to €20,000,000 in investments fund called Truffle Capital.

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.

CREDIT FACILITIES

FY 2019 Term Loan

On 31 January 2019, the Company signed a Term Loan Agreement for an amount of €300 million with a 3 year maturity intended for the Transaction. The outstanding balance of this term loan was €300.3 million as at 30 April 2019.

Event of default resulting in the early repayment of the FY 2019 Term Loan agreement depends on the leverage financial ratio, which is based on the annual Group 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 within the scope of IFRS 16, 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 (excluding IFRS 16 impact)

The leverage ratio is calculated once a year as at 31 March and passed on to the lenders jointly with the consolidated financial statements.

The leverage ratio is to be lower than 2.0 and was respected as at 31 March 2019 with a value of 1.71.

The FY 2019 Term Loan Agreement includes a margin adjustment according to the level of the leverage. Thus, the interest rate depends on the above described leverage financial ratio. The change in the ratio results in repricing the interest rate as follows:

Leverage financial ratio	**Repricing**
Ratio higher than 1.5	Euribor + Margin
Ratio being comprised between 1.0 and 1.5	Euribor + Margin - 0.15
Ratio being comprised between 0.5 and 1.0	Euribor + Margin - 0.25
Ratio lower than 0.5	Euribor + Margin - 0.35

During the fiscal year ended 31 March 2019, the interest rate was based on Euribor + Margin.

Directly attributable transaction costs related to the issuance of this FY 2019 Term Loan Agreement amounted to €1,200,000. As this financing is a Term Loan, the fees were capitalized as a deferred charge and amortized over the period of the Loan to which it relates.

FY 2019 Long Term Loan

On 4 September 2018, the Group signed a long term loan agreement for an amount of €22.5 million with a eleven years maturity and that can be used only by M&L Distribution France and intended to finance L'Occitane 86 Champs Elysées store key money. As at 31 October 2018, the bank borrowing was totally drawn. Two repayments occurred in December 2018 and March 2019 for amounts of €485,187 and €486,363, respectively. The outstanding balance as at 30 April 2019 was €21.5 million.

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

The FY 2019 Long Term Loan is secured by a pledge on business assets related to our 86 Champs Elysées Flagship Store in Paris.

FY 2015 Revolving Facility

On 18 July 2014, the Company signed a multi-currency revolving facility agreement for an amount of €400 million with a five-year maturity plus an option of extension for two additional years, which have been exercised. An amount of €266.5 million was drawn as at 30 April 2019. Thus, the undrawn amount of the revolving facility was €133.5 million as at 30 April 2019.

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 within the scope of IFRS 16, 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 (excluding IFRS 16 impact)

The leverage ratio is calculated once a year as at 31 March and passed on to the lenders jointly with the consolidated financial statements.

The leverage financial ratio was initially to be lower than 3.5. Since 5 April 2017, the leverage ratio is to be lower than 2.0 to cope with the Group L'Occitane debt management strategy. The ratio was respected as at 30 April 2019 with a value of 1.71.

The FY 2015 Revolving Facilty includes a margin adjustment according to the level of the leverage. The interest rates depend on the above described Leverage financial ratio calculated every year after the consolidated financial statements of the Company are issued. The change in the ratio results in repricing the interest rate as follows:

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

During the fiscal year ended 31 March 2019, the interest rate was based on Euribor/Libor + Margin - 0.70.

Directly attributable transaction costs related to the issuance of this FY 2015 Revolving Facility and the option of extension for two additional years amounted to €1,300,000. As there is no evidence that it is probable that some or all the facility will be drawn down, the fees were capitalized as a deferred charge and amortized over the period of facility to which it relates.

FY 2012 bank borrowing

On 20 June 2011, the Group signed a new bank borrowing agreement for an amount of €10 million with a fifteen-year maturity and that can be drawn only by Laboratoires M&L. As at 31 March 2014, the bank borrowing was totally drawn (€10,000,000 as at 31 March 2013). Six repayments occurred in December 2013, 2014, 2015, 2016, 2017 and 2018 for an amount of €714,000 each. The outstanding balance of the FY 2012 bank borrowing as at 30 April was €5.7 million.

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.

The borrowings of the Group are denominated in the following currencies as at the dates indicated:

In thousands of Euros	**As at 31 March 2018**	**As at 31 March 2019**
EUR	14,681	509,196
USD	39,283	39,074
GBP	10,758	7,566
BRL	332	152
TWD	5,020	5,192
CHF	5,603	5,276
CAD	5,347	6,533
Other	7,005	4,951
Total	88,029	577,940

IFRS 16 LEASE LIABILITIES

The Enlarged Group will apply IFRS 16 Leases from its mandatory adoption date of 1 April 2019. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset and a financial liability to pay rentals are recognised.

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules. The standard will affect primarily the accounting for the Group's operating leases and the Enlarged Group expects to recognize on 1 April 2019 additional lease liabilities of €408,000,000 (after adjustments for prepayments and accrued lease payments recognised as at 31 March 2019). This amount is not expected to be materially different on 30 April 2019.

The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Save as disclosed above and apart from intra-group liabilities and normal payables, as at 30 April 2019, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance, acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, after due and careful enquiry and taking into account the financial resources available to the Enlarged Group, the Enlarged Group has sufficient working capital to satisfy its present requirements for at least the next 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Board was not aware of any material adverse change in the financial or trading position or outlook of the Group since 31 March 2018, the date to which the latest published audited consolidated financial statements of the Group were made up, except for the increase in bank borrowings disclosed in the section entitled "Statement of indebtedness" above.

5. FINANCIAL AND BUSINESS PROSPECTS

The acquisition of ELEMIS is in line with the Group's strategy of building a leading portfolio of premium cosmetics brands. After the Transaction, the Enlarged Group now has 6 brands.

ELEMIS is a leading British skincare brand that offers products sourced from nature with high-performance formulations delivering clinically proven results. ELEMIS demonstrates a strong consumer appeal across all generations and has put digital at the centre of its strategy and business model. ELEMIS also utilises the presence of its products in spas on cruise ships as an experience-based driver of brand awareness and customer acquisition.

Based on this positioning, the Enlarged Group believes that ELEMIS has an important growth potential inside and outside of its current principal markets, in particular, in the Asia-Pacific region which is one of the biggest markets of the Enlarged Group.

With a lean organisation and market-standard gross margins, ELEMIS is expected to continue delivering high profitability. Combined with its growth potential and the reasonable cost of the financing of the Transaction, ELEMIS should contribute positively to the Enlarged Group's operating profit in the first financial year following the Transaction.

Meanwhile, the Enlarged Group will explore all possible synergies to further leverage on the opportunities brought by the Transaction. This will entail leveraging on the Enlarged Group's experience in business channels such as travel retail as well as sharing of resources and facilities whenever appropriate, including production facilities.

Besides the acquisition of ELEMIS, the Group enacted in FY2019 a new "Pulse" strategy to achieve long-term growth. The strategy is anchored to five pillars: empowering teams; executing fundamentals especially in a retail context; adopting an omni-channel, mobile and digital approach; engaging customers; and strengthening brand commitments. By focusing on each of these priorities collectively, the Pulse strategy aims to revitalise the Group's future profitability and sustainable growth, while building trust and brand resonance among its customers.

In the first year of implementing the Pulse strategy, the Enlarged Group accelerated sales growth and maintained profitability despite broad macroeconomic uncertainties and the investment in LimeLife's development. FY2019 also saw Limelife expand beyond its home market in the U.S. to new markets including Canada, United Kingdom, France, Italy and Brazil, among others, thus expanding internationally its business model that combines online sales with peer-to-peer marketing offering significant global growth and profitability potential.

As a consequence of the above, the Enlarged Group is expected to deliver accelerated growth and profitability.

The following is the text of a report set out on pages II-1 to II-59, received from the reporting accountants of the Target Business, Ernst & Young LLP in US, for the purpose of incorporation in this circular.

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The Directors
L'Occitane International S.A. and Management of ELEMIS

We report on the historical financial information of ELEMIS, comprised of ELEMIS Limited and its wholly-owned subsidiaries, ELEMIS USA, Inc. and its wholly owned-subsidiary, and Cosmetics Limited and its wholly-owned subsidiary, (the "Target Business") set out on pages II-3 to II-59 to which comprises the combined statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Target Business for each of the years ended 31 December 2018, 2017 and 2016 (the "Relevant Periods"), and the combined balance sheets of the Target Business as at 31 December 2018, 2017 and 2016 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages II-3 to II-59 forms an integral part of this report, which has been prepared for inclusion in the circular of L'Occitane International S.A. ("L'Occitane") dated 30 June 2019 (the "Circular") in connection with the acquisition of the equity interests of the Target Business by subsidiaries of L'Occitane.

Directors' responsibility for the Historical Financial Information

ELEMIS' management is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.2 and 2.1 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.2 and 2.1 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Business as at 31 December 2018, 2017 and 2016 and of the financial performance and cash flows of the Target Business for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.2 and 2.1 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Yours faithfully,

Ernst & Young LLP
A member firm of Ernst & Young Global Limited
Miami, Florida
30 June 2019

ELEMIS
COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2018, 2017 AND 2016

CONTENTS

HISTORICAL FINANCIAL INFORMATION

The financial statements of the Target Business for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young LLP, in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "Underlying Financial Statements").

The Historical Financial Information is presented in U.S. dollars and all values are rounded to the nearest thousand except when otherwise indicated.

COMBINED STATEMENTS OF INCOME

Year ended 31 December *In thousands of USD*	*Notes*	**2018**	**2017**	**2016**
Net Sales	**(5.1)**	**151,303**	**122,251**	**129,755**
Cost of sales		(56,929)	(50,360)	(48,050)
Gross profit		**94,374**	**71,891**	**81,705**
% of net sales		*62.4%*	*58.8%*	*63.0%*
Distribution expenses		(15,850)	(13,118)	(12,209)
Marketing expenses		(17,842)	(13,650)	(10,597)
General and administrative expenses		(23,153)	(21,142)	(16,104)
Operating profit		**37,529**	**23,981**	**42,795**
Finance income	**(19)**	1	—	—
Finance costs	**(19)**	(239)	(409)	(352)
Foreign currency gains / (losses)	**(20)**	1,978	(1,011)	3,002
Profit before income tax		**39,269**	**22,561**	**45,445**
Income tax expense	**(21)**	(4,414)	(4,174)	(1,711)
Profit for the year		**34,855**	**18,387**	**43,734**

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

Year ended 31 December *In thousands of USD*	*Notes*	**2018**	**2017**	**2016**
Profit for the year		**34,855**	**18,387**	**43,734**
Other comprehensive income/(loss):				
Items that may be subsequently reclassified to profit or loss				
Currency translation differences		(3,784)	4,243	(6,986)
		(3,784)	**4,243**	**(6,986)**
Other comprehensive income/(loss) for the year		**(3,784)**	**4,243**	**(6,986)**
Total comprehensive income for the year		**31,071**	**22,630**	**36,748**

COMBINED BALANCE SHEETS

ASSETS *In thousands of USD*	*Notes*	**31 December 2018**	**31 December 2017**	**31 December 2016**
Property, plant and equipment	**(7)**	10,640	10,418	8,826
Intangible assets	**(8)**	576	672	513
Deferred income tax assets	**(21.2)**	416	214	151
Other non-current assets	**(9)**	21	2	2
Non-current assets		**11,653**	**11,306**	**9,492**
Inventories	**(10)**	13,585	11,127	11,276
Trade receivables	**(11)**	29,295	30,686	20,579
Other current assets	**(12)**	2,657	2,240	1,783
Cash and cash equivalents	**(13)**	10,196	5,679	3,703
Current assets		**55,733**	**49,732**	**37,341**
TOTAL ASSETS		**67,386**	**61,038**	**46,833**

EQUITY AND LIABILITIES *In thousands of USD*	*Notes*	**31 December 2018**	**31 December 2017**	**31 December 2016**
Parent investment	**(14)**	51,065	37,376	33,699
Cumulative currency translation differences		(6,527)	(2,743)	(6,986)
Total equity		**44,538**	**34,633**	**26,713**
Borrowings	**(15)**	—	5,989	5,258
Other non-current liabilities	**(16)**	300	402	445
Deferred income tax liabilities	**(21.2)**	54	22	140
Non-current liabilities		**354**	**6,413**	**5,843**
Trade payables	**(17)**	12,228	8,198	5,569
Social and tax liabilities		5,050	4,719	3,494
Current income tax liabilities		214	645	—
Borrowings	**(15)**	—	749	340
Other current liabilities	**(16)**	5,002	5,681	4,874
Current liabilities		**22,494**	**19,992**	**14,277**
TOTAL EQUITY AND LIABILITIES		**67,386**	**61,038**	**46,833**

COMBINED STATEMENTS OF CHANGES IN EQUITY

In thousands of USD	*Notes*	Parent Investment	Cumulative Currency Translation Differences	TOTAL EQUITY
Balance at 1 January 2016		**45,574**	**—**	**45,574**
Comprehensive income				
Profit for the year		43,734	—	43,734
Other comprehensive income				
Currency translation differences		—	(6,986)	(6,986)
Total comprehensive income for the year		***43,734***	***(6,986)***	***36,748***
Transactions with owners				
Net distributions to Parent and its affiliates		(55,609)	—	(55,609)
Total distributions to owners of the Target Business		***(55,609)***	***—***	***(55,609)***
Balance at 31 December 2016		**33,699**	**(6,986)**	**26,713**
Comprehensive income				
Profit for the year		18,387	—	18,387
Other comprehensive income				
Currency translation differences		—	4,243	4,243
Total comprehensive income for the year		***18,387***	***4,243***	***22,630***
Transactions with owners				
Net distributions to Parent and its affiliates		(14,710)	—	(14,710)
Total distributions to owners of the Target Business		***(14,710)***	***—***	***(14,710)***
Balance at 31 December 2017		**37,376**	**(2,743)**	**34,633**
Comprehensive income				
Profit for the year		34,855	—	34,855
Other comprehensive income				
Currency translation differences		—	(3,784)	(3,784)
Total comprehensive income for the year		***34,855***	***(3,784)***	***31,071***
Transactions with owners				
Net distributions to Parent and its affiliates		(21,166)	—	(21,166)
Total distributions to owners of the Target Business		***(21,166)***	***—***	***(21,166)***
Balance at 31 December 2018		**51,065**	**(6,527)**	**44,538**

COMBINED STATEMENTS OF CASH FLOWS

Year ended 31 December *In thousands of USD*	*Notes*	**2018**	**2017**	**2016**
Cash flows from operating activities				
Profit for the year		34,855	18,387	43,734
Adjustments to reconcile profit for the year to net cash from operating activities				
Depreciation, amortization and impairment	**(22.1)**	3,343	2,655	2,402
(Gains) / losses from foreign exchange	**(20)**	(1,978)	1,011	(3,002)
Income taxes	**(21.1)**	4,414	4,174	1,711
Income taxes paid		(5,022)	(3,720)	(2,102)
Changes in working capital (excluding the effects of exchange differences on combination)				
Inventories		(3,009)	916	1,908
Trade receivables		392	(8,680)	1,925
Trade payables		4,675	2,015	641
Social and tax liabilities		531	952	544
Other assets and liabilities, net		(957)	79	(497)
Net cash inflow from operating activities		**37,244**	**17,789**	**47,264**
Cash flows from investing activities				
Purchases of property, plant and equipment	**(7)**	(3,801)	(3,085)	(1,869)
Purchases of intangible assets	**(8)**	(273)	(465)	(358)
Change in non-current receivables and liabilities		(102)	(80)	4
Net cash outflow from investing activities		**(4,176)**	**(3,630)**	**(2,223)**
Cash flows from financing activities				
Financing to / from parent		(21,166)	(14,710)	(55,609)
Proceeds from borrowings	**(15)**	—	409	5,598
Repayments of borrowings	**(15)**	(6,677)	—	—
Net cash outflow from financing activities		**(27,843)**	**(14,301)**	**(50,011)**
Exchange gains / (losses) on cash, cash equivalents and bank overdrafts	**(22.2)**	(708)	2,118	(101)
Net (decrease)/ increase in cash, cash equivalents and bank overdrafts		**4,517**	**1,976**	**(5,071)**
Cash, cash equivalents and bank overdrafts at beginning of the year		**5,679**	**3,703**	**8,774**
Cash and cash equivalents		*5,679*	*3,703*	*8,774*
Bank overdrafts		—	—	—
Cash, cash equivalents and bank overdrafts at end of the year		**10,196**	**5,679**	**3,703**
Cash and cash equivalents		*10,196*	*5,679*	*3,703*
Bank overdrafts		—	—	—

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. THE TARGET BUSINESS

Steiner Leisure Limited (the "Parent") is a holding company that owns ELEMIS (the "Target Business"). The Target Business consists of the following wholly-owned subsidiaries of the Parent:

- ELEMIS Limited and its wholly-owned subsidiaries,
- ELEMIS USA, Inc. and its wholly-owned subsidiary, and
- Cosmetics Limited and its wholly-owned subsidiary.

The Target Business comprises the Steiner beauty and skincare businesses sold under the ELEMIS tradename.

The Target Business is a global distributor and innovator in the fields of beauty and skincare. The Target Business sells premium quality beauty products both directly to consumers through its websites and wholesale to various distribution channels. The Target Business also provides services including traditional and alternative massage and body and skin treatment options. The predominant business based on revenues is sales of products.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Combined Financial Statements are set out below.

2.1. Basis of preparation and changes in accounting principles

The Historical Financial Information has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB. All IFRSs effective as of the end of the first IFRS reporting period, including IFRS 9 and IFRS 15, have been applied by the Target Business in the preparation of the Historical Financial Information for the years ended 31 December 2018, 2017 and 2016 ("Relevant Periods").

The Historical Financial Information has been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates (see note 4). It also requires management to exercise its judgment in the process of applying the Target Business'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.

(a) ***New standards and interpretations not yet adopted by the Target Business***

A number of new standards and amendments to standards and interpretations are effective for the fiscal years beginning after 31 December 2018 and have not been applied in preparing these combined financial statements, including:

IFRS 16 Leases (effective for accounting periods beginning on, or after, 1 January 2019)

The Target Business has set up a project team which has reviewed all of the Target Business's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Target Business's operating leases. As at the reporting date, the Target Business has non-cancellable operating lease commitments of $6,574,000, see note 24. The effect of discounting when recognizing these leases in the combined balance sheet is not expected to be material to the Target Business.

The Target Business has identified the existing lease contracts in the Target Business and gathered their characteristics in order to build a complete database. The quantitative impacts anticipated from implementing IFRS 16 are currently being determined. The Target Business plans to adopt IFRS 16 retrospectively to each reporting period in 2019.

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

2.2. Basis of presentation

The accounts of all companies included within the scope of combination are closed on 31 December.

(a) ***Entities under common control of the Parent***

The Target Business's combined financial statements include the accounts of the wholly-owned subsidiaries of the Parent listed in Note 1. The Target Business's combined financial statements do not represent the financial position and results of operations of a legal entity but rather a combination of entities under common control of the Parent for all periods presented and that were designated for sale to L'Occitane International S.A. ("L'Occitane") on 1 March 2019, as further discussed in Note 26. Accordingly, for the purpose of this report, the financial statements have been prepared on a combined basis.

The combined statements income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Target Business for the Relevant Periods include the results and cash flows of all companies comprising the Target Business. The combined balance sheets of the Target Business as at 31 December 2018, 2017 and 2016 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the controlling Parent's perspective.

All intra-group transactions and balances have been eliminated on combination.

2.3. Foreign currency translation

(a) ***Functional and presentation currency***

Items included in the Combined Financial Statements of each of the Target Business's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Combined Financial Statements are presented in US Dollars.

(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 combined statements of income under the line "Foreign currency gains / (losses)".

In connection with the first-time adoption of IFRS, the Target Business elected to reset all cumulative translation gains and losses to zero in parent investment.

(c) ***Target Business companies***

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

The results and financial position of all the Target Business 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 combined balance sheet presented are translated at the closing rate at the date of that combined balance sheet;

ii. Income and expenses for each combined 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 combination, 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, are included in "Cumulative currency translation differences" within 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.

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 Target Business's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. Information about assets, liabilities and cash flows are not reviewed on a segmental basis by the chief operating decision-maker.

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 three operating segments, which are 1) Sell-out, 2) Sell-in and 3) Business to Business:

- Sell-out comprises the sales of the products directly to the final customers. These sales are mainly done in the Target Business's stores and/or through the Target Business'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 Target Business'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 Operating Segments, 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.

2.5. Intangible assets

(a) ***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 Target Business, 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

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

(b) ***Commercial websites***

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

(c) ***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; and
- The expenditure attributable to the project during its development can be reliably measured.

2.6. Property, plant and equipment

Property, plant and equipment are stated using fair value as deemed cost as at 1 January 2016, the date that the Target Business first adopted IFRS. Subsequent additions and states 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 (in excess of one reporting period) 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 Target Business 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**
Equipment and machinery	Between 5 and 10 years
Information system equipment and cash registers	3 years
Leasehold improvements	Between 5 and 10 years
Furniture and office equipment	5 years

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

The Target Business leases certain property, plant and equipment. Leases of property, plant and equipment where the Target Business 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 combined 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.

2.7. 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).

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 and 8). 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.

2.8. Deposits

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

2.9. 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 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 Target Business 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.

2.10. Trade receivables

Trade receivables are amounts due from customers, included related party customers (see note 25.2) 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 expected credit loss. The amount of the loss on a trade receivable is recognized in the combined statement of income within "Distribution expenses".

2.11. Financial assets and liabilities

(a) ***Classification and measurement***

Under IFRS 9, on initial recognition, a financial asset is classified as measured at:

- Amortised cost;
- Fair value through OCI ('FVOCI') — debt investment;
- Fair value through OCI ('FVOCI') — equity investment; or
- Fair value through profit and loss ('FVTPL').

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Type of financial instruments	Classification	Measurement
Trade receivables	Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Target Business holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.	These assets are subsequently measured at amortised cost using the effective cost interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Financial assets at amortised cost	The Target Business classified its financial assets as at amortised cost only if both of the following criteria are met: • The asset is held within a business model whose objective is to collect the contractual cash flows, and • The contractual term gives rise to cash flows that are solely payments of principal and interest.	These assets are subsequently measured at amortised cost using the effective cost interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

(b) ***Impairment for financial assets***

Trade receivables

The Target Business applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 month and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Target Business has not identified any specific relevant factors to adjust the historical loss rates.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Target Business, and a failure to make contractual payments for a period of greater than 120 days past due. Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit in the line "distribution expenses". Subsequent recoveries of amounts previously written off are credited against the same line item.

2.12. 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 combined balance sheet.

2.13. Parent investment

Parent's equity represents the Parent's controlling interest in the recorded net assets of the Target Business, specifically the cumulative net investment by the Parent in the Target Business and cumulative operating results through the date presented. The net effect of the settlement of transactions between the Target Business, the Parent, and other affiliates of the Parent are reflected in the combined statements of equity as net distributions to Parent and its affiliates, in the combined statements of cash flows as a financing activity, and in the combined balance sheets as Parent investment.

2.14. 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 or 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.

2.15. Provisions

Within the normal framework of their activities, the Target Business and its subsidiaries are subject to various forms of litigation and legal proceedings. The Target Business 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 Target Business 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 Target Business are mostly lease contracts for the stores. 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.

2.16. Employee benefits

(a) ***Pension obligations***

The Target Business operates various pension schemes under defined contribution plans:

- A defined contribution plan is a pension plan under which the Target Business pays fixed contributions into a separate entity. In a defined contribution plan, the Target Business 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 contribution plans

For defined contribution plans, the Target Business pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. The Target Business 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.

Eligible employees based in the United States participate in the Target Business's profit-sharing retirement plan of the Parent, which is qualified under Section 401(k) of the Internal Revenue Code. With respect to the Parent's profit-sharing retirement plan, the Target Business makes discretionary annual matching contributions in cash based on a percentage of eligible employee compensation deferrals.

Eligible United Kingdom based employees participate in the Target Business's Defined Contribution Pension scheme in line with local employer matching legislation.

The contributions to the plans were $0.3 million for the year ended 31 December 2018 (2017: $0.2 million, 2016: $0.2 million).

(b) ***Share-based compensation***

The Target Business has no share-based compensation scheme.

(c) ***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 Target Business recognizes termination benefits at the earlier of the following dates: a) when the Target Business 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.

(d) ***Profit-sharing and bonus plans***

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

(e) ***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.

2.17. 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 draw-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 Target Business has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.18. Revenue recognition

IFRS 15 Revenue from Contracts with Customers — Impact of adoption

The Target Business has adopted IFRS 15 Revenue from Contracts with Customers which resulted in accounting policies described below. The Target Business adopted the simplified approach for the Relevant Periods, with no impact on the Target Business's Parent investment.

Revenue is recognized as follows:

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

The Target Business operates a flagship spa and website. Revenue from the sale of goods is recognized when the Target Business sells a product to the customer at the spa or on the website.

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

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

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

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

No element of financing is deemed present as the sales are made with a credit term of maximum 90 days.

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

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

In some territories, in the ordinary course of the Target Business's activities, the Target Business 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 prior to transfer of control of related goods to the customer is deferred in the combined balance sheets.

Gift certificates have different validity periods in different territories. Gift certificates that exceed the validity period are recognized in the combined statements of income.

(d) ***Consideration paid to distributors***

In some cases, the Target Business 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 Target Business recognises the consideration paid as a deduction of revenue.

2.19. Distribution expenses

The line "Distribution expenses" in the combined statements 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 Target Business has access to those items.

2.20. Marketing expenses

The line "Marketing expenses" in the combined statements 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 Target Business has access to those items.

2.21. Accounting of rent expenses

The Target Business assesses whether a contract is or contains a lease at the inception of the contract.

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 combined statements 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 - 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".

2.22. 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 combined statements 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.

2.23. Foreign currency gains / (losses)

The line "foreign currency gains / (losses)" in the combined statements 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.

2.24. Income taxes

The Target Business's U.S. entities, other than those that are domiciled in U.S. territories, file their U.S. tax return as part of a tax filing that includes U.S entities wholly owned by the Parent outside the Target Business, while the Target Business's entities that are domiciled in U.S. territories file specific returns. In addition, the Target Business's foreign entities file income tax returns in their respective countries of incorporation, where required.

For the purposes of these combined financial statements, the Target Business is accounting for income taxes under the separate return method of accounting. This method requires the allocation of current and deferred taxes to the Target Business as if it were a separate taxpayer. Under this method, the resulting portion of current income taxes payable that is not actually owed to the tax authorities is recognised in Parent's equity.

Accordingly, income taxes payable in the combined balance sheets, as of 31 December 2018, 2017 and 2016, reflects current income tax amounts actually owed to the tax authorities, as of those dates.

Current income tax payable not actually owed to the tax authorities is included in Parent investment in the accompanying combined balance sheets, as of 31 December 2018, 2017 and 2016.

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 combined balance sheet date in the countries where the Target Business'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 on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Combined 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 realised 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.

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 Target Business 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.

3. FINANCIAL RISK MANAGEMENT

3.1. Financial risk factors

The Target Business'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 Target Business's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Target Business's financial performance. The Target Business does not use derivative financial instruments to hedge certain risk exposures.

(a) ***Market risk***

Foreign exchange risk

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

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

31 December 2018 *In thousands of USD*	**USD**	**GBP**	**EUR**	**Other**	**Total**
Trade receivables	12,011	14,941	2,343	—	**29,295**
Other current assets	427	2,230	—	—	**2,657**
Cash and cash equivalents	372	8,232	1,590	2	**10,196**
Monetary assets	**12,810**	**25,403**	**3,933**	**2**	**42,148**
Borrowings	—	—	—	—	**—**
Trade payables	541	11,683	4	—	**12,228**
Social and tax liabilities	1,658	3,392	—	—	**5,050**
Monetary liabilities	**2,199**	**15,075**	**4**	**—**	**17,278**
Net exposure in the statement of financial position	**10,611**	**10,328**	**3,929**	**2**	**24,870**

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

31 December 2017 *In thousands of USD*	**USD**	**GBP**	**EUR**	**Other**	**Total**
Trade receivables	13,841	15,279	1,566	—	**30,686**
Other current assets	444	1,796	—	—	**2,240**
Cash and cash equivalents	1,265	3,945	467	2	**5,679**
Monetary assets	**15,550**	**21,020**	**2,033**	**2**	**38,605**
Borrowings	—	—	6,738	—	**6,738**
Trade payables	20	8,154	24	—	**8,198**
Social and tax liabilities	1,315	3,404	—	—	**4,719**
Monetary liabilities	**1,335**	**11,558**	**6,762**	**—**	**19,655**
Net exposure in the statement of financial position	**14,215**	**9,462**	**(4,729)**	**2**	**18,950**

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

31 December 2016 *In thousands of USD*	**USD**	**GBP**	**EUR**	**Other**	**Total**
Trade receivables	6,349	13,167	1,062	1	**20,579**
Other current assets	238	1,545	—	—	**1,783**
Cash and cash equivalents	195	3,183	323	2	**3,703**
Monetary assets	**6,782**	**17,895**	**1,385**	**3**	**26,065**
Borrowings	—	—	5,598	—	**5,598**
Trade payables	197	5,354	18	—	**5,569**
Social and tax liabilities	773	2,721	—	—	**3,494**
Monetary liabilities	**970**	**8,075**	**5,616**	**—**	**14,661**
Net exposure in the statement of financial position	**5,812**	**9,820**	**(4,231)**	**3**	**11,404**

Financing operations

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

During the fiscal year 2018, 2017 and 2016 and on 31 December 2018, 2017 and 2016, if the USD 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 USD	**Currency translation differences (other comprehensive income)**			**Net sales**			**Profit of the year**		
31 December	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**	**2018**	**2017**	**2016**
EUR	—	—	—	989	613	432	946	583	410
GBP	1,742	2,186	4,465	8,313	7,076	7,064	2,034	1,388	1,027

The above sensitivity does not take into consideration the effect of a higher/lower dollar on realized exchange gains and losses.

Cash flow and fair value interest rate risk

The cash is not currently invested in treasury deposits at short term and does not profit from any increase in USD interest rates.

Price risk

The Target Business is not significantly exposed to commodity price risk.

On 31 December 2018, the Target Business has no significant investment in external equity securities.

(b) ***Credit risk***

Credit risk is the risk of financial loss to the Target Business if a customer fails to meet its contractual obligations. The Target Business is mainly exposed to credit risk from credit sales. Credit risk is managed on a 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, and deposits with bank and financial institutions, as well as credit exposures to wholesale and retail customers.

The Target Business 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 30 days to 60 days and the Target Business maintains adequate allowances for expected credit losses and follows regularly the solvency of its counterpart. The Target Business has one significant single customer in the Sell-in segment, comprising trade receivables of $634,000 as at 31 December 2018 (2017: $562,000; 2016: $712,000).

- For customers in the Sell-out segment, the Target Business'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 Target Business. This credit term is generally from 30 days to 75 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 Target Business has temporary exposure to non-investment grade institutions on payments made by customers in certain countries, until the Target Business transfers such amounts to investment grade institutions. Cash and cash equivalents are concentrated on few independently rated parties.

(c) ***Liquidity risk***

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

Management monitors rolling forecasts of the Target Business's liquidity reserve (comprising cash and cash equivalents) on the basis of expected cash flow. The liquidity reserves are as follows:

31 December *In thousands of USD*	**2018**	**2017**	**2016**
Cash and cash equivalents	10,196	5,679	3,703
Liquidity reserves	**10,196**	**5,679**	**3,703**

Surplus cash held by the Target Business is not invested in call accounts, certificates of deposit, money market funds and securities or any other financial assets authorised by the Financial Investments Policy.

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

In thousands of USD	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Borrowings (note 15)	—	—	—	—	**—**
Trade payables (note 17)	12,228	—	—	—	**12,228**
Interests payments on borrowings	—	—	—	—	**—**
Total on 31 December 2018	12,228	—	—	—	**12,228**
Borrowings (note 15)	—	—	6,738	—	**6,738**
Trade payables (note 17)	8,198	—	—	—	**8,198**
Interests payments on borrowings	505	505	505	—	**1,516**
Total on 31 December 2017	8,703	505	7,243	—	**16,452**
Borrowings (note 15)	—	—	5,598	—	**5,598**
Trade payables (note 17)	5,569	—	—	—	**5,569**
Interests payments on borrowings	420	420	840	—	**1,679**
Total on 31 December 2016	5,989	420	6,438	—	**12,846**

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

3.2. Capital risk management

The Target Business's objectives when managing capital are to safeguard the Target Business'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.

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 Target Business'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 December 2018		31 December 2017		31 December 2016	
In thousands of USD	Net book value	Fair value	Net book value	Fair value	Net book value	Fair value
Assets						
Other non-current receivables	21	21	2	2	2	2
Total assets	**21**	**21**	**2**	**2**	**2**	**2**
Liabilities						
Borrowings	—	—	6,738	6,738	5,598	6,738
Total liabilities	**—**	**—**	**6,738**	**6,738**	**5,598**	**6,738**

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).

(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 Target Business 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 combined 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 Target Business 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 allowance of inventories (note 2.9), measurement of provisions (note 2.15), allowance of trade receivables (note 2.10), revenue recognition (note 2.18), current and deferred income taxes (note 2.24).

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. Allowance on inventories

The Target Business 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 combined balance sheet date.

4.2. 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.

4.3. Income taxes

The Target Business 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 Target Business 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.

4.4. Other

In December 2015, the Target Business received an indirect tax assessment from the United Kingdom tax authorities of approximately $12.0 million. The Target Business has satisfied the United Kingdom tax authorities with no payments in 2017 or 2018 and the indirect tax assessment was removed. However, it is probable that the Target Business may be subject to interest related to this matter and accordingly, has recorded an accrual of $1.1 million as of 31 December 2018 and 2017.

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 December 2018, 2017 and 2016 as follows:

31 December 2018

In thousands of USD	**Sell-out**	**Sale in and B-to-B items**	**Other reconciling items**	**Total**
Net sales	19,852	131,451	—	151,303
In % of total	13.1%	86.9%	—	123.8%
Gross profit	16,474	78,504	(604)	94,374
% of net sales	83.0%	59.7%	N/A	62.4%
Distribution expenses	(2,557)	(9,500)	(3,793)	(15,850)
Marketing expenses	(4,994)	(7,507)	(5,341)	(17,842)
General and administrative expenses	(1,640)	(9,444)	(12,069)	(23,153)
Operating profit	**7,283**	**52,053**	**(21,807)**	**37,529**
% of net sales	36.7%	39.6%	N/A	24.8%

31 December 2017

In thousands of USD	**Sell-out**	**Sale in and B-to-B items**	**Other reconciling items**	**Total**
Net sales	9,923	112,328	—	122,251
In % of total	8.1%	91.9%	—	100.0%
Gross profit	6,201	67,630	(1,940)	71,891
% of net sales	62.5%	60.2%	N/A	58.8%
Distribution expenses	(2,107)	(9,857)	(1,154)	(13,118)
Marketing expenses	(2,955)	(7,226)	(3,469)	(13,650)
General and administrative expenses	(1,515)	(16,950)	(2,677)	(21,142)
Operating profit	**(376)**	**33,597**	**(9,240)**	**23,981**
% of net sales	(3.8%)	29.9%	N/A	19.6%

31 December 2016

In thousands of USD	**Sell-out**	**Sale in and B-to-B items**	**Other reconciling items**	**Total**
Net sales	7,709	122,046	—	129,755
In % of total	5.9%	94.1%	—	106.1%
Gross profit	6,294	76,697	(1,286)	81,705
% of net sales	81.6%	62.8%	N/A	63.0%
Distribution expenses	(1,891)	(9,314)	(1,004)	(12,209)
Marketing expenses	(2,340)	(6,505)	(1,752)	(10,597)
General and administrative expenses	(1,121)	(12,426)	(2,557)	(16,104)
Operating profit	**942**	**48,452**	**(6,599)**	**42,795**
% of net sales	12.2%	39.7%	N/A	33.0%

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 general and administration expenses).

5.2. Geographic areas

(a) ***Net sales by countries***

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

	2018		2017		2016	
In thousands of USD	**total**	**In % of total**	**total**	**In % of total**	**total**	**In % of total**
United States	30,542	20.2%	20,288	16.6%	25,415	19.6%
United Kingdom	92,045	60.8%	81,406	66.6%	71,147	54.8%
Other Americas	28,716	19.0%	20,557	16.8%	33,193	25.6%
Net sales	151,303	100%	122,251	100%	129,755	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 December	**2018**		**2017**		**2016**	
In thousands of USD	**Property, plant and equipment**	**Intangible assets**	**Property, plant and equipment**	**Intangible assets**	**Property, plant and equipment**	**Intangible assets**
United States	775	130	445	65	410	83
United Kingdom	9,857	443	9,970	607	8,412	430
Other Americas	8	3	3	—	4	—
Total	**10,640**	**576**	**10,418**	**672**	**8,826**	**513**

6. INFORMATION RELATING TO THE TARGET BUSINESS STRUCTURE

There was no change in the Target Business structure during the years ended 31 December 2018, 2017 and 2016.

7. PROPERTY, PLANT AND EQUIPMENT

7.1. Year ended 31 December 2018

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

In thousands of USD	**Machinery and equipment**	**Other tangible assets**	**Leasehold improvements related to the stores**	**Other tangible assets related to the stores**	**Total**
Cost as of 1 January 2018	**2,305**	**1,872**	**7,153**	**15,808**	**27,138**
Additions	366	329	2,953	153	3,801
Disposals	(1,181)	(598)	(1,118)	(5,928)	(8,825)
Other movements	—	(657)	200	457	—
Exchange differences	(57)	(27)	(481)	(582)	(1,147)
Cost as of 31 December 2018	**1,433**	**919**	**8,707**	**9,908**	**20,967**
Accum. depreciation as of 1 January 2018	**(1,714)**	**(1,295)**	**(3,476)**	**(10,235)**	**(16,720)**
Depreciation	(250)	(389)	(1,618)	(743)	(3,000)
Disposals	1,181	598	1,118	5,928	8,825
Other movements	—	657	(200)	(457)	—
Exchange differences	39	16	216	297	568
Accum. depreciat. as of 31 December 2018	**(744)**	**(413)**	**(3,960)**	**(5,210)**	**(10,327)**
Net book value as of 31 December 2018	**689**	**506**	**4,747**	**4,698**	**10,640**

Main additions during the period are related to the refurbishment of existing and opening of new department store concessions.

7.2. Year ended 31 December 2017

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

In thousands of USD	Machinery and equipment	Other tangible assets	Leasehold improvements related to the stores	Other tangible assets related to the stores	Total
Cost as of 1 January 2017	**1,964**	**1,691**	**4,376**	**14,006**	**22,037**
Additions	196	42	2,286	561	3,085
Exchange differences	145	139	491	1,241	2,016
Cost as of 31 December 2017	**2,305**	**1,872**	**7,153**	**15,808**	**27,138**
Accum. depreciation as of January 1, 2017	**(1,401)**	**(1,085)**	**(2,239)**	**(8,486)**	**(13,211)**
Depreciation	(191)	(112)	(990)	(1,008)	(2,301)
Exchange differences	(122)	(98)	(247)	(741)	(1,208)
Accum. depreciat. as of 31 December 2017	**(1,714)**	**(1,295)**	**(3,476)**	**(10,235)**	**(16,720)**
Net book value as of 31 December 2017	**591**	**577**	**3,677**	**5,573**	**10,418**

Main additions during the period are related to the refurbishment of existing and opening of new department store concessions.

7.3. Year ended 31 December 2016

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

In thousands of USD	Machinery and equipment	Other tangible assets	Leasehold improvements related to the stores	Other tangible assets related to the stores	Total
Cost as of 1 January 2016	**1,819**	**1,957**	**3,830**	**16,554**	**24,160**
Additions	435	30	1,348	56	1,869
Exchange differences	(290)	(296)	(802)	(2,604)	(3,992)
Cost as of 31 December 2016	**1,964**	**1,691**	**4,376**	**14,006**	**22,037**
Accum. depreciation as of January 1, 2016	**(1,465)**	**(1,115)**	**(1,899)**	**(8,810)**	**(13,289)**
Depreciation	(171)	(158)	(742)	(1,110)	(2,181)
Exchange differences	235	188	402	1,434	2,259
Accum. depreciat. as of 31 December 2016	**(1,401)**	**(1,085)**	**(2,239)**	**(8,486)**	**(13,211)**
Net book value as of 31 December 2016	**563**	**606**	**2,137**	**5,520**	**8,826**

Main additions during the period are related to the refurbishment of existing and opening of new department store concessions.

7.4. Classification of the depreciation of the tangible assets in the combined statement of income

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

31 December *In thousands of USD*	**2018**	**2017**	**2016**
Cost of goods sold	33	35	71
Distribution expenses	1,977	1,441	1,276
General and administrative expenses	990	825	834
Depreciation expenses	**3,000**	**2,301**	**2,181**

8. INTANGIBLE ASSETS

8.1. Year ended 31 December 2018

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

In thousands of USD	**Websites**	**Software**	**Total**
Cost as of 1 January 2018	**564**	**2,528**	**3,092**
Additions	248	25	273
Disposals	—	(692)	(692)
Exchange differences	(34)	(96)	(130)
Cost as of 31 December 2018	**778**	**1,765**	**2,543**
Accumulated amortization and impairment as of 1 December 2018	**(446)**	**(1,974)**	**(2,420)**
Amortization	(148)	(195)	(343)
Disposals	—	692	692
Exchange differences	47	57	104
Accumulated amortization and impairment as of 31 December 2018	**(547)**	**(1,420)**	**(1,967)**
Net book value as of December 2018	**231**	**345**	**576**

Main additions during the period are related to the development of the Target Business's website, ELEMIS.com.

8.2. Year ended 31 December 2017

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

In thousands of USD	**Websites**	**Software**	**Total**
Cost as of 1 January 2017	**489**	**1,921**	**2,410**
Additions	29	436	465
Exchange differences	46	171	217
Cost as of 31 December 2017	**564**	**2,528**	**3,092**
Accumulated amortization and impairment as of 1 January 2017	**(244)**	**(1,653)**	**(1,897)**
Amortization	(171)	(183)	(354)
Exchange differences	(31)	(138)	(169)
Accumulated amortization and impairment as of 31 December 2017	**(446)**	**(1,974)**	**(2,420)**
Net book value as of 31 December 2017	**118**	**554**	**672**

Main additions during the period were related to purchased software to be used internally.

8.3. Year ended 31 December 2016

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

In thousands of USD	**Websites**	**Software**	**Total**
Cost as of 1 January 2016	**526**	**1,923**	**2,449**
Additions	56	302	358
Exchange differences	(93)	(304)	(397)
Cost as of 31 December 2016	**489**	**1,921**	**2,410**
Accumulated amortization and impairment as of 1 January 2016	**(114)**	**(1,879)**	**(1,993)**
Amortization	(164)	(57)	(221)
Exchange differences	34	283	317
Accumulated amortization and impairment as of 31 December 2016	**(244)**	**(1,653)**	**(1,897)**
Net book value as of 31 December 2016	**245**	**268**	**513**

Main additions during the period were related to purchased software to be used internally.

8.4. Classification of the amortization of the intangible assets in the combined statement of income

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

31 December *In thousands of USD*	2018	2017	2016
Cost of goods sold	—	—	10
Distribution expenses	—	1	—
General and administrative expenses	343	353	211
Amortization expenses	**343**	**354**	**221**

9. OTHER NON-CURRENT ASSETS

The other non-current assets consist of the following:

In thousands of USD	31 December 2018	31 December 2017	31 December 2016
Deposits	21	2	2
Other non-current assets	**21**	**2**	**2**

10. INVENTORIES

Inventories consist of the following items:

In thousands of USD	31 December 2018	31 December 2017	31 December 2016
Raw materials and supplies	26	31	25
Finished goods and work in progress	13,857	11,633	11.523
Inventories, gross	**13,883**	**11,664**	**11,548**
Less, allowance	(298)	(537)	(272)
Inventories	**13,585**	**11,127**	**11,276**

11. TRADE RECEIVABLES

Trade receivables consist of the following:

In thousands of USD	31 December 2018	31 December 2017	31 December 2016
Trade receivables, gross	29,652	30,952	20,753
Less, allowances for doubtful accounts	(357)	(266)	(174)
Trade receivables	**29,295**	**30,686**	**20,579**

Credit risk:

The carrying amounts of the Target Business'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 Target Business 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 Target Business does not hold any collateral as security.

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

In thousands of USD	**31 December 2018**	**31 December 2017**	**31 December 2016**
Current and past due within 3 months	27,542	26,772	18,181
3 to 6 months	1,265	3,405	1,938
6 to 12 months	362	211	166
Over 12 months	483	564	468
Trade receivables, gross	**29,652**	**30,952**	**20,753**

Movement of the Target Business's allowance for expected credit loss on trade receivables is as follows:

31 December *In thousands of USD*	**2018**	**2017**	**2016**
At beginning of the year	266	174	198
Expected credit loss	315	176	94
Reversal of expected credit loss	(218)	(86)	(111)
Exchange differences	(6)	2	(7)
At end of the year	**357**	**266**	**174**

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

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

In thousands of USD	**31 December 2018**	**31 December 2017**	**31 December 2016**
Within 3 months	139	—	81
3 to 6 months	42	69	42
6 to 12 months	5	18	2
Over 12 months	171	179	49
Impaired receivables	**357**	**266**	**174**

The individually impaired receivables relate to customers 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 December 2018, 2017 and 2016 is as follows:

In thousands of USD	**31 December 2018**	**31 December 2017**	**31 December 2016**
Within 3 months	14,371	12,980	10,550
3 to 6 months	1,223	3,336	1,896
6 to 12 months	357	193	164
Over 12 months	312	385	419
Trade receivables past due but not impaired	**16,263**	**16,894**	**13,029**

These trade receivables relate to a number of customers for whom there is no significant financial difficulty based on past experience. The Target Business considers that there is no recoverability risk on these past due receivables.

12. OTHER CURRENT ASSETS

The following table presents details of other current assets:

In thousands of USD	**31 December 2018**	**31 December 2017**	**31 December 2016**
Prepaid expenses (a)	1,904	1,971	1,498
Income tax receivable (b)	525	—	63
Other current assets	228	269	222
Total other current assets	**2,657**	**2,240**	**1,783**

(a) Prepaid expenses relate mainly to the pre-payment of insurance, rental and other general expenses.

(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.

13. CASH AND CASH EQUIVALENTS

The following table presents details of cash and cash equivalents:

In thousands of USD	31 December 2018	31 December 2017	31 December 2016
Cash at bank and in hand	10,196	5,679	3,703
Cash and cash equivalents	**10,196**	**5,679**	**3,703**

14. PARENT INVESTMENT AND RESERVES

14.1. Parent investment

Parent's equity represents the Parent's controlling interest in the recorded net assets of the Target Business, specifically the cumulative net investment by the Parent in the Target Business and cumulative operating results through the date presented. The net effect of the settlement of transactions between the Target Business, the Parent, and other affiliates of the Parent are reflected in the combined statements of equity as net distributions to Parent and its affiliates, in the combined statements of cash flows as a financing activity, and in the combined balance sheets as Parent investment.

Transfers of cash to and from the Parent's cash management system are reflected in Parent investment in the combined balance sheets. Cash balances legally owned by the Target Business are included in the combined balance sheets. The net settlements to and from Parent as of December 31, 2018, 2017 and 2016 reflect general financing activities, corporate allocations, and income tax expense.

14.2. Distributable reserves

On 31 December 2018, the distributable reserves of the Target Business amounted to $51,065,000 ($37,376,000 as at 31 December 2017 and $33,699,000 as at 31 December 2016).

15. BORROWINGS

Borrowings include the following items:

In thousands of USD	31 December 2018	31 December 2017	31 December 2016
Other borrowings	—	6,738	5,598
Total	**—**	**6,738**	**5,598**
Less, current portion:			
- Other borrowings	—	(749)	(340)
Total current	**—**	**(749)**	**(340)**
Total non-current	**—**	**5,989**	**5,258**

The other borrowings relate to borrowings from related parties, see note 25.4.

15.1. Maturity of non-current borrowings

For the years ended 31 December 2018, 2017 and 2016, maturity of non-current borrowings, can be broken down as follows:

In thousands of USD	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total non-current
Other borrowings	—	—	—	—
Maturity on 31 December 2018	**—**	**—**	**—**	**—**
Other borrowings	—	5,989	—	5,989
Maturity on 31 December 2017	**—**	**5,989**	**—**	**5,989**
Other borrowings	—	5,258	—	5,258
Maturity on 31 December 2016	**—**	**5,258**	**—**	**5,258**

15.2. Effective interest rates

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

	31 December 2018	31 December 2017	31 December 2016
Other bank borrowings	n/a	7.5%	7.5%

15.3. Borrowing cash flow variation

The Target Business recognized the changes arising from cash flows and non-cash changes as follows for the year ended 31 December 2018:

In thousands of USD	31 December 2017	Exchange translation	Cash Repayments	31 December 2018
Other borrowings	6,738	(61)	(6,677)	—
Total	**6,738**	**(61)**	**(6,677)**	**—**

The Target Business recognized the changes arising from cash flows and non-cash changes as follows for the year ended 31 December 2017:

In thousands of USD	31 December 2016	Exchange translation	Cash Repayments	31 December 2017
Other borrowings	5,598	731	409	6,738
Total	**5,598**	**731**	**409**	**6,738**

16. OTHER CURRENT AND OTHER NON-CURRENT LIABILITIES

Other current and other non-current liabilities include the following:

In thousands of USD	31 December 2018	31 December 2017	31 December 2016
Liabilities linked to operating leases (a)	300	402	445
Total other non current liabilities	**300**	**402**	**445**
Deferred revenue (b)	87	118	155
Other current liabilities (c)	4,915	5,563	4,719
Total other current liabilities	**5,002**	**5,681**	**4,874**

(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 2.22); and (ii) incentives received from the lessors at the inception of the lease, which are recognized pro-rata over the lease term (note 2.22).

(b) Deferred revenue is related to the sale of gift cards which remain unused at year end.

(c) Other current liabilities include accruals and provision for sales returns which has a balance of $825,000, $645,000 and $595,000 as at 31 December 2018, 2017 and 2016, respectively.

17. TRADE PAYABLES

The credit terms granted by the domestic suppliers were usually 7 days to 90 days. The average credit terms granted by the overseas suppliers were usually 30 days.

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

In thousands of USD	**31 December 2018**	**31 December 2017**	**31 December 2016**
Current and past due within 3 months	12,215	7,883	5,503
Past due from 3 to 6 months	12	289	65
Past due from 6 to 12 months	—	23	1
Past due over 12 months	1	3	—
Trade payables	**12,228**	**8,198**	**5,569**

18. EXPENSES BY NATURE

Expenses by nature

Expenses by nature include the following amounts:

31 December *In thousands of USD*	**2018**	**2017**	**2016**
Employee benefit expenses (a)	23,842	21,558	18,441
Rent and occupancy (b)	2,006	1,812	1,344
Raw materials and consumables used	267	204	110
Change in inventories of finished goods and work in progress	(2,224)	(110)	3,682
Advertising costs costs (c)	14,287	10,563	8,144
Professional fees (d)	679	1,993	789
Depreciation, amortization and impairment (note 27.3)	3,503	2,899	2,641
Transportation expenses	4,167	2,679	2,478
Auditor's remuneration (e)	148	95	100
Other expenses	67,099	56,577	49,231
Total cost of sales, distribution expenses, marketing expenses and general and administrative expenses	**113,774**	**98,270**	**86,960**

a) Employee benefits include wages, salaries, bonus, share-based payments, social security, the cost of the temporary staff.

b) Rent and occupancy include the minimum lease payments for operating leases 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 business consultants, lawyers and tax advisors.

e) Auditor's remuneration relates to audit services only.

Employee benefits

Employee benefits include the following amounts:

31 December *In thousands of USD*	**2018**	**2017**	**2016**
Wages, salaries and bonus	21,540	19,400	16,595
Social security	2,237	2,094	1,814
Others	65	64	32
Total employee benefits	**23,842**	**21,558**	**18,441**
Workforce (full time equivalent)	**540**	**497**	**471**

Wages, salaries and bonus include the cost of temporary staff.

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

19. FINANCE COSTS, NET

Finance costs, net consist of the following:

31 December *In thousands of USD*	**2018**	**2017**	**2016**
Interest on cash and cash equivalents	1	—	—
Finance income	**1**	**—**	**—**
Interest expense on: - Other borrowings	(239)	(409)	(352)
Finance costs	**(239)**	**(409)**	**(352)**
Finance costs, net	**(238)**	**(409)**	**(352)**

20. FOREIGN CURRENCY GAINS / (LOSSES)

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

31 December *In thousands of USD*	**2018**	**2017**	**2016**
Foreign exchange gains / (losses) differences	1,978	(1,011)	3,002
Foreign currency gains / (losses)	**1,978**	**(1,011)**	**3,002**

Foreign exchange differences mainly correspond to realized net foreign exchange gains: $1,978,000 (losses of $1,011,000 for year ended 31 December 2017 and gains of $3,002,000 for the year ended 31 December 2016).

21. INCOME TAX EXPENSE

21.1. Income tax expense

The components of income tax expense are as follows:

31 December *In thousands of USD*	**2018**	**2017**	**2016**
Current income tax:			
Current income tax charge	4,566	3,691	2,546
Adjustments in respect of current income tax of previous year	19	701	(481)
Deferred income tax:			
Relating to origination and reversal of temporary differences	(171)	(218)	(354)
Total tax income expense	**4,414**	**4,174**	**1,711**

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

31 December *In thousands of USD*	**2018**	**2017**	**2016**
Profit before tax	39,269	22,561	45,445
Income tax calculated at the corporate tax rate of 21% as at 31 December 2018, 35% as at 31 December 2017 and 35% as at 31 December 2016)	8,246	7,896	15,906
Effect of different tax rates in foreign countries	(4,378)	(1,812)	(15,542)
(Over)/under provision in prior years	1,771	(2,402)	303
Effect of unrecognized tax assets	(1,038)	132	914
Expenses not deductible for taxation purposes	(166)	286	134
Deferred tax rate changes	(21)	74	(4)
Income tax expense	**4,414**	**4,174**	**1,711**

21.2. 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 December 2018, 2017 and 2016 are:

In thousands of USD	**2018**	**2017**	**2016**
ASSETS			
Other temporary differences	663	543	389
Total assets	663	543	389
To be recovered after more than 12 months	—	—	—
To be recovered within 12 months	663	543	389
LIABILITIES			
Excess carrying amount over tax basis of tangible fixed assets	(301)	(351)	—
Other temporary differences	—	—	(378)
Total liabilities	(301)	(351)	(378)
To be recovered after more than 12 months	(301)	(351)	(378)
To be recovered within 12 months	—	—	—
Deferred income tax, net	362	192	11
Deferred income tax assets	416	214	151
Deferred income tax liabilities	(54)	(22)	(140)

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.

21.3. Movements in deferred tax assets and liabilities, net

The movement in deferred tax assets and liabilities, net during the year is as follows:

31 December *In thousands of USD*	**2018**	**2017**	**2016**
At the beginning of the year	**192**	**11**	**(318)**
(Charged) / credited to income (note 21.1)	171	218	354
Exchange differences	(1)	(37)	(25)
At the end of the year	**362**	**192**	**11**

22. SUPPLEMENTAL DISCLOSURE ON CASH FLOW INFORMATION

22.1. Depreciation, amortization and impairment

Depreciation, amortization and impairment include the following:

31 December *In thousands of USD*	**Notes**	**2018**	**2017**	**2016**
Depreciation of property, plant and equipment	(7.4)	3,000	2,301	2,181
Amortization of intangible assets	(8.4)	343	354	221
Depreciation, amortization and impairment, net		**3,343**	**2,655**	**2,402**

22.2. 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 combined 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; and
- The exchange movements on intra-group transactions not settled at year-end.

22.3. Cash flow on current assets and current liabilities

The cash flow effects on current assets and current liabilities are as follows for the year ended 31 December 2018:

In thousands of USD	**31 December 2017**	**Changes in working capital**	**Exchange differences**	**31 December 2018**
Inventories	11,127	3,009	(551)	13,585
Trade receivables	30,686	(392)	(999)	29,295
Other current assets	2,240	544	(127)	2,657
Cash and cash equivalents	5,679	4,149	368	10,196
Current assets	**49,732**	**7,310**	**(1,309)**	**55,733**
Trade payables	8,198	4,675	(645)	12,228
Social and tax liabilities	4,719	531	(200)	5,050
Current income tax liabilities	645	(442)	11	214
Borrowings	749	(749)	—	—
Other current liabilities	5,681	(414)	(265)	5,002
Current liabilities	**19,992**	**3,601**	**(1,099)**	**22,494**

The cash flow effects on current assets and current liabilities are as follows for the year ended 31 December 2017:

In thousands of USD	**31 December 2016**	**Changes in working capital**	**Exchange differences**	**31 December 2017**
Inventories	11,276	(916)	767	11,127
Trade receivables	20,579	8,680	1,427	30,686
Other current assets	1,783	308	149	2,240
Cash and cash equivalents	3,703	3,101	(1,125)	5,679
Current assets	**37,341**	**11,173**	**1,218**	**49,732**
Trade payables	5,569	2,015	614	8,198
Social and tax liabilities	3,494	952	273	4,719
Current income tax liabilities	—	616	29	645
Borrowings	340	409	—	749
Other current liabilities	4,874	387	420	5,681
Current liabilities	**14,277**	**4,379**	**1,336**	**19,992**

22.4. Cash flow from financing activities on liabilities

The cash flow effects from financing activities on liabilities for the year ended 31 December 2018 are as follows:

In thousands of USD	**31 December 2017**	**Changes in liabilities linked to operating leases**	**Exchange differences**	**31 December 2018**
Other non-current liabilities	402	(83)	(19)	300

The cash flow effects from financing activities on liabilities for the year ended 31 December 2017 are as follows:

In thousands of USD	**31 December 2016**	**Changes in liabilities linked to operating leases**	**Exchange differences**	**31 December 2017**
Other non-current liabilities	444	(80)	38	402

23. LITIGATIONS AND CONTINGENCIES

23.1. Legal proceedings

The Target Business is subject to legal proceedings, claims, taxes, custom, social and litigation arising in the ordinary course of business. The Target Business's management does not expect that the ultimate costs to resolve these other matters will have a material adverse effect on the Target Business's combined balance sheets, combined statements of income or cash flows.

24. COMMITMENTS

24.1. Lease commitments

The Target Business leases various retail stores, offices and warehouses under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses, rent-free periods and renewal rights. The lease expenditure charged to the statement of income is disclosed in note 18.

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

31 December *In thousands of USD*	**2018**	**2017**	**2016**
Within one year	1,999	1,964	1,516
One to two years	1,908	1,827	1,464
Two to three years	1,298	1,764	1,315
Three to four years	805	1,241	1,128
Four to five years	477	795	464
Subsequent years	87	551	716
Total	**6,574**	**8,142**	**6,603**

25. TRANSACTIONS WITH RELATED PARTIES

The following transactions were carried out with related parties:

25.1. Key management compensation

Key management is composed of senior management.

The five highest paid individuals are as follows:

31 December *In thousands of USD*	**2018**	**2017**	**2016**
Salaries and other benefits in kind	2,042	1,782	1,479
Bonus	1,344	920	790
Total	**3,386**	**2,702**	**2,278**

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

31 December *In thousands of USD*	**2018**	**2017**	**2016**
Nil to $300,000	—	—	2
$300,000 to $400,000	—	2	1
$400,000 to $500,000	1	2	1
$500,000 to $600,000	2	—	—
Over $600,000	2	1	1
Total	**5**	**5**	**5**

The emoluments of key management are as follows:

31 December *In thousands of USD*	**2018**	**2017**	**2016**
Salaries and other benefits in kind	1,980	1,697	1,350
Bonus	1,288	809	756
Total	**3,268**	**2,506**	**2,106**

Senior management material interests in transactions, arrangements or contracts

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

25.2. Sales of products

31 December *In thousands of USD*	**2018**	**2017**	**2016**
Sales of goods			
- Sales of ELEMIS products to subsidiaries of the Parent (a)	32,400	26,656	46,228
Total Sales of products	**32,400**	**26,656**	**46,228**
Receivable from related parties in connection with the above sales of products			
- Receivables from subsidiaries of the Parent (a)	9,404	12,508	4,744
Total receivables	**9,404**	**12,508**	**4,744**

a) In the normal course of business, the Target Business sold ELEMIS products to subsidiaries of the Parent, consisting of OneSpaWorld, Bliss, Steiner Education Group and Ideal Image. In 2017, the Target Business entered into a supply agreement with a wholly-owned subsidiary of the Parent, which established the prices at which beauty products will be purchased by the subsidiary of the Parent from the Target Business for a term of ten years. This supply agreement was subsequently amended and restated in 2018. Receivables arising from these sales are classified within trade receivables.

ELEMIS USA, Inc., owns the timetospa.com website, however all of the assets, liabilities, profit, loss and operations accrue to OneSpaWorld business under a reverse transition services agreement which will be signed upon change of control, with sales of products to the website constituting sales for the Target Business. Such sales were approximately $0.5 million for the year ended 31 December 2018. As of 31 December 2018 there were no accounts receivable owed from the OneSpaWorld business related to these sales (2017: $394,000, 2016: $286,000)

25.3. Purchases of goods and services

31 December *In thousands of USD*	**2018**	**2017**	**2016**
Purchases			
- Management fees from Parent (a)	190	205	184
- Services from OneSpaWorld (Bahamas) (b)	4,817	3,518	3,328
Total purchases	**5,007**	**3,723**	**3,512**
Payables to related parties in connection with the above services			
- Management fees from Parent (a)	—	—	—
- Services from OneSpaWorld (Bahamas) (b)	—	—	—
Total payables	—	—	—

a) The Target Business receives services and support from various functions performed by the Parent. Allocations of Parent corporate overhead are included in general & administrative expenses in the combined statement of income.

b) OneSpaWorld (Bahamas) Limited (formerly known as Steiner Transocean Limited) ("OSW Bahamas"), a wholly-owned subsidiary of the Parent included in the OneSpaWorld business, administers and provides a Shop and Ship sales agency service to the Target Business for the Shop and Ship program. This program allows passengers to purchase products on board certain cruise ships, and instead of taking delivery on board the vessel, the products are shipped by the Target Business. OSW Bahamas charges the Target Business a service fee for administering the program, which is recognized in cost of goods sold.

25.4. Borrowings from related parties / loans to related parties

STO Italy, S.R.L. ("Lender"), a wholly-owned subsidiary of the Parent, entered into a loan agreement with ELEMIS USA, Inc. (the "Borrower"), for €5.0 million on 25 February 2016. The note payable was due in full by 3 January 2021 and bears an annual interest rate of 7.50%. The Borrower may prepay the loan without penalties; however, the Borrower must pay the accrued interest during the period up until the advanced repayment date. On 27 July 2018, the Target Business entered into a contribution agreement with the Parent whereby the Parent made capital contributions of approximately $6.4 million to the Target Business, which were used to settle the outstanding principal amount and all accrued interest under this loan agreement, and is shown within financing to/from Parent in the combined statement of cash flows.

25.5. Transactions with other related parties

No transactions with other related parties.

25.6. Commitments and contingencies

The Target Business has not guaranteed any loan to any key management personnel.

26. POST BALANCE SHEET EVENTS

The Target Business has evaluated all subsequent events for potential recognition and disclosure through 30 June 2019, the date the combined financial statements were authorised to be issued by ELEMIS' management.

On 11 January 2019, the Parent entered into a definitive sale agreement with L'Occitane for the sale of the Target Business.

On 1 March 2019, the Parent closed on the purchase agreement with L'Occitane, pursuant to which, among other things, L'Occitane purchased the Target Business by way of acquisition of (i) 100% equity interest in ELEMIS USA from the Parent; (ii) 100% equity interest in Cosmetics Ltd from the Parent; and (iii) 100% equity interest in ELEMIS Limited from Nemo (UK) Holdco, Ltd., an indirectly wholly-owned subsidiary of the Parent. After the closing of the acquisition transactions, ELEMIS USA, ELEMIS Limited and Cosmetics Ltd became wholly-owned subsidiaries of L'Occitane.

No audited financial statements have been prepared by the Target Business or any of its subsidiaries in respect of any period subsequent to 31 December 2018 and up to the date of this report. No dividend or distribution has been declared or made by the Target Business or any of its subsidiaries in respect of any period subsequent to 31 December 2018.

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.

Set out below is the management discussion and analysis of the Target Business for the financial years ended 31 December 2018. The following financial information is based on Appendix II to this circular.

TURNOVER

For each of the three years ended 31 December, 2016, 2017 and 2018, net sales of ELEMIS was $129.8 million, $122.2 million, and $151.3 million respectively.

The net sales of ELEMIS represents revenue from the global distribution of beauty and skincare products. The decrease in turnover from 2016 to 2017 was primarily due the signing of a supply agreement with a wholly-owned subsidiary of the Parent of the Steiner Leisure group, which established the prices at which beauty products will be purchased by an affiliate for a term of ten years. The increase in turnover from 2017 to 2018 was driven by growth with existing customers and an increasing focus on digital sales. ELEMIS grew its core UK business by 13.1% and continued its rapid expansion within the US market pursuing a digital first strategy which saw online sales grow by 304% whilst simultaneously expanding other channels, particularly retail where ELEMIS opened in 300 Ulta stores leading to an overall growth rate of 50.5%. The rapid expansion of online sales has seen growth from 4.3% of turnover in 2016 to 6.5% in 2017 and 11.8% in 2018.

COST OF SALES & GROSS MARGIN

For each of the three years ended 31 December, 2016, 2017 and 2018, cost of sales of ELEMIS were $48.1 million, $50.4 million, and $56.9 million respectively representing gross margins of 63.0%, 58.8% and 62.4%

The cost of sales of ELEMIS increases from 2016 to 2017, and from 2017 to 2018, are a product of an increase in volume, there were no significant changes to pricing over the respective periods.

The decrease in gross margin from 2016 to 2017 was primarily due to the supply agreement signed in 2017 for the affiliate of the Parent of the Steiner Leisure group. The increase from 2017 to 2018 is a result of the increase in online sales, particularly in the US market.

DISTRIBUTION EXPENSES

For each of the three years ended 31 December, 2016, 2017 and 2018, distribution expenses of ELEMIS were $12.2 million, $13.1 million, and $15.9 million respectively.

The increases from 2016 to 2017 and from 2017 and 2018 are primarily due to increased freight costs associated with the growing global footprint and increased online sales.

MARKETING EXPENSES

For each of the three years ended 31 December, 2016, 2017 and 2018, marketing expenses of ELEMIS were $10.6 million, $13.7 million, and $17.8 million respectively.

The increase from 2016 to 2017 was primarily due to investment to achieve correct market positioning as the brand embraced a global outlook. The increase from 2017 to 2018 was due to the digital first strategy to drive online sales growth across the brand.

GENERAL AND ADMINISTRATIVE EXPENSES

For each of the three years ended 31 December, 2016, 2017 and 2018, general expenses of ELEMIS were $16.1 million, $21.1 million, and $23.2 million respectively.

The increases from 2016 to 2017 and from 2017 and 2018 are primarily due to investment in infrastructure across brand locations to support accelerating global growth.

PROFIT BEFORE TAX

ELEMIS recorded profit before income tax for each of the three years ended 31 December, 2016, 2017 and 2018 of $45.4 million, $22.6 million, and $39.3 million respectively.

The decrease from 2016 to 2017 was primarily due to the supply agreement signed in 2017 (as noted above). The increase from 2017 to 2018 was primarily driven by sales and the digital first strategy offset by investments in the business to drive future growth.

INCOME TAX EXPENSE

For each of the three years ended 31 December, 2016, 2017 and 2018, income tax expense of ELEMIS were $1.7 million, $4.2 million, and $4.4 million respectively representing an effective tax rate of 3.8%, 18.5% and 11.2%.

The increase in effective rate from 2016 to 2017 is due to the geographical split of where profits arose with more profits arising in higher rate jurisdictions in 2017. The decrease in effective rate from 2017 to 2018 is due to the decrease in the headline US corporate tax rate.

PROFIT FOR THE YEAR

For each of the three years ended 31 December, 2016, 2017 and 2018, ELEMIS recorded a net profit of $43.7 million, $18.4 million and $34.9 million respectively.

OPERATING SEGMENTS

From a channel perspective, management assesses the performance of three operating segments, which are 1) Sell-out, 2) Sell-in and 3) Business to Business:

Sell-out comprises the sales of the products directly to the final customers. These sales are mainly done in the Target Business's stores and/or through the Target Business'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 Target Business'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 Operating Segments, 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.

31 December 2018 *In thousands of USD*	**Sell-out**	**Sell-in and B-to-B**	**Other reconciling items**	**Total**
Net sales	19,852	131,451	—	151,303
In % of total	*13.1%*	*86.9%*	—	*123.8%*
Gross profit	16,474	78,504	(604)	94,374
% of net sales	*83.0%*	*59.7%*	*N/A*	*62.4%*
Distribution expenses	(2,557)	(9,500)	(3,793)	(15,850)
Marketing expenses	(4,994)	(7,507)	(5,341)	(17,842)
General and administrative expenses	(1,640)	(9,444)	(12,069)	(23,153)
Operating profit	**7,283**	**52,053**	**(21,807)**	**37,529**
% of net sales	*36.7%*	*39.6%*	*N/A*	*24.8%*

31 December 2017 *In thousands of USD*	**Sell-out**	**Sell-in and B-to-B**	**Other reconciling items**	**Total**
Net sales	9,923	112,328	—	122,251
In % of total	*8.1%*	*91.9%*	—	*100.0%*
Gross profit	6,201	67,630	(1,940)	71,891
% of net sales	*62.5%*	*60.2%*	*N/A*	*58.8%*
Distribution expenses	(2,107)	(9,857)	(1,154)	(13,118)
Marketing expenses	(2,955)	(7,226)	(3,469)	(13,650)
General and administrative expenses	(1,515)	(16,950)	(2,677)	(21,142)
Operating profit	**(376)**	**33,597**	**(9,240)**	**23,981**
% of net sales	*(3.8%)*	*29.9%*	*N/A*	*19.6%*

31 December 2016 *In thousands of USD*	**Sell-out**	**Sell-in and B-to-B**	**Other reconciling items**	**Total**
Net sales	7,709	122,046	—	129,755
In % of total	*5.9%*	*94.1%*	—	*106.1%*
Gross profit	6,294	76,697	(1,286)	81,705
% of net sales	*81.6%*	*62.8%*	*N/A*	*63.0%*
Distribution expenses	(1,891)	(9,314)	(1,004)	(12,209)
Marketing expenses	(2,340)	(6,505)	(1,752)	(10,597)
General and administrative expenses	(1,121)	(12,426)	(2,557)	(16,104)
Operating profit	**942**	**48,452**	**(6,599)**	**42,795**
% of net sales	*12.2%*	*39.7%*	*N/A*	*33.0%*

The increase in turnover from 2017 to 2018 was driven by growth with existing customers and an increasing focus on digital sales. ELEMIS continued its rapid expansion within the US market pursuing a digital first strategy which saw sales in the Sell-out segment grow 100% from 2017 to 2018.

CAPITAL STRUCTURE

ELEMIS' only external funding was a loan from an affiliate of the Parent of the Steiner Leisure group which bore an annual interest rate of 7.50%.

The whole amount of €5 million was outstanding as at 31 December, 2016 and 2017 with settlement taking place in 2018.

As at 31 December, 2016, 2017 and 2018, the gearing ratio was 12.0%, 11.0% and 0.0%.

FINANCIAL POSITION

The total assets of ELEMIS increased from $46.8 million as at 31 December, 2016 to $61.0 million as at 31 December, 2017 and to $67.4 million as at 31 December, 2018.

The increase across the year ended 31 December, 2017 was largely attributable to a $10.1 million increase in trade receivables predominantly caused by the settlement patterns of the Parent of the Steiner Leisure group as well as an $2.0 million increase in cash. The increase across the year ended 31 December, 2018 was largely attributable to a $4.5 million increase in cash.

The total liabilities of ELEMIS increased from $20.1 million as at 31 December, 2016 to $26.4 million as at 31 December, 2017 and decrease to $22.8 million as at 31 December, 2018.

The increase across the year ended 31 December, 2017 was largely attributable to a $2.6 million increase in trade payables. The decrease across the year ended 31 December, 2018 was predominantly attributable to a $6.7 million decrease in borrowings, offset by a $4.0 million increase in trade payables.

FOREIGN EXCHANGE RISK MANAGEMENT

ELEMIS is not exposed to any significant foreign exchange exposure due to natural hedging from the operations of the group there are no active foreign exchange hedging activities.

CAPITAL COMMITMENTS, CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 31 December, 2016, 2017 and 2018 ELEMIS did not have any significant capital commitments nor contingent liabilities.

As at 31 December, 2016, 2017 and 2018 all of the assets of ELEMIS were subject to a floating charge as security again bank loans of the Parent of the Steiner Leisure group.

INVESTMENTS

For each of the three years ended 31 December, 2016, 2017 and 2018 ELEMIS did not have any significant investments.

ACQUISITIONS AND DISPOSALS

For each of the three years ended 31 December, 2016, 2017 and 2018 ELEMIS did not have any material acquisitions and disposals.

EMPLOYEES AND REMUNERATION POLICIES

ELEMIS employed a total of 471 employees, 497 employees and 540 employees as of 31 December 2016, 2017 and 2018 respectively. ELEMIS' remuneration policy is in line with prevailing market practice on performance of individual staff and ELEMIS operates a bonus plan to reward the staff on a performance related basis.

Total staff costs for each of the three years ended 31 December 2016, 2017 and 2018 were $18.4 million, $21.6 million, and $23.8 million respectively.

PROSPECTS AND OUTLOOK

The future growth of ELEMIS is centred on a true omni-channel approach with increasing focus on digital first combined with a global outlook and award-winning innovative products. ELEMIS is on track with its launch into Asia and is continuing to refine heritage channels to focus on fewer higher quality outlets.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' and chief executive's interests

As at the Latest Practicable Date, save as disclosed below none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(a) ***Interests in the shares of the Company***

Name of Director	Capacity and Nature of Interest	Number of Shares/ Underlying Shares Held or Controlled	Approximate % of Shareholding *(Note 2)*
Reinold Geiger*(Note 1)*	Interest in controlled corporation, beneficial interest and deemed interest	1,095,993,322 (long position)	74.21%
André Hoffmann	Beneficial interest	2,877,461 (long position)	0.19%
Thomas Levilion	Beneficial interest	1,945,300 (long position)	0.13%
Karl Guénard	Beneficial interest	354,400 (long position)	0.02%
Jackson Chik Sum Ng	Beneficial interest	80,000 (long position)	0.01%
Martial Lopez	Beneficial interest	60,000 (long position)	0.00%
Pierre Milet	Beneficial interest	50,000 (long position)	0.00%

Notes:

(1) Mr. Reinold Geiger is the ultimate beneficial owner of the entire issued share capital of CIME S.C.A. which in turn has 100% interest in Société d'Investissements CIME S.A. ("**CIME**"), which in turn has beneficial interest and deemed interest in approximately 75.63% of the entire issued share capital of LOG (being beneficial owner of 10,947,137 shares, having deemed interest in 655,722 treasury shares being held by LOG and directly in 253 shares). Mr. Reinold Geiger is therefore deemed under the SFO to be interested in all the shares registered in the name of LOG, which holds 1,078,549,641 Shares and controls 15,912,720 treasury shares held by the Company. Mr. Geiger is also the beneficial owner of 1,148,750 Shares and has a beneficial interest in shares under option (382,211 underlying Shares).

(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 15,912,720 Shares that are held in treasury and do not have voting rights whilst they are held in treasury.

(b) ***Interests in the shares of the associated corporations***

Long Position in the shares of LOG

Name of Director	Capacity and Nature of Interest	Number of shares/ underlying shares held or controlled	Approximate % of Shareholding*(Note 2)*
Reinold Geiger	Beneficial interest and deemed interest	11,603,112*(Note 1)*	75.63%
André Hoffmann	Beneficial interest and deemed interest	2,868,676	18.70%
Silvain Desjonquères	Beneficial interest	27,700	0.18%
Thomas Levilion	Beneficial interest	25,887	0.17%
Martial Lopez	Beneficial interest	12,800	0.08%
Karl Guénard	Beneficial interest	8,509	0.06%

Notes:

(1) Comprised of 253 shares held by Mr. Reinold Geiger, 10,947,137 shares held by CIME and 655,722 treasury shares held by LOG. Mr. Geiger is the ultimate beneficial owner of the entire issued share capital of CIME; Mr. Geiger is therefore deemed under the SFO to be interested in all the shares in LOG held by CIME. As ultimate controlling shareholder of LOG, Mr. Geiger is also deemed to be interested in the treasury shares being held by LOG.

(2) The approximate percentage shareholdings in the share capital of LOG are calculated on the basis of the total number of 15,341,954 shares issued, inclusive of 655,722 treasury shares held by LOG.

Substantial Shareholders' Interests

Save as disclosed below, as at the Latest Practicable Date, the Directors were not aware of any other persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholders	Capacity and Nature of Interest	Number of Shares/ underlying Shares held or controlled	Approximate % of Shareholding *(Note 3)*
Cime Management Sarl	Interest in controlled corporation and deemed interest	1,094,462,361 (long position)*(Note 1)*	74.10%
Cime S.C.A.	Interest in controlled corporation and deemed interest	1,094,462,361 (long position)*(Note 1)*	74.10%
Société d'Investissements CIME S.A.	Interest in controlled corporation and deemed interest	1,094,462,361 (long position)*(Note 1)*	74.10%
LOG	Interest in controlled corporation and deemed interest	1,094,462,361 (long position)*(Note 2)*	74.10%
ACATIS Investment Kapitalverwaltungsgesellschaft mbH	Executor or administrator	89,223,750 (long position)*(Note 2)*	6.04%

Notes:

(1) Each of Cime Management SARl (indirectly) and Cime S.C.A. (directly) has 100% interest in shareholding of CIME and CIME has an interest in approximately 75.63% of the total issued share capital of LOG (being beneficial owner of 10,971,137 shares and having deemed interest in 655,722 treasury shares being directly or indirectly held by LOG). Cime S.C.A. is the controlling corporation of CIME and CIME is the controlling corporation of LOG and Cime S.C.A. and CIME are therefore deemed under the SFO to be interested in all the 1,078,549,641 Shares held by LOG. As suggested by SFC, being the controlling corporations of the Company, Cime Management SARl, Cime S.C.A., CIME and LOG have deemed interest in the 15,912,720 treasury shares being held by the Company.

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

(3) 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 15,912,720 Shares that are held in treasury and do not have voting rights whilst they are held in treasury.

As at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or short position in the Shares or underlying Shares of the Company which should fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. OTHER INTERESTS

As at the Latest Practicable Date:-

(1) none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 March 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up;

(2) no contract or arrangement in which any of the Directors was materially interested and which was significant in relation to the business of the Enlarged Group subsisted;

(3) none of the Directors had any existing or proposed service contracts with any member of the Enlarged Group other than contracts expiring or determinable by the employer within one (1) year without payment of compensation (other than statutory compensation); and

(4) none of the Directors or their respective close associate(s) was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

5. EXPERT AND CONSENT

The following are the qualifications of any expert ("**Expert**") whose advice and/or report(s) are contained in this circular:

Name	**Qualification**
Ernst & Young LLP	Certified Public Accountants

The Expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of the text of its letter dated the date of this circular and/or the references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the Expert:

(a) did not have any shareholding interest, directly or indirectly, in any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

(b) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 March 2018, the date to which the latest published audited consolidated financial statements of the Group were made up.

6. MATERIAL CONTRACTS

Save as disclosed below, none of the members of the Enlarged Group has entered into any contracts (not being contracts entered into in the ordinary course of business carried on by the Enlarged Group) within the two years preceding the date of this circular that are, or may be material:

- the Purchase Agreement dated 11 January 2019 between Steiner Leisure and Nemo UK as sellers, Steiner Leisure as seller representative and the Company as buyer, pursuant to which, among other things, the Company agreed to purchase (i) 100% equity interest in ELEMIS USA from Steiner Leisure; and (ii) 100% equity interest in ELEMIS Limited from Nemo UK, for the Purchase Price of US$900,000,000 (equivalent to approximately HK$7,020,000,000), including payment for Cosmetics Ltd Acquisition, subject to adjustments, further details of which are set out in the Letter from the Board of this circular.

7. GENERAL INFORMATION

(a) Joint company secretary of the Company — Mr. Karl Guénard. Mr. Karl Guénard ("Mr. Guénard"), company secretary of the Company, is based in Luxembourg and reports to Mr. Thomas Levilion, an Executive Director and the Group's Deputy General Manager whose primary responsibility is to oversee the Group's finance functions worldwide. Mr. Guénard is a chartered accountant. He holds a master's degree in economics and management sciences from the University of Strasbourg, France.

(b) The Principal Share Registrar and Transfer Office — 49, Boulevard Prince Henri L-1724 Luxembourg

(c) Hong Kong Share Registrar — Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

(d) The registered office of the Company — 49, Boulevard Prince Henri, L-1724 Luxembourg

(e) The head office and principal place of business of the Company in Hong Kong - 38/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

The English text of this circular shall prevail over its Chinese text.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong during normal business hours from the date of this circular for 14 business days:

- The articles of association of the Company;
- The annual reports of the Company for the three financial years ended 31 March 2018;
- Copy(ies) of the material contract(s) as referred to in paragraph 6 of this Appendix;
- The letter from the Board, the text of which is set out in the section headed "Letter from the Board" of this circular;
- The accountants' report on the Target Business, the text of which is set out in Appendix II to this circular;
- Written consent of the Expert as referred to in paragraph 5 of this Appendix; and
- This circular.