

# L'OCCITANE

EN PROVENCE

## L'OCCITANE INTERNATIONAL S.A.

Société Anonyme  
1, rue du Fort Rheinsheim L-2419 Luxembourg  
R.C.S. Luxembourg: B80359  
(Incorporated under the laws of Luxembourg with limited liability)  
**Stock code : 973**



2009 / 2010  
**Annual Report**



# L'OCCITANE

EN PROVENCE



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### **Executive Directors**

Reinold Geiger  
*(Chairman and Chief Executive Officer)*  
Emmanuel Laurent Jacques Osti  
*(Managing Director)*  
André Joseph Hoffmann  
*(Managing Director Asia-Pacific)*  
Thomas Levilion  
*(Group Deputy General Manager, Finance and Administration)*

### **Non-executive Directors**

Karl Guenard  
Martial Thierry Lopez  
Pierre Maurice Georges Milet

### **Independent Non-executive Directors**

Charles Mark Broadley  
Susan Saltzbarth Kilsby  
Jackson Chik Sum Ng

### **Joint Company Secretaries**

Kenny Yee Hing Choy  
Sylvie Duvieusart-Marquant

### **Authorised Representatives**

André Joseph Hoffmann  
Kenny Yee Hing Choy

### **Company Legal Name**

L'Occitane International S.A.

### **Date of Incorporation**

22 December 2000

### **Date of Listing in Hong Kong**

7 May 2010

### **Registered Office**

1, rue du Fort Rheinsheim  
L-2419 Luxembourg





### **Headquarter Offices**

1, rue du Fort Rheinsheim  
L-2419 Luxembourg

Route de la Galaise 2  
1228 Plan-Les-Ouates  
Geneva  
Switzerland

### **Principal Place of Business in Hong Kong**

14/F, Universal Trade Centre  
3 Arbutnot Road  
Central, Hong Kong

### **Stock Code**

973

### **Company Website**

[www.loccitane.com](http://www.loccitane.com)

### **Audit Committee**

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

### **Remuneration Committee**

Emmanuel Laurent Jacques Osti (*Chairman*)  
Charles Mark Broadley  
Susan Saltzbarth Kilsby

### **Nomination Committee**

André Joseph Hoffmann (*Chairman*)  
Charles Mark Broadley  
Susan Saltzbarth Kilsby

### **Principal Bankers**

Crédit Agricole Corporate and Investment Bank  
BNP Paribas  
Crédit Industriel et Commercial  
HSBC France  
Société Générale  
Crédit du Nord  
BRED - Banque Populaire

### **Auditors**

PricewaterhouseCoopers  
Certified Public Accountants

### **Compliance Adviser**

Kingsway Capital Limited

### **Principal Share Registrar and Transfer Office**

Banque Privée Edmond de Rothschild  
20, Boulevard Emmanuel Servais  
L-2535, Luxembourg

### **Hong Kong Share Registrar**

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

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# FINANCIAL HIGHLIGHTS



# KEY FINANCIAL HIGHLIGHTS

Highlights of results for the year ended 31 March	2010	2009
Net Sales (€ million)	612.2	537.3
Operating profit (€ million)	110.2	80.5
Net profit (€ million)	84.6	59.4
Gross Profit margin	81.2%	80.4%
Operating profit margin	18.0%	15.0%
Net profit margin	13.8%	11.1%
Return on total assets (ROA) <sup>(1)</sup>	19.4%	14.6%
Return on equity (ROE) <sup>(2)</sup>	51.9%	31.5%
Current ratio (times) <sup>(3)</sup>	0.90	1.40
Gearing ratio <sup>(4)</sup>	14.2%	26.8%
Inventory turnover days <sup>(5)</sup>	230	233
Turnover days of trade receivables <sup>(6)</sup>	27	28
Turnover days of trade payables <sup>(7)</sup>	65	60
Total number of own stores <sup>(8)</sup>	764	687
Profit attributable to equity holders (€ million)	81.6	58.4
Basic earnings per share (€)	0.064	0.046

**Notes:**

(1) Net profit / total assets

(2) Net profit attributable to equity holders of the Company / shareholders' equity excluding minority interest

(3) Current assets / current liabilities

(4) Total debt / total assets

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

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

(7) Calculated using the average of the beginning and ending trade payables balance for the period, divided by total purchases for the period, multiplied by 365. In calculating turnover days of trade payables, we use total purchases rather than cost of sales as our cost of sales do not take into account certain distribution, general and administrative expenses that are included in our trade payables, whereas our total purchases include all payments to suppliers.

(8) L'Occitane and Melvita branded boutiques and department stores corners directly managed and operated by us. Net of the discontinuation of 10 Oliviers & Co. stores in the USA in FY2010.

# STRIVE FOR PROFITABLE GROWTH

Message from  
**REINOLD GEIGER**



Over the past ten years we have succeeded in developing a strong global company. This success has been built on the demand for natural ingredient-based cosmetics which has been and is growing constantly. Furthermore, we put in place a strong management team and performed a good deal of hard work.

On 7 May 2010 our company was listed on the Hong Kong Stock Exchange. This marks for us the beginning of a new era. We view the IPO as a catalyst for growth, allowing us to expand even more quickly than in the past.

2009 has been a year of both ups and downs for the world economy. Despite this we achieved good results; revenue grew by 13.9% to €612.2 million and profit attributable to equity holders by 39.8% to €81.6 million. Because of these good results during this difficult period, we decided that there was no need for us to delay our IPO project any further. The fact that we were very heavily oversubscribed demonstrates the extent to which investors have confidence in our company.

Continuing to focus on our retail expertise, we opened a net 270 stores and personalized corners this year, reaching a total of 1,541 stores of which 764 are operated by us. Through the contribution of our sales staff around the world, most regions experienced positive growth with Asia continuing to lead the path.

Thanks to our R&D, marketing and supply chain efforts we launched a very successful global high-end anti-aging product, the new L'Occitane Divine Immortelle Cream. This new product was very recently awarded the Innovation award by the French Avantages women's magazine, which



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## DURING THE YEAR WE ALSO CONTINUED STRENGTHENING OUR MELVITA AND COUVENT DES MINIMES PROPOSITIONS AND BOTH BRANDS EXPERIENCED POSITIVE GROWTH.

is the number two monthly women's magazine in France.

During the year we also continued strengthening our Melvita and Couvent des Minimes propositions and both brands experienced positive growth.

We are now entering the implementation phases of two key organization projects; namely, the enhancement of our supply chain capabilities and the implementation of SAP as our new enterprise resource planning solution. These projects will enable us to maximize our ability to grow profitably in the long term.

We have all the tools in our hands to be even more successful in the future. Today there is no other natural cosmetic company with a worldwide distribution like

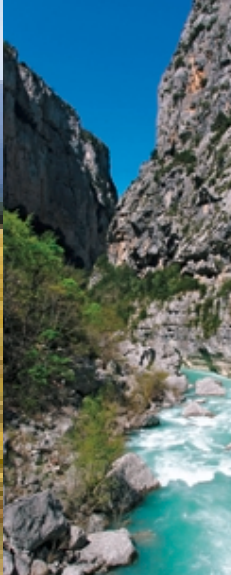
ours. No competitor commands the same presence as us throughout the developed countries as well as in all the emerging countries. Therefore, we have secured a strategic advantage and we will do everything possible not only to maintain it but also to increase it.

In summary, we have great potential to continuously grow our company worldwide.

### DEVELOPED COUNTRIES

We are far from having reached maturity in these markets, where we will significantly increase the number of stores and further develop other distribution channels; in particular travel retail and e-commerce.









## BRIC COUNTRIES

Today we have a strong presence in Brazil, Russia and China and we opened our first store in India last December. It was hard work to get organized and to commence operations in all those markets but today we have effective management teams in place which can and will accelerate our business development.

We are also a socially responsible company. This is not because today it has become a trendy fashion, but rather because with regard to working with natural ingredients, having respect for nature, people and traditions, most of our staff were involved from the beginning in actions to preserve nature and to help disadvantaged people.

With all the employees we form a big team, living an adventure and participating in building what will hopefully become a world leader in our special area. You shareholders have now become a part of this team. We are very proud that you have supported us and we will continue working very hard in order not to disappoint you.

**Reinold Geiger**

*Chairman*

24 June 2010



# MANAGEMENT DISCUSSION AND ANALYSIS

## Summary:

- Overall sales reached €612.2 million (FY2009: €537.3 million)
- Operating profit was €110.2 million, or 18.0% of total sales (FY2009: €80.5 million, or 15.0% of total sales)
- Profit before tax was €112.1 million (FY2009: €76.3 million)
- Effective tax rate was 24.6% (FY2009: 19.6%)
- Profit for the year was €84.6 million, or 13.8% of total sales (FY2009: €59.4 million, or 11.1% of total sales)



## For the Year Ended 31 March

	2010 € million	2009 € million
Net Sales	612.2	537.3
Operating profit	110.2	80.5
Net profit	84.6	59.4
Gross Profit margin	81.2%	80.4%
Operating profit margin	18.0%	15.0%
Net profit margin	13.8%	11.1%

### Definitions:

**Comparable Stores** means existing retail stores which have been opened at least 24 months prior to the end of the financial period under discussion.

**Non-comparable Stores** means new retail stores opened within the 24 months prior to the end of the financial period under discussion and stores closed within this period.

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

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

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

**Overall growth** means the total worldwide net sales growth for the financial period(s) indicated.

### REVENUE ANALYSIS

Net sales were €612.2 million in FY2010, a 13.9%, or €74.9 million, increase compared to FY2009, reflecting net sales growth in all of our business segments and geographic areas, except for the United States. In FY2010, net sales in our Sell-out and Sell-in business segments (representing 73.5% and 23.1%, respectively, of our total net sales) increased by 17.0% and 6.9%, respectively. Excluding foreign currency translation effects, net sales increased by 13.5% in FY2010.



We increased the total number of retail locations where our products are sold from 1,271 as at 31 March 2009 to 1,541 as at 31 March 2010. Likewise, we increased the number of our own retail stores from 687 as at 31 March 2009 to 764 as at 31 March 2010, representing a combination of the discontinuation of 10 Oliviers & Co. stores in the USA and a net increase of 87 own L'Occitane and Melvita stores, including 34 additional stores in Asia, 36 in Europe and 17 in the Americas. Excluding foreign currency translation effects,

Comparable Store Sales represented 3.9% of our overall growth in FY2010 while Non-comparable Store Sales during the period represented 75.8% of our overall growth.

Sales in Japan, Hong Kong, the United Kingdom, Brazil and in Other Countries, including China and Russia, were the driving factors of our net sales growth in FY2010.

## Business Segments

The following table provides a breakdown of the net sales growth (including and excluding foreign currency translation effects as indicated) by business segment for FY2010:

	(€'000)	% Growth	% Growth <sup>(2)</sup>	% Contribution to Overall Growth <sup>(2)</sup>
<b>Sell-out</b>	<b>65,411</b>	<b>17.0</b>	<b>16.4</b>	<b>87.1</b>
Comparable Stores	5,161	1.8	1.0	3.9
Non-comparable Stores	54,454	69.4	70.0	75.8
Other <sup>(1)</sup>	5,796	25.9	24.2	7.5
<b>Sell-in</b>	<b>9,113</b>	<b>6.9</b>	<b>6.7</b>	<b>12.3</b>
<b>B-to-B</b>	<b>386</b>	<b>1.9</b>	<b>2.0</b>	<b>0.6</b>
<b>Overall Growth</b>	<b>74,910</b>	<b>13.9</b>	<b>13.5</b>	<b>100.0</b>

(1) Includes mail-order, internet and other sales.

(2) Excludes the impact of foreign currency translation effects.

### Sell-out Segment

Sell-out net sales increased by 17.0%, or €65.4 million, to €449.8 million in FY2010, as compared to FY2009, primarily due to our net addition of 77 stores between 31 March 2009 and 31 March 2010, including net addition of 5 stores in Japan, 3 stores in Hong Kong, 6 stores in the United Kingdom and 65 stores in Other Countries, as well as the discontinuation of 10 Oliviers & Co. stores in the USA. In Other Countries, we added notably 9 stores in China, 9 stores in Germany, 6 stores each in Russia, Korea and Poland, and 2 stores in Brazil. In addition, we acquired 12 stores from our Canadian distributor. The net sales of our own retail stores represented 79.7% of our overall growth in FY2010 excluding foreign currency

translation effects, as compared to FY2009, with Non-comparable Stores providing 75.8% of the growth and Comparable Stores providing 3.9% of the growth excluding foreign currency translation effects, respectively. We experienced a Same Store Sales Growth of 1.0% during the period, which was primarily driven by an increase in sales transactions from both existing and new customers offsetting a slight decrease in the average prices of our products. The other sell-out activities benefited primarily from the strong development of our internet sales. Our internet sales increased by 32.1% and represented 6.5% of our overall sales growth excluding foreign currency translation effects.



Excluding foreign currency translation effects, our Sell-out net sales increased by 16.4%, with such an increase representing 87.1% of our overall net sales growth in FY2010, compared to FY2009.

#### **Sell-in Segment**

Sell-in net sales increased 6.9%, or €9.1 million, to €141.7 million in FY2010 compared to FY2009 primarily due to:

- an increase in sales to duty free stores, where despite a continued depressed travel market throughout the period, sales increased by 21.1%, or €6.1 million, to €35.1 million. In FY2010, 164 new duty free outlets which sell our products were opened by our customers;
- an increase in sales to wholesale customers and department stores by 6.9%, or €4.0 million, primarily due to the acquisition of our wholesale operations in Italy in FY2009 from a distributor as well as to the positive developments of Melvita in France, L'Occitane in Australia, UK, Germany, Spain and Brazil, and le Couvent des Minimes; and
- such increases being partially offset by net sales relating to our distributors in Asia, Europe and the Middle East, which decreased by €1.2 million or 3.9% to €29.8 million. This decrease was due to the reclassification of revenue that we derived from

sales to distributors in Thailand, Poland, Italy and Canada to both of the other segments, following our acquisitions of: (i) the controlling interests in our distributors in Thailand and Poland in June and July 2008, respectively, (ii) our wholesale operations in Italy in April 2009 as mentioned above, and (iii) the net assets of our distributor in Canada in May 2009. In addition, the sales of M&A Développement SAS and its sub-group ("M&A SAS") under private labels decreased strongly by €1.3 million or -33.0% to €2.6 million, as we decided to focus our production capacity on manufacturing products under our own brands.

Excluding foreign currency translation effects, the Sell-in Segment grew by 6.7%, which represented 12.3% of overall net sales growth in FY2010.

#### **B-to-B Segment**

B-to-B net sales increased by 1.9%, or €0.4 million, to €20.8 million in FY2010 compared to FY2009 in a context of lower hotel occupancy and reduced traffic at airports. Our B-to-B sales increased in Japan by €0.7 million and in the Other Countries by €1.1 million, as we are in the early stages of our B-to-B development in these countries, more than offsetting decreases notably in the USA and Taiwan. Excluding foreign currency translation effects, net sales in the B-to-B Segment increased by 2.0%, which contributed to our overall net sales growth by 0.6% in FY2010.



## Geographic Areas

The following table presents our net sales growth for FY2010 and contribution to net sales growth (including and excluding foreign currency translation effects as indicated) by geographic area:

	Net Sales Growth FY2010 compared to FY2009			% Contribution to Overall Growth <sup>(1)</sup>
	(€'000)	% Growth	% Growth <sup>(1)</sup>	
Japan	20,355	16.0	11.6	20.4
Hong Kong <sup>(2)</sup>	6,380	14.7	15.2	9.1
Taiwan	518	2.1	4.7	1.6
France	915	1.2	1.2	1.3
United Kingdom	4,792	18.4	25.1	9.0
United States	(1,509)	(1.7)	(0.5)	(0.6)
Brazil	6,242	32.4	23.0	6.1
Other Countries <sup>(3)</sup>	37,217	28.8	29.8	53.1
<b>All countries</b>	<b>74,910</b>	<b>13.9</b>	<b>13.5</b>	<b>100.0</b>

**Notes:**

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

(2) Includes sales from Macau.

(3) Calculated using a weighted average of constituent countries. Includes sales from Luxembourg, Swiss branch.





The following table provides a breakdown, by geographic area, of the number of our Retail Stores, their contribution percentage to overall growth and our Same Store Sales Growth for FY2010 and FY2009:

	FY2010 compared to FY2009						
	Retail stores			% of Overall Growth <sup>(1) (2)</sup>			Same Store Sales Growth <sup>(2)</sup>
	31 March 2010	31 March 2009	change	Non-comparable Stores	Comparable stores	Total Stores	
Japan	72	67	5	20.8	(4.7)	16.1	(4.9)
Hong Kong <sup>(3)</sup>	18	15	3	2.5	1.6	4.1	6.8
Taiwan	51	47	4	1.4	(0.2)	1.2	(0.7)
France <sup>(4)</sup>	64	62	2	4.2	(1.1)	3.2	(2.6)
United Kingdom	42	36	6	3.8	2.2	6.1	11.0
United States <sup>(5)</sup>	166	176	(10)	(0.4)	1.3	0.9	1.6
Brazil	32	30	2	2.6	1.7	4.3	9.0
Other Countries <sup>(6) (7)</sup>	319	254	65	40.8	3.0	43.8	3.5
<b>All countries</b>	<b>764</b>	<b>687</b>	<b>77</b>	<b>75.8</b>	<b>3.9</b>	<b>79.7</b>	<b>1.0</b>

**Notes:**

- (1) Represents percentage of overall net sales growth attributable to Non-comparable Stores, Comparable Stores and retail stores for the geographic area and period indicated.  
(2) Excludes foreign currency translation effects.  
(3) Includes 1 L'Occitane store in Macau from December 2007 and 1 Melvita store in Hong Kong from December 2009.  
(4) Includes 4 Melvita stores from June 2008.  
(5) Includes 10 Oliviers & Co. stores as at 31 March 2009.  
(6) Includes 1 Melvita store from March 2010.  
(7) Calculated using a weighted average of constituent countries.

**Japan**

Net sales in Japan increased by 16.0%, or €20.4 million, to €147.8 million in FY2010, as compared to FY2009. This growth primarily reflected higher net sales in our Sell-out segment. Net sales in our Sell-out segment in Japan rose by 15.8%, or €18.6 million, driven by Non-comparable Store Sales which represented 20.8% of our overall growth excluding foreign currency translation effects. Between 31 March 2009 and 31 March 2010, we opened a net 5 stores in Japan. Comparable Store Sales decreased by 4.9% primarily due to the impact of the

financial crisis on the Japanese economy. Comparable Store Sales negatively impacted upon our overall growth excluding foreign currency translation effects by 4.7%.

Our Sell-in sales increased by 13.1%, or €1.1 million, in FY2010 compared to FY2009, primarily due to growth in the corporate gift activity and to sales to QVC (television home shopping) customers. Excluding foreign currency translation effects, net sales in Japan increased by 11.6%.

***Hong Kong***

Net sales in Hong Kong increased by 14.7%, or €6.4 million, to €49.7 million in FY2010, as compared to FY2009. This growth was driven by higher net sales in our Sell-out and Sell-in segments. Net sales in our Sell-out segment increased by 16.1% or €2.8 million. The increase in Sell-out sales was primarily due to increased net sales from Non-comparable Stores, as we opened a net 3 new stores in Hong Kong in FY2010 and to increased sales at our Comparable Stores. The Non-comparable Store Sales represented 2.5% of our overall growth excluding foreign currency translation effects. Our Comparable Store Sales grew by 6.8%, primarily due to an increase in average sales per transaction combined with an increased number of transactions and represented 1.6% of our overall growth excluding foreign currency translation effects.

Our Sell-in sales increased by 14.7%, or €3.6 million, in FY2010 as compared to FY2009, essentially due to strong growth in sales to duty free customers. Stable sales to our Asian distributors (our sales are recorded based on the location of the invoicing subsidiary) were due to the acquisition of the controlling rights of our former distributor in Thailand in June 2008, offsetting increased sales to other distributors. Excluding foreign currency translation effects, net sales in Hong Kong increased by 15.2%.

***Taiwan***

Net sales in Taiwan increased by 2.1%, or €0.5 million, to €24.7 million in FY2010, compared to FY2009. This increase was mainly driven by an increase in Non-Comparable Stores Sales, which grew by 29.4% and represented 1.4% of our overall growth excluding foreign currency translation effects primarily as a result of our net opening of 3 stores in FY2009 and 4 stores in FY2010. Comparable Store Sales decreased slightly by 0.7%.

Our Sell-in sales increased by 218.7%, or €0.4 million, in FY2010 as compared to FY2009, essentially due to the addition of new Sell-in activities in this country, namely corporate gifts and distributors. Excluding foreign currency translation effects, net sales in Taiwan increased by 4.7%.

***France***

Net sales in France increased by 1.2%, or €0.9 million, to €78.1 million in FY2010, compared to FY2009. This growth was primarily driven by sales of M&A SAS, acquired in June 2008, which represented €1.3 million, or 1.7%, of our overall growth excluding foreign currency translation effects. M&A SAS sales benefited from increased sales under the Melvita brand of 16.9%, or €2.6 million, partly offset by lower private label sales representing a decrease of €1.3 million, as a result of focusing our production capacity on the L'Occitane and Melvita branded products. Excluding the effect of M&A SAS' sales, net sales in France decreased slightly by 0.6%, or €0.4 million, to €57.7 million in FY2010 driven primarily by our Sell-out activities offset by decreases in the Sell-in and B-to-B segments. Retail sales increased by 2.4%, or €0.7 million, primarily due to Non-comparable Store Sales, while Comparable Store Sales decreased by 2.6% as a result of lower demand throughout FY2010. In FY2010, we opened a net of 2 stores in France with related Non-comparable Store Sales representing 2.1% of our overall growth excluding foreign currency translation effects. Comparable Store Sales reduced our overall growth by 1.1% excluding foreign currency translation effects. Our internet sales grew by 42.2%, or €0.5 million, which accounted for 0.7% of our overall sales growth excluding foreign currency translation effects.

Excluding Melvita's sales, our Sell-in sales fell by 7.6%, or €1.4 million, in FY2010 compared to FY2009, mainly due to a decrease in sales to our distributor customers by 18.6%, or €1.5 million, as a consequence of their cautious buying and inventory reduction efforts stemming from weak consumer activity. Our B-to-B sales decreased by 5.0% in FY2010 in the context of lower occupancy at our hotel customers.



### **United Kingdom**

Net sales in the United Kingdom increased by 18.4%, or €4.8 million, to €30.8 million in FY2010, as compared to FY2009, and increased by 25.1% excluding foreign currency translation effects. This growth was mainly driven by higher net sales in the Sell-out and Sell-in segments. Net sales in our Sell-out Segment, excluding foreign currency translation effects improved by 27.5% or €4.9 million due to increased sales at both Comparable Stores and Non-Comparable Stores during the period, with Comparable Stores Sales growing by 11.0%. The increase in Comparable Store Sales was the result of increased transactions combined with increased average sales per transaction. Comparable Store Sales represented 2.2% of our overall growth excluding foreign currency translation effects. During FY2010, we opened a net of 6 stores in the United Kingdom with related Non-comparable Store Sales representing 3.8% of our overall growth excluding foreign currency translation effects.

Excluding foreign currency translation effects, our Sell-in sales improved by 23.5%, or €1.7 million, in FY2010, compared to FY2009, reflecting the continued increases in our sales to QVC (television home shopping) customers in the United Kingdom and to increased sales to department stores.

### **United States**

Net sales in the United States decreased slightly by 1.7%, or €1.5 million, to €89.4 million in FY2010, compared to FY2009. Excluding foreign currency translation effects, net sales in the United States decreased by 0.5% due to the lower sales of Oliviers & Co. products resulting from our discontinuation of this activity during FY2010.

Excluding Oliviers & Co., net sales in the United States increased by 0.6% excluding foreign currency translation effects and contributed for 0.7% to our overall sales growth excluding such effects. This increase was driven by sales in the Sell-out segment, partly offset by decreases in the Sell-in and B-to-B segments. Net sales in our Sell-out Segment, excluding foreign currency translation effects improved by 3.5% or €2.6 million due to increased sales at both Comparable Stores and Non-Comparable Stores during FY2010, with Comparable

Stores Sales growing by 1.6%. The increase in Comparable Store Sales was the result of increased transactions partly offset by decreased average sales per transaction. Comparable Store Sales represented 1.3% of our overall growth excluding foreign currency translation effects. During FY2010, we opened 5 stores balanced by 5 closings. Combined with our net openings of 3 stores in FY2009, the increase in related Non-comparable store sales represented 1.7% of our overall growth excluding foreign currency translation effects. During FY2010, our internet sales in the United States represented 8.6% of our total sales in this country and contributed for 0.7% to our overall sales growth excluding currency translation effects.

The Sell-in segment was primarily affected by lower sales of corporate gifts and by lower wholesale and department stores sales, which decreased by 4.4% as these customers reduced their inventories. As a result, net sales in the Sell-in segment decreased by €1.4 million, or -16.2% excluding foreign currency translation effects, contributing negatively for 1.9% to our overall sales growth excluding such effects.

### **Brazil**

Net sales in Brazil increased by 32.4%, or €6.2 million, to €25.5 million in FY2010, as compared to FY2009. This growth was driven primarily by higher net sales in the Sell-out and Sell-in Segments. Net sales in our Sell-out Segment increased by 26.1% or €4.5 million due to Same Store Sales Growth of 9.0%, and to increased Non-comparable Stores Sales. Comparable Store Sales represented 1.7% of our overall growth excluding foreign currency translation effects. In FY2010, we opened a net of 2 stores in Brazil, contributing to the increase in Non-comparable Store Sales, which represented 2.6% of our overall growth excluding foreign currency translation effects.

Our Sell-in sales improved by €1.6 million in FY2010 compared to FY2009 primarily due to our development of a network of distributors in Brazil and to increased sales to local wholesalers. Excluding foreign currency translation effects, net sales in Brazil increased by 23.0%.

### **Other Countries**

Net sales in Other Countries increased by 28.8%, or €37.2 million, to €166.3 million in FY2010, as compared to FY2009. This growth primarily reflected higher net sales in our Sell-out segment. Net sales in our Sell-out segment grew by €31.7 million, primarily driven by the net opening of 65 additional stores and Same Store Sales Growth of 3.5% (calculated by using a weighted average by country). During FY2010, we increased our retail stores in, among other countries, China by 9, Korea by 6, Russia by 6, Mexico by 3, and in the Western European countries (Belgium, Germany, Switzerland, Italy and Spain) by 15, in accordance with our expansion strategy. Following the acquisition of the assets of our distributor in Canada, 12 stores were added. Non-comparable Store Sales in Other Countries accounted for 40.8% of our overall growth during FY2010 while Comparable Store Sales accounted for 3.0% of our overall growth excluding foreign currency translation effects. Excluding foreign currencies translation effects, net sales in Other Countries increased by 29.8% (calculated by using a weighted average by country).

## **PROFITABILITY ANALYSIS**

### **Cost of Sales and Gross Profit**

Cost of sales increased by 8.9%, or €9.4 million, to €115.0 million in FY2010 compared to FY2009. Our gross profit margin increased by 0.9 points to 81.2% in FY2010. The increase in gross profit margin for FY2010 mainly reflected:

- a favourable effect of the foreign currencies of 0.1 points of net sales primarily due to the stronger Japanese Yen in FY2010;
- an improved brand mix effect as our sales of L'Occitane brand products increased in FY2010 relative to sales of our other brands whose gross profit margins are generally lower than that of L'Occitane brand products for 0.1 points; and

- an increase in the gross profit margin of L'Occitane brand products of 0.6 points of net sales mainly due to a favourable channel-mix effect as a consequence of the stronger development of our Sell-out segment, accounting for 0.4 points of net sales and 0.2 points of net sales primarily due to lower freight costs on purchases and improved production costs, partly offset by unfavourable selling price effects.

### **Distribution Expenses**

Distribution expenses increased by 12.9%, or €31.0 million, to €270.9 million in FY2010, as compared to FY2009. As a percentage of net sales, our distribution expenses decreased by 0.4 point to 44.2% of net sales in FY2010, as compared to FY2009. This decrease was primarily due to our L'Occitane brand and is attributable to a combination of:

- lower freight on sales resulting notably from reduced air shipments of 0.4 points of net sales;
- reduced pre-opening costs mainly due to fewer openings in Western Europe notably and to high costs incurred in FY2009 for the opening of spas and cafés representing 0.2 points of net sales;
- the reversal of unused bad debts provisions booked in FY2009 for 0.4 points of net sales; and
- the above were partially offset for 0.6 points of net sales by increases relating to higher rent and occupancy costs and personnel expenses as a percentage of net sales primarily due to a higher share of retail sales in our total sales.

## Marketing Expenses

Marketing expenses increased by 0.4%, or €0.2 million, to €59.6 million in FY2010, as compared to FY2009. Our marketing expenses, as a percentage of net sales, decreased by 1.3 points to 9.7% of net sales in FY2010, as compared to FY2009. This reduction of our marketing expenses by 1.3 points of net sales is attributable primarily to:

- a reduction of our inventory of promotional goods, including samples and testers, during FY2010, whereas our inventory of promotional goods increased in the corresponding period in 2009, which resulted in a reduction in marketing expenses by 1.3 points of net sales;
- lower advertising expenses which resulted in a reduction in marketing expenses by 0.4 points as a percentage of net sales, partly due to higher expenses incurred during FY2009 in Japan for our special investment in the mail order activity in order to increase our market share, and to lower marketing costs for the L'Occitane brand partly due to lower advertising fees during the financial crisis; and
- Such decrease in advertising expenses being offset by increased direct marketing spending, and personnel expenses in relation to the reinforcement of our marketing teams at M&A S.A.S.

## General and Administrative Expenses

General and administrative expenses increased by 13.0%, or €6.6 million, to €59.4 million in FY2010, as compared to FY2009 and decreased as a percentage of net sales from 9.8% in FY2009 to 9.7% in FY2010. This decrease as a percentage of net sales was primarily attributable to the reinforcement of our administrative structures in some subsidiaries and Melvita for 0.1 point of net sales, and to increased costs of share-based payments, more than offset by the costs incurred in FY2009 in relation to the initial public offering ("IPO") project which was postponed due to the adverse financial market conditions. As the IPO was not probable as at 31 March 2009, all of the costs attributable to the Company were expensed in FY2009 for €2.0 million.

## Operating Profit

Operating profit increased by 36.9%, or €29.7 million, to €110.2 million in FY2010 as compared to FY2009, and our operating profit margin increased by 3.0 points from 15.0% in FY2009 to 18.0% in FY2010. The increase in our operating profit margin was primarily due to improved gross profit margin by 0.9 points, our decrease in operating expenses by 1.8 points as previously discussed, and also due to increased other gains of €2.0 million, which mainly related to the disposal of the key money of our store in Soho, New York (USA) in April 2009.

## Net Finance Costs

Net finance costs decreased by €2.3 million, to €3.5 million in FY2010 compared to FY2009. This decrease was mainly related to reduced borrowings as a result of the increase of our cash flow from operations and lower capital expenditures and lower interest rates applicable to our borrowings in FY2010 as a consequence of lower interest rates in general following the recent global financial crisis.

## Foreign Currency Gains/Losses

Our net foreign currency gains amounted to €5.5 million in FY2010. The net gains of €5.5 million in FY2010 were mainly due to:

- realized net gains on inter-company and external trading transactions for €3.0 million, primarily achieved on the US dollar and the Japanese Yen;
- unrealized net gains related to financing in foreign currencies, achieved notably on the Korean Won, Russian Ruble, US, Hong Kong and Australian dollars, contributing €2.4 million.



## Income Tax Expense

The effective rate for income taxes was 24.6% in FY2010 as compared with 22.2% for FY2009. The increase in the effective tax rate was mainly a consequence of our policy to decrease our inventories in the distribution subsidiaries during FY2010. To achieve this objective we have produced less and have consumed the inventories located in the distribution entities as at 31 March 2009. As the profit generated by these subsidiaries is taxed at a higher rate than the profit generated by our production and central distribution entities, this led to an increase in the effective tax rate.

## Profit for the Year

For the aforementioned reasons, profit for the year increased by 42.4% or €25.2 million to €84.6 million in FY2010, as compared to FY2009. The profit for the period attributable to the minority interests increased by €1.9 million, or 193.0%, notably due to the increase of profits in our joint-ventures in Taiwan, Korea and Mexico. As a result, the profit for the year attributable to equity holders of the Company increased by 39.8%, or €23.2 million. Basic and diluted earnings per Share improved by 39.8% from €0.046 to €0.064 with the number of Shares used in both calculations remaining unchanged in FY2009 and FY2010 at 1,274,396,391.

## BALANCE SHEET REVIEW

### Liquidity and Capital Resources

As at 31 March 2010, we had cash and cash equivalents of €41.8 million compared with €27.3 million as at 31 March 2009.

The following table sets forth our borrowings as at the dates indicated:

As at 31 March	2010 €'000	2009 €'000
Capex facility <sup>(2)</sup>	36,527	48,275
Revolving facility <sup>(2)</sup>	—	16,507
Other bank borrowings <sup>(1)</sup>	4,671	5,999
Finance lease liabilities <sup>(3)</sup>	11,265	7,274
Current accounts with minority shareholders and related parties <sup>(4)</sup>	5,968	30,561
Bank overdrafts	3,438	351
<b>Total</b>	<b>61,869</b>	<b>108,968</b>

**Notes:**

- (1) Certain bank borrowings are secured by key moneys. As at 31 March 2010, the net book value of key moneys was €18.9 million.
- (2) The capex facility and revolving facility are part of our 2007 credit facility. As at 28 May 2010, all amounts due by L'Occitane Group S.A. ("LOG"), ourselves and L'Occitane S.A. under the 2007 Credit Facility have been repaid in full and the 2007 credit facility has been terminated.
- (3) Finance lease liabilities relate primarily to land and building for the Manosque and Lagorce factories and premises. On 30 March 2010, we signed a new finance lease agreement in connection with (i) the acquisition of the existing land and building of Melvita for an amount of €4.9 million and (ii) the extension and restructuring of the plant for an amount of €9.1 million. As at 30 March 2010, an amount of €4.9 million was drawn.
- (4) Current accounts include loans and advances from minority shareholders of certain subsidiaries of the Company.

As at 31 March 2010, the aggregate amount of undrawn borrowing facilities was €125.5 million. In April, May and June 2010, we have drawn €110.1 million in bank borrowings on our existing bank facilities to finance principally the repayment of the LOG current account, and €11.5 million to partially finance the repayment in full of our capex facility.

## Investing Activities

Net cash used in investing activities was €35.6 million in FY2010 compared to €100.1 million in FY2009. The net cash used in FY2010 reflected capital expenditures mainly related to:

- the acquisition of net assets from our distributor in Canada for €4.6 million;
- the acquisition of the remaining minority interests in L'Occitane Do Brasil S/A for €2.7 million. After this transaction, L'Occitane Do Brasil S/A is now wholly held by our Company;
- the additions of leasehold improvements and other tangible assets related to the opening of new stores for €12.0 million;
- the additions of machinery and equipment, land and buildings, other tangible assets and tangible assets in progress for €16.3 million, primarily for our premises at Manosque, Lagorce and the USA. The tangible assets in progress are mainly related to the refurbishment of the plant's store, the furniture related to stores that are not yet opened and to the extension of the plant in Lagorce;
- additions in intangible assets of €7.5 million, reflecting the acquisition of additional key moneys primarily in France, Brazil, and Mexico for €2.3 million, and the additions of other intangible assets and intangible assets in progress primarily in IT software for €5.1 million;

- the net increase in deposits and key moneys paid to landlords of €1.5 million; and
- proceeds from the disposal of fixed assets for €3.1 million primarily related to the disposal of the key money of our Soho store in New York, USA.

As at 31 March 2010, we had capital expenditures contracted for but not yet incurred of €7.5 million for improvements to our manufacturing facilities. We are also in the process of implementing worldwide SAP as our ERP (Enterprise Resource Planning) system to support, in an efficient and integrated way, our supply chain and financial processes. The estimated overall expenses relating to the SAP project is approximately €16 million.

## Financing Activities

Net cash used in financing activities was €88.5 million in FY2010 compared to cash generated from financing activities of €36.9 million in FY2009 and mainly reflected the following:

- a €32.0 million dividend paid to L'Occitane Groupe S.A. ("LOG"), our controlling shareholder, related to scheduled repayments and interests due by LOG in relation to our 2007 credit facility;
- the repayment in full of the financing from our parent company for €24.4 million;
- a net decrease in bank borrowings and other finance leases of €31.1 million, notably reflecting the repayment in full of our Revolving facility for €16.5 million and a part repayment of our capex facility for €11.8 million.



## Inventories

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

For the year ended 31 March	2010	2009
Average Inventory turnover days <sup>(1)</sup>	230	233

**Note:**

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

Inventory turnover days decreased 3 days between FY2009 and FY2010, primarily due to decreased raw materials and work in progress and increased allowances relative to the cost of sales.

## Trade Receivables

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

For the year ended 31 March	2010	2009
Turnover days of trade receivables <sup>(1)</sup>	27	28

**Note:**

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

Turnover of trade receivables decreased by 1 day from FY2009 to FY2010 primarily due to improved collection of trade receivables in our Sell-In Segment and to a favourable channel-mix effect as a consequence of the stronger development of our Sell-out Segment.

## Trade Payables

The following table sets out a summary of our average trade payables, total purchases and turnover of trade payables for the periods indicated:

For the year ended 31 March	2010 €'000	2009 €'000
Average trade payables <sup>(1)</sup>	55,321	52,202
Total purchases	311,345	316,300
Turnover days of trade payables <sup>(2)</sup>	65	60

**Notes:**

(1) Average trade payables equals to the average of the beginning and ending balance of trade payables for the respective period.

(2) Calculated using the average of the beginning and ending trade payables balance for the period, divided by total purchases for the period, multiplied by 365. In calculating turnover days of trade payables, we use total purchases rather than cost of sales as our cost of sales do not take into account certain distribution, general and administrative expenses that are included in our trade payables, whereas our total purchases include all payments to suppliers.



From FY2009 to FY2010, our trade payables increased by €9.2 million or 5 turnover days of purchases. This increase was mainly related to increased payables in relation to purchases at Melvita and in the UK, Hong Kong and L'Occitane International, partly offset by a decrease at L'Occitane SA (France). The increase at L'Occitane International was mainly due to accrued expenses in relation to our IPO, whilst the decrease of turnover days in France was partly attributable to a new law passed in France effective 1 January 2009 that automatically entitles suppliers to charge financial penalties where a supplier is paid later than 60 days net (or 45 days after the end of the month of the invoice), thereby leading us to pay our suppliers in France earlier starting in 2009.

## Balance Sheet Ratios

The Group considers that its financial position is strong and improved in FY2010 notably as a result of the increased profitability of its assets, its lower working capital, and its strong net cash position following its successful IPO.

For the year ended 31 March	2010	2009
<b>Profitability</b>		
Return on total assets (ROA) <sup>(1)</sup>	19.4%	14.6%
Return on equity (ROE) <sup>(2)</sup>	51.9%	31.5%
<b>Liquidity</b>		
Current ratio (times) <sup>(3)</sup>	0.90	1.40
Quick ratio (times) <sup>(4)</sup>	0.58	0.78
<b>Capital adequacy</b>		
Gearing ratio <sup>(5)</sup>	14.2%	26.8%
Debt to equity ratio <sup>(6)</sup>	12.4%	43.6%

**Notes:**

(1) Net profit / total assets

(2) Net profit attributable to equity holders of the Company / shareholders' equity excluding minority interest

(3) Current assets / current liabilities

(4) Current assets - inventories / current liabilities

(5) Total debt / total assets

(6) Net debt / total assets - total liabilities \* 100%

## Foreign Exchange Risk Management

We enter into forward exchange contracts to hedge anticipated transactions, as well as receivables and payables not denominated in our presentation currency, the Euro, for periods consistent with our identified exposures. As at 31 March 2010, we had foreign exchange derivatives net liabilities of €1.3 million in the form of forward exchange contracts (in accordance with fair market valuation requirements under IFRS). The notional principal amounts of outstanding forward exchange derivatives as at 31 March 2010 were Japanese yen 4,038 million, US dollars 2.8 million, Canadian dollar 0.9 million, Australian dollar 2.9 million, Mexican peso 11.8 million, Thai baht 40.8 million and British pound 2.8 million.

## Interest Rate Risk Management

We enter into interest rate derivative contracts to manage the exposure to fluctuations of interest rates on our long-term borrowings. As at 31 March 2010, we had interest rate derivative liabilities of €1.6 million. The notional principal amount of outstanding interest rate derivatives as at 31 March 2010 was €26.3 million.

## Dividends

In FY2009, we paid a dividend of €0.024 per share to shareholders of record at the close of business on 1 October 2008. The total dividend of €30,000,000 was paid to LOG on 1 October 2008.

On 29 June 2009, our Board proposed a dividend of €0.025 per share representing a total dividend of €32,000,000 subject to shareholders' approval. The shareholders approved this dividend at a meeting which occurred on 30 September 2009. The total dividend of €32,000,000 was paid to LOG on 16 November 2009.

On 9 April 2010, our Board approved the payment of an exceptional dividend of €0.063 per share, representing a total dividend of €80.0 million, out of our distributable reserves of €112.3 million as of 31 March 2009 calculated based on Luxembourg Generally Accepted Accounting Principles. The dividend payment was funded from our internal financial resources. The shareholders approved this dividend at a meeting held on 31 March 2010. The dividend was paid on 4 May 2010.

The Board does not recommend the payment of a dividend for the year ended 31 March 2010.

## POST-BALANCE SHEET EVENTS

On 7 May 2010, the Company was listed on the main board of the Hong Kong stock exchange. 364,120,000 shares of the Company were sold at a unit price of HKD 15.08. Out of these 364,120,000 shares, 182,060,000 shares were sold by LOG and 182,060,000 were newly issued shares as provided for by the Shareholders' Meeting held on 31 March 2010. Consequently, the Company received gross proceeds of HKD 2,745,465,000 and the shareholding of LOG in the share capital was reduced to 75%.

On 28 May 2010, the underwriters to the global offering exercised their over-allotment option for a total number of shares of 41,017,000. Out of these 41,017,000 shares, 20,508,500 shares were sold by LOG and 20,508,500 were newly issued shares as provided for by the Shareholders' Meeting held on 31 May 2010. Consequently, the Company received additional gross proceeds of HKD 309,268,000 and the shareholding of LOG in the share capital was reduced to 72.57%.

In April, May and June 2010, an additional amount of €110.1 million in bank borrowings was drawn on our existing bank facilities to finance principally the repayment of the LOG current account and the repayment in full of our capex and revolving facilities.

In FY2007, LOG, the Company, and L'Occitane S.A., a French subsidiary, entered into a senior credit facility agreement in the principal amount of €280.0 million (the 2007 Credit Facility) made up of a medium term senior loan of €205.0 million that can be drawn only by LOG (the Acquisition Facility), a capital expenditures facility of €50.0 million (the Capex Facility), and a multi-currency revolving facility of €25.0 million (the Revolving Facility). As at 28 May 2010, all amounts due by LOG, the Company and L'Occitane S.A. under the 2007 Credit Facility have been repaid in full and the 2007 Credit Facility has been terminated.

The amendment to the articles of association of L'Occitane International S.A has been approved by the Shareholder's meeting held on 15 April 2010 and a list of undistributable reserves has been added.

On 9 April 2010, the sole shareholder of the Company, LOG resolved that a value of €0.03 be designated as the par value per ordinary share in the share capital of the

Company so that the subscribed share capital of the Company amounting to €38,232,000 be represented by 1,274,396,391 shares having a par value of €0.03. In accordance with IAS 33, the calculation of basic and diluted earnings per share for all periods presented has been adjusted retrospectively.

On 28 May 2010, the Company signed a term sheet with one of its banks, under which this bank will arrange a new syndicated credit facility in favour of the Company for a minimum amount of €300.0 million with a 5 years maturity, as approved by the Company's Board of Directors on 24 June 2010.

## STRATEGY AND FUTURE PROSPECTS

Looking forward to FY2011, the Group will focus on the execution of its expansion plan, taking advantage of its increased financial resources as a result of its successful IPO.

We will continue to **increase the number of our Retail Stores internationally**, and in particular, in countries where we believe there is likely to be a growth in demand for our products. These may include high growth emerging markets such as China, Brazil, Russia, India and Mexico as well as developed countries where we still have significant potential for opening new stores such as Japan, the US, the UK, Germany and Korea. Our overall sales will also benefit from a **recovery of our**

**same stores sales growth** and the **further expansion of our non-retail activities**, particularly in travel retail and internet sales. We plan to develop our internet sales in countries where we have not yet started to leverage our know-how in this domain.

Our sales expansion strategy will be supported by **further efforts in marketing and R&D**, particularly in the face care segment, and by the success of some of our recent product launches like Divine Immortelle and Peony.

We will execute our plans for the **extension and improvement of our manufacturing plants** in Manosque and in Lagorce, and to build a **new central warehouse**. These extensions and improvements to our manufacturing plants are needed principally in order to comply with new ISO standards that will apply to us and to improve our production quality and efficiency. The building of a new warehouse is needed principally to increase our warehousing capacity. The first parts of the new premises in Lagorce and Manosque are planned to start operating at the end of FY2011.

The strategic driver of our **operational excellence** will be the implementation of **SAP as our future Enterprise Resource Planning system**. FY2011 will see go-lives of the central and French sales and distribution modules, whilst the first distribution subsidiaries will go live beginning of FY2012.





# CORPORATE GOVERNANCE REPORT





## CORPORATE GOVERNANCE PRACTICES

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

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

As the Company was not yet listed on the Stock Exchange for the financial year ended 31 March 2010 the Code was not applicable to the Company for the said period. Since the Listing Date on 7 May 2010 to the date of this Annual Report (the "Review Period"), the Company is in compliance with the mandatory code provisions of the Code, save as disclosed below, with the exception of one deviation as set out under the section "Chairman and Chief Executive Officer" below. The application of the relevant principles, and the reasons for the above mentioned deviation from the Code provision A.2.1, are stated in the following sections.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by the Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, they have confirmed that they have complied with the Model Code throughout the Review Period.

## BOARD OF DIRECTORS

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

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

- The audit committee
- The nomination committee
- The remuneration committee

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







### Corporate Governance structure



### Composition of the Board, Number of Board Meetings and Directors' Attendance

As at the date of this annual report, the Board consists of ten Directors, comprising four executive directors ("ED"), three non-executive directors ("NED") and three independent non-executive directors ("INED"). All directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each director are shown on pages 36 to 41 of the Annual report.

The following is the attendance record of the Board during the year ended 31 March 2010 and committee meetings held during the Review Period:

Name	Category	Board of directors	Attendance:		
			audit committee	nomination committee	remuneration committee
Reinold Geiger	ED	6/6			
Emmanuel Osti	ED	6/6			1/1
Andre Hoffmann	ED	6/6		0/0	
Thomas Levilion	ED	6/6			
Martial Lopez**	ED	1/1			
Bernard Chevilliat*	ED	3/3			
Nicolas Veto*	ED	3/3			
Peter Reed*	ED	2/3			
Martial Lopez**	NED	3/5	1/1		
Karl Guenard	NED	6/6			
Mark Broadley	INED	5/6	1/1	0/0	1/1
Yves Chezeaud*	NED	3/3			
Elise Lethuiller*	NED	3/3			
Olivier Courtin*	NED	3/3			
Pierre Milet***	NED	3/3			
Susan Kilsby***	INED	1/3		0/0	1/1
Jackson Ng***	INED	3/3	1/1		

\* On 25 January 2010, the extraordinary general shareholders meeting approved the termination of the mandate of these Directors.

\*\* Mr. Martial Lopez was an executive Director up to 30 September 2009. Since that date, he is a consultant of the Group and is non executive Director.

\*\*\* On 25 January 2010, the extraordinary general shareholders meeting also approved the appointment of Mr. Pierre Milet, Mrs. Susan Kilsby and Mr. Jackson Ng.

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

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## Responsibilities of the Board

The Board is responsible for:

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

## Responsibilities of the Senior Management

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

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

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In the opinion of the Board, the Group has complied with the Code during the Review Period, except that the role of the Chief Executive Officer (CEO) of the Group has been assumed by Mr. Reinold Geiger (“Mr. Geiger”), the Chairman of the Board. Such deviation from Code provision A.2.1 is deemed appropriate as it is considered to be more efficient to have one single person as the Chairman of the Company as well as to discharge the executive functions of a CEO, and it provides the Group with strong and consistent leadership. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises highly experienced individuals. There are three independent non-executive Directors on the Board. All of them possess adequate independence and therefore the Board considers the Company has achieved balance and provided sufficient protection of its interests. Moreover, Mr. Geiger is not a member of any of the committees (Audit Committee, Nomination Committee, Remuneration Committee) and each committee is composed of a majority of independent non-executive Directors. Nevertheless, the Board will regularly review the management structure to ensure that it meets the business development requirements of the Group.

Furthermore, Mr. Geiger is supported by Mr. Emmanuel Osti, Managing Director, and Mr. André Hoffmann, Managing Director Asia Pacific. Mr. Geiger is responsible to the Board and focuses on Group strategies and Board issues, ensures a cohesive working relationship between members of the Board and the management. The two Managing Directors have full executive responsibilities in the business directions and operational efficiency of the business units under their respective responsibilities and are accountable to Mr. Geiger.



## NON-EXECUTIVE DIRECTORS

All the non-executive Directors of the company have their respective terms of appointment coming to an end three years after appointment to the Board, subject to re-election to the end of the respective three year term.

The three independent non-executive Directors are persons of high experience, with academic and professional qualifications in the field of accounting and finance. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director gives an annual confirmation of his/her independence to the Company, and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

## COMMITTEES

As an integral part of good corporate governance, the Board has established the following committees. The authorities, functions, composition and duties of each committee are set out below:

### Remuneration Committee

The Remuneration Committee was established on 9 April 2010. The terms of reference of the Remuneration Committee are aligned with the provisions set out in the Code. The Remuneration Committee has three members, namely Mr. Emmanuel Osti (Chairman of the Remuneration Committee), Mr. Mark Broadley and Mrs. Susan Kilsby. Except for Mr. Emmanuel Osti, they are all independent non-executive directors.

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

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

- i. Consideration of reviewing the Company's global compensation guidelines with the help of an external consultant and recommendation to the Board for hiring a Group human resources director;

- ii. Review of the Directors' and key executives' compensation, with a recommendation to the Board for approval;
- iii. Consideration of future long term incentive plans with recommendation to the Boards for general guidelines.

There has been one meeting of the Remuneration Committee since its establishment.

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

- i. The remuneration of our Directors is determined by our Board which, since our listing, receives recommendations from our Remuneration Committee. Under our current compensation arrangements, our executive Directors receive compensation in the form of salaries and bonuses subject to performance targets. Our non-executive Director and consultant, Mr. Martial Lopez, receives a consultancy fee whilst other non-executive Directors, Mr. Karl Guenard and Mr. Pierre Milet do not receive any remuneration. We intend to pay our independent non-executive Directors a fee for their services in the future.

The remuneration our Directors have received (including fees, salaries, discretionary bonus, share based payments, housing and other allowances, and other benefits in kind) for the year ended 31 March 2010 was approximately €2,977,000. The aggregate amount of fees, salaries, discretionary bonus, share-based payments, housing and other allowances, and other benefits in kind paid to our five highest paid individuals of our Company, including certain Directors, for the year ended 31 March 2010 was approximately €2,811,000. We have not paid any remuneration to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the year ended 31 March 2010. Further, none of our Directors has waived any remuneration during the same period.

Save as disclosed above, no other payments have been paid or are payable, in respect of the year ended 31 March 2010, by us or any of our subsidiaries to our Directors.

- ii. Within the context of our international development and for the purpose of incentivisation of our staff, we have in the past implemented stock-options grants and employees reward schemes in respect of shares in our parent company LOG to the staff of our various subsidiaries located in relevant jurisdictions. As of the date of this Annual Report, there are no outstanding options over any of the shares of the Company. If we decide to establish any schemes for the grant of options over the shares in the future, further to recommendations from our Remuneration Committee, these will comply with applicable provisions of the Listing Rules.

### **Nomination Committee**

The Nomination Committee was established on 9 April 2010 with specific terms of reference as recommended under the Code. The Nomination Committee has three members, namely Mr. André Hoffmann (Chairman of the Nomination Committee), Mr. Mark Broadley and Mrs. Susan Kilsby. Except for Mr. André Hoffmann, they are all independent non-executive Directors.

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

There has been no meeting of our Nomination Committee since its establishment.

### **Audit Committee**

The Audit Committee was established on 21 June 2007 and specific terms of reference that specify its authorities and duties were adopted on 9 April 2010. The Audit Committee is composed of three members, namely Mr. Mark Broadley (Chairman of the Audit Committee), Mr. Jackson Ng and Mr. Martial Lopez. Except for Mr. Martial Lopez, who is a non-executive director, they are all independent non-executive directors.

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

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

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

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

- i. Review of the report from auditors from auditing of final results of the Group for the year ended 31 March 2010;
- ii. Review of the draft financial statements of the Group for the year ended 31 March 2010 with a recommendation to the Board for approval;
- iii. Review of the draft results announcement and annual report of the Group for the year ended 31 March 2010 with a recommendation to the Board for publication and approval;
- iv. Review of the internal control system and report of the Audit Committee's review to the Board;
- v. Review of the audit fees payable to the external auditors for the year ended 31 March 2010 with a recommendation to the Board for approval;
- vi. Review of the external auditors' independence, with a recommendation to the Board for the re-appointment of the external auditors at the forthcoming annual general meeting.

There has been one meeting of the Audit Committee since its authorities and duties were adopted.

## AUDITORS' REMUNERATION

The fees in relation to the audit and other services for the year ended 31 March, 2010 provided by PricewaterhouseCoopers, the external auditors of the Company amounted to approximately €649,000 and €1,591,000 respectively.

	€'000
Annual audit and interim review services	649
Non Audit services:	
IPO	1,444
Other services	147
<b>TOTAL</b>	<b>2,240</b>

## DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges that it holds responsibility for:

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

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

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

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

The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report on pages 54 to 55 of this annual report.

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

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

## INTERNAL CONTROL

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

The Internal Audit Department provides an independent review of the adequacy and the effectiveness of the internal control system. The audit plan is discussed and agreed every year with the Audit Committee. In addition to its agreed annual schedule of work, the Internal Audit Department conducts other special reviews as required. Internal Audit reports are sent to the Chairman & CEO, the Group Managing director, the Chief Financial Officer, external auditors and the relevant management of the auditee department.



The system of internal control is designed to provide reasonable assurance against human errors, material misstatements, losses, damages, or fraud and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives. During the year ended 31 March 2010, no irregularity or material weakness was noted within any function or process. The Audit Committee was satisfied that the internal control system has functioned effectively as intended.

The Board considers that the internal control system is effective and adequate for the Group as a whole. The Board further considers that there was no issue relating to the material controls, including financial, operational and compliance controls and risk management functions of the Group.

## COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company endeavours to maintain a high level of transparency in communication with shareholders and investors in general. The various channels through which the Company communicates with its shareholders will include interim and annual reports, information on the Stock Exchange and Company websites, and general meetings.

The Company encourages its shareholders to attend Annual General Meetings and other general meetings, if any, to ensure a high level of accountability and to stay informed of the Group's strategy and goals.

The financial and other information relating to the Group is disclosed on the Company's website, [www.loccitane.com](http://www.loccitane.com), where up-to-date information and updates on the Company's business developments and operations and financial information are available for public access.



# DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

### Directors

Our board of Directors is responsible for and has general powers over the management and conduct of our business. The table below shows certain information in respect of our Board:

Name	Age	Position
Reinold Geiger	62	Executive Director, Chairman and Chief Executive Officer
Emmanuel Laurent Jacques Osti	45	Executive Director and Managing Director
André Joseph Hoffmann	53	Executive Director and Managing Director
Thomas Levilion	50	Executive Director and Group Deputy General Manager, Finance and Administration
Karl Guenard	42	Non-Executive Director
Martial Thierry Lopez	49	Non-Executive Director
Pierre Maurice Georges Milet	67	Non-Executive Director
Charles Mark Broadley	46	Independent Non-Executive Director
Susan Saltzbarth Kilsby	51	Independent Non-Executive Director
Jackson Chik Sum Ng	49	Independent Non-Executive Director



**Mr. Reinold Geiger** was appointed as an executive Director with effect from 22 December 2000 and is our Chairman and Chief Executive Officer. Mr. Geiger is primarily responsible for our Group's overall strategic planning and the management of our Group's business. Mr. Geiger joined

our Group in 1996 as Chairman and controlling shareholder. Mr. Geiger is a director and managing director ("administrateur délégué") of our Company and LOG, a director of L'Occitane (Suisse) S.A., L'Occitane Inc., L'Occitane Australia Pty Ltd., L'Occitane Japon KK, L'Occitane Russia and L'Occitane Mexico S.A. de C.V., a member of the board of managers of L'Occitane LLC and Oliviers & Co. LLC, a member of the strategic board ("conseil stratégique") of Les Minimes SAS and a director ("membre du conseil d'administration") of the Fondation d'entreprise L'Occitane. Since joining L'Occitane, Mr. Geiger has developed our Group from a largely domestic operation based in France to an

international business. He has spent time travelling to our worldwide locations in order to implement this growth strategy, where he has established our subsidiaries and strong relationships with the local management. In June 2008, Mr. Geiger was awarded the accolade of "INSEAD entrepreneur of the year" for his international development strategy of our Group. Mr. Geiger began his career at the American Machine and Foundry Company in 1970. In 1972 he left to start his own business, involved in the distribution of machinery used in the processing of rubber and plastic, which he sold in 1978. Mr. Geiger then established and developed AMS Packaging SA, which specialised in packaging for the high end perfumes and cosmetics market. This company was floated on the Paris stock exchange in 1987 and Mr. Geiger left the company entirely in 1990. Between 1991 and 1995, he worked for a packaging company with operations primarily based in France and developed it into an international business. Mr. Geiger graduated from the Swiss Federal Institute of Technology in Zürich, Switzerland with a degree in engineering in 1969 and from INSEAD in Fontainebleau, France with a master's in business administration in 1976.



**Mr. Emmanuel Laurent**

**Jacques Osti** was appointed as an executive Director with effect from 22 December 2000 and is a managing director. Mr. Osti is primarily responsible for our Group's overall strategic planning and the management of our Group's business. Mr. Osti has been our Company's

general manager since February 2000. He is managing director ("administrateur délégué") of our Company, director of LOG, director ("administrateur"), chairman of the board of directors in charge of management ("président du conseil d'administration en charge de la direction générale") and general manager ("président directeur général") of L'Occitane S.A., and chairman of the board of directors ("presidente del consiglio di amministrazione") and managing director ("consigliere delegato") of L'Occitane Italia Srl, a member of the strategic board ("conseil stratégique") of M&A SAS and a director ("membre du conseil d'administration") of the Fondation d'entreprise L'Occitane. Mr. Osti worked in various mass marketing and product management positions for L'Oréal S.A. between 1987 and 1990, and also in marketing management positions at Duracell International Inc. in France between 1990 and 1992. He then spent seven years at RoC S.A. whilst it was a subsidiary of LVMH Moët Hennessy Louis Vuitton S.A. and subsequently of Johnson & Johnson, Inc.. He served in various marketing and sales positions before being promoted to general manager for RoC S.A. and Neutrogena Corp. S.à.r.l.. Mr. Osti holds a master's in business administration from the Ecole des Hautes Etudes Commerciales in Paris, France, part of which was spent abroad at the University of California, Berkeley, US and the Università Commerciale Luigi Bocconi in Milan, Italy. Mr. Osti is the spouse of Mrs. Cécile de Verdelhan.



**Mr. André Joseph**

**Hoffmann** was appointed as an executive Director with effect from 2 May 2001. Mr. Hoffmann has been primarily responsible for our Group's strategic planning and the management of our Group's business in Asia-Pacific since June 1995. Mr. Hoffmann is managing

director of L'Occitane (Far East) Limited, L'Occitane Singapore Pte. Limited and L'Occitane Trading (Shanghai) Co Limited, president of L'Occitane (Korea) Limited and a director of L'Occitane Australia Pty. Limited, L'Occitane Japon K.K., L'Occitane Taiwan Limited, L'Occitane (China) Limited and L'Occitane (Macau) Limited. He has over 25 years' experience in the retail and distribution of cosmetics, luxury products and fashion in Asia-Pacific. He is a director of Pacifique Agencies (Far East) Limited, which was a joint venture partner with the Company for the distribution of L'Occitane products in the Asia-Pacific region between 1995 and 2004. Between 1979 and 1986, Mr. Hoffmann worked as the sales manager at the GA Pacific Group, a business specialising in the investment and management of retailing, wholesaling, trading, manufacturing and distribution operations and the hotel and tourism trade in Asia-Pacific. Mr. Hoffmann graduated from the University of California at Berkeley, USA in 1978 with a bachelor of arts degree in economics.



**Mr. Thomas Levilion**

was appointed as an executive Director with effect from 30 September 2008 and is Group Deputy General Manager, Finance and Administration. He is primarily responsible for our Group's finance functions worldwide. Mr. Levilion joined our Group in March 2008 and

is managing director ("administrateur délégué") of our company and deputy managing director ("directeur général délégué") of L'Occitane S.A.. Furthermore, he is manager (a "gérant") of AHP S.à.r.l and of Relais L'Occitane S.à.r.l as well as President of Verveina SAS. Between 1988 and 2007, Mr. Levilion worked at Salomon



S.A., which was a subsidiary of Adidas AG and was subsequently acquired by the Amer Sports Corporation, where he was the controller and the VP controller and subsequently the chief financial officer. During this time he gained experience in global supply chains, turn-arounds, re-engineering of organisations and mergers and acquisitions. He has a master's in business administration from the Ecole des Hautes Etudes Commerciales in Paris, France, where he majored in finance, and a postgraduate degree in scientific decision making methods from the University of Paris-Dauphine, France.

**Mr. Karl Guenard** was appointed as a non-executive Director with effect from 30 June 2003. Mr. Guenard has been a director of our Company since June 2003. Mr. Guenard spent three years as senior vice president of the financial engineering department at Banque Privée Edmond de Rothschild Europe from April 2000. Between 1998 and 2000, he was a manager of the financial engineering department at Banque de Gestion Privée Luxembourg (a subsidiary of Crédit Agricole Indosuez Luxembourg). Prior to this, between 1993 and 1998, Mr. Guenard was a funds and corporate auditor. Mr. Guenard is a chartered accountant. He holds a master's degree in economic and management sciences from the University of Strasbourg, France.

**Mr. Martial Thierry Lopez** was appointed as a non-executive Director with effect from 30 September 2009 and is a consultant of our Group. Prior to that Mr. Lopez had been an executive Director since 22 December 2000. Mr. Lopez takes care of specific finance projects. Mr. Lopez joined our Group in April 2000 as our Group's chief financial officer and was promoted to senior vice president in charge of audit and development in 2008

before he became consultant of the Group. Mr. Lopez gained over 15 years' audit experience prior to joining our Group. He spent three years at Ankaoua & Grabli in Paris, France and 12 years at Befec-Price Waterhouse in Marseille, France as a senior manager. Between 1996 and 1998, he was the senior manager in charge of Price Waterhouse, Marseille until the merger between Price Waterhouse and Coopers & Lybrand. Mr. Lopez graduated from the Montpellier Business School ("Ecole Supérieure de Commerce") in France in 1983 and holds a diploma in accounting and finance ("Diplôme d'Etudes Supérieures Comptables et Financières").

**Mr. Pierre Maurice Georges Milet** was appointed as a non-executive Director with effect from 25 January 2010. Mr. Milet has been a member of the executive board and managing director of Clarins from 1988 until 10 March 2010. Mr. Milet continues to be a board member of many of the Clarins' subsidiaries. On 8 February 2010, Mr. Milet has been appointed deputy managing director of Financière FC, the holding company of Clarins and as the representative of Financière FC, in its capacity as a member of the supervisory board of Clarins. Clarins is a French cosmetics company that was listed on the Paris Stock Exchange from 1984 to 2008, and is now a privately owned company controlled by the Courtin-Clarins family and is no longer listed on any stock exchange. He also served as company secretary of Clarins from 1983 to 1988 when he was appointed corporate chief financial officer of Clarins. In these capacities, Mr. Milet oversaw all accounting and financial aspects of the Clarins Group's business, as well as negotiated acquisitions and joint ventures. Mr. Milet also has substantial experience in the cosmetics industry

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gained partly from experience at Max Factor, serving successively as chief financial officer and president of their French subsidiary from 1975 to 1982. Mr. Milet has a masters degree in business administration from Ecole des Hautes Etudes Commerciales (France) where he majored in finance.

**Mr. Charles Mark Broadley** was appointed as an independent non-executive Director with effect from 30 September 2008. Mr. Broadley is currently a founder and partner of Voyager Partners Limited, a private equity firm focused on the hotel and leisure industry. He is also an independent non-executive director of Société Fermière du Casino Municipal de Cannes, a listed French company, where he also chairs the audit committee. Mr. Broadley was the finance director of The Hong Kong and Shanghai Hotels Limited, which owns the Peninsula Hotels, between November 2003 and March 2008. Prior to this, Mr. Broadley worked in the investment banking industry in the UK and Hong Kong. He began his career at Philips & Drew, and then was subsequently at HSBC Investment Banking and N M Rothschild & Sons. Mr. Broadley has a master of arts degree in law from Cambridge University, UK.

**Ms. Susan Saltzbarth Kilsby** was appointed as an independent non-executive Director with effect from 25 January 2010. Mrs. Kilsby is currently a senior advisor to Credit Suisse, based in London. She is chairman of the European Mergers & Acquisitions Group at Credit Suisse and was previously head of their European Mergers & Acquisitions Group. Mrs. Kilsby joined The First Boston

Corporation, a predecessor company of Credit Suisse, in 1980, working in their Mergers and Acquisitions Group in New York until 1992. She later moved to London as head of Credit Suisse's European Consumer, Retail & Services Group in Investment Banking and was named head of mergers & acquisitions and strategic advisory in April 2002. Mrs. Kilsby graduated from Wellesley College, USA in 1980 with a bachelor of arts degree in economics and received a master's degree in business administration from the Yale School of Management, USA in 1984.

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

### SENIOR MANAGEMENT

**Mr. Bernard Chevilliat**, aged 57, is the Managing Director of Melvita and M&A SAS and our Head of Research and development. Mr. Chevilliat joined our Group in June 2008 when we acquired Melvita. Mr. Chevilliat has extensive experience in the natural and organic cosmetics industry, having founded M&A SAS in 1983. Mr. Chevilliat was president of Cosmébio, a French association of professionals involved in the ecological and organic cosmetics industry, between December 2007 and June 2008, when he became vice-president. Mr. Chevilliat graduated from the University of Bordeaux, France in 1976 with a master's degree in biology.

**Mr. Jean-François Gonidec**, aged 53, is our Deputy General Manager principally in charge of supply chain management. Mr. Gonidec joined our Group in March 2009 and has extensive experience in project management and in managing a production plant and its supply chain. In addition, he has also assumed responsibilities as financial controller in the course of his career. After having worked in different functions and for different legal entities of the Danone Group during a time period of 18 years, he gained further experience at other organisations including the Group Madrange between March 2007 and February 2009 and at Pierre Fabre Dermo Cosmétique between March 2001 and February 2007. Mr. Gonidec graduated from INSA LYON with a degree in engineering in 1981.

**Mrs. Cécile de Verdelhan**, aged 37, is our Head of Marketing and is primarily responsible for L'Occitane's worldwide marketing strategy. Mrs. de Verdelhan has been our international marketing, communications and merchandising director since March 2001, when she joined our Group. Mrs. de Verdelhan has over 14 years' experience in the cosmetics industry, having spent four years as a product manager at Beiersdorf AG and three years as an international product manager in charge of product development for Yves Rocher S.A. prior to joining our Group. Mrs. de Verdelhan graduated from the Ecole des Hautes Etudes Commerciales in Paris, France with a master's degree in business administration in 1994. Mrs. de Verdelhan is the spouse of Mr. Emmanuel Osti.

**Mr. Emmanuel de Courcel**, aged 37, is our general manager for Continental Western Europe and is primarily responsible for our Group's business and strategy in Continental Western Europe. Mr. de Courcel joined our Group in September 2004 as director of operational marketing in Continental Western Europe, prior to becoming general manager for the region in 2005. Between 1996 and 2004, Mr. de Courcel worked as a consultant in the retail sector at The Boston Consulting Group. He was based in New York for two years and Paris for six years during which time he spent two years as a recruiting director. In 1996, Mr. de Courcel graduated from the ESSEC Business School in Paris, France.

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**Mr. Marcin Jasiak**, aged 42, is our Managing Director International. He is primarily responsible for overseeing the export and travel retail divisions of our Group and supervises the following subsidiaries of our group: Brazil, Russia, Central Europe, Mexico and Poland. Mr. Jasiak joined our Group in March 2003 as director for export in Geneva and subsequently became managing director in Geneva in 2005. Prior to joining our Group, Mr. Jasiak was a junior consultant at KPMG specialising in due diligence and audit. He joined Procter & Gamble, Inc. in 1993 for ten years, based in Poland, Germany and Switzerland, where he served as a brand manager for Poland, Central Europe and Western Europe and as a category manager for cosmetics export, working in Poland, Germany and Switzerland. Mr. Jasiak graduated from the University of Warsaw, Poland with two master's degrees, in English philology and management and marketing, respectively, and from the University of Illinois at Urbana-Champaign, USA with a master's in business administration.

**Mr. Olivier Ceccarelli**, aged 47, is our Head of Strategy. He joined our Group in December 2003. In December 2004, he became managing director of AHP S.à.r.l. and in May 2008 became director of strategy and development for L'Occitane S.A.. Mr. Ceccarelli has around 20 years' experience in the marketing of cosmetics industry. He worked at L'Oréal Paris as a product manager between 1992 and 1994, as marketing director for L'Oréal Tokyo between 1994 and 1999 and as marketing director in charge of the hair colour market at L'Oréal New York between 1999 and 2002. Mr. Ceccarelli graduated from Ecole des Hautes Etudes Commerciales in Paris, France with a degree in business administration in 1986.

**Mrs. Shiho Takano**, aged 45, is head of our operations in Japan and is primarily responsible for our Group's strategic planning and the management of our Group's business in Japan. Mrs. Takano joined our Group in January 2001 as general manager for Lavender Japon K.K. before being promoted to president representative director for L'Occitane Japon KK. Prior to joining our Group, Mrs. Takano held various managerial roles in the cosmetics industry. Between 1990 and 1996, Mrs. Takano worked at Yves Saint Laurent Japan, where her last position was as marketing manager. She then joined Coca-Cola Japan in 1996 as activation manager where she was responsible for drinks aimed at the female market with a focus on natural products and beauty. And finally from 1998 to 2001, she was buying and marketing manager for the beauty division of Boots MC in Japan.

**Mr. David Boynton**, aged 47, is general manager of our North Atlantic region, supervising UK, USA and Canada. Mr. Boynton joined our Group in August 2006 as marketing and retail operations director for our operations in the UK prior to being appointed managing director in the UK in April 2007. Mr. Boynton has over twenty years' experience in the retail sector. He worked for Safeway Stores Plc as operations manager for the South of England and other senior roles between 1987 and 2000 and subsequently joined Watsons the Chemist, the health and beauty subsidiary of Hutchison Whampoa, initially as operations director for Hong Kong, then director for buying and marketing in Taiwan before being promoted to the position of managing director of Hong Kong and Macau between 2003 and 2005. Mr. Boynton graduated from the University of Leeds with a bachelor of science degree in 1985.



# DIRECTORS' REPORT



THE DIRECTORS SUBMIT THEIR REPORT TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS OF THE COMPANY AND ITS SUBSIDIARIES (THE “GROUP”) FOR THE YEAR ENDED 31 MARCH 2010.



## PRINCIPAL ACTIVITIES

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

An analysis of the Group's performance for the year ended 31 March 2010 by operating segments is set out in note 5 to the financial statements.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2010 are set out in the Consolidated Statements of Income on page 56.

The Directors do not recommend the payment of a dividend for the year ended 31 March 2010.

## FIVE YEAR FINANCIAL SUMMARY

The five year financial summary of the Group is set out on page 186 of this report.

## USE OF PROCEEDS FROM THE COMPANY'S LISTING

The Company was listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 7 May 2010 (the “Listing Date”). The net proceeds from the Company's issue of 202,568,500 new shares (including 20,508,500 new shares issued upon exercise of an over-allotment option) after deducting underwriting commission and related expenses amounted to approximately HKD 2,976 million, which are intended to be applied in accordance with the proposed allocations set out in the relevant sections of the Company's Prospectus dated 26 April 2010.

## RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Shareholders' Equity page 62 and note 16 to the financial statements.

## DISTRIBUTABLE RESERVES

As at 31 March 2010, the Company's reserves available for distribution to shareholders in accordance with the Company's Articles of Association as amended on 15 April 2010 amounted to approximately €70,817,000.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 March 2010 are set out in note 7 to the financial statements.

## DONATIONS

Charitable and other donations made by the Group during the year ended 31 March 2010 amounted to €887,000.

## PRE-EMPTIVE RIGHTS

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

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 March 2010.

## SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 March 2010 are set out in note 32 to the financial statements.

## DIRECTORS

The Directors of the Company during the year ended 31 March 2010 and up to the date of this report were:

### Executive Directors

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

*(appointed on 22 December 2000)*  
Mr. André Joseph Hoffmann  
*(appointed on 2 May 2001)*  
Mr. Thomas Levilion  
*(appointed on 30 September 2008)*

### Non-Executive Directors

Mr. Martial Thierry Lopez  
*(appointed on 22 December 2000 and designated as Non-Executive Director on 30 September 2009)*  
Mr. Karl Guenard  
*(appointed on 30 June 2003)*  
Mr. Pierre Maurice Georges Milet  
*(appointed on 25 January 2010)*

### Independent Non-executive Directors

Mr. Charles Mark Broadley  
*(appointed on 30 September 2008)*  
Mrs. Susan Saltzbar Kilsby  
*(appointed on 25 January 2010)*  
Mr. Jackson Chik Sum Ng  
*(appointed on 25 January 2010)*

Mr Bernard Chevilliat, Mr. Nicolas Veto and Mr. Peter Young Reed resigned as Executive Directors of the Company on 25 January 2010. Mr. Yves Chezeaud, Mrs. Elise Lethuillier and Mr. Olivier Courtin resigned as Non-Executive Directors of the Company on 25 January 2010.

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

Accordingly, Mr. Reinold Geiger, Mr. Emmanuel Laurent Jacques Osti, Mr. Andre Joseph Hoffmann and Mr. Karl Guenard shall retire by rotation, and being eligible, have offered themselves for re-election as Directors at the forthcoming annual general meeting.

## BIOGRAPHICAL INFORMATION OF DIRECTORS

Brief biographical information of the Directors of the Company are set out in the "Directors and Senior Management" section on pages 36 to 41 of this report.





## **DIRECTORS' SERVICE CONTRACTS**

Mr. Thomas Levilion, an executive Director, entered into an employment contract with L'Occitane S.A., the Company's wholly owned subsidiary, dated 29 January 2008 pursuant to which Mr. Levilion is engaged as Deputy CEO in charge of finance, control and administration. This employment contract came into effect on 18 February 2008 and is for an indefinite term. This employment contract is governed by the laws of France.

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

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

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

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

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



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

Name of Director	Capacity and Nature of Interest	Number of shares/ underlying shares held	Approximate % of Shareholding
Reinold Geiger <sup>(Note)</sup>	Interest in controlled corporation	1,071,827,891 (long position)	72.6%

**Note:**

Mr. Reinold Geiger is the beneficial owner of the entire issued share capital of Société d'Investissement Cime S.A., which in turn is the beneficial owner of approximately 51.94% of the entire issued share capital of the L'Occitane Groupe S.A. ("LOG"). Mr. Reinold Geiger is therefore deemed under the SFO to be interested in all the shares registered in the name of LOG, which holds 1,071,827,891 shares in the Company. Ms. Dominique Maze-Sencier, Mr. Geiger's wife, is also deemed under the SFO to be interested in shares in LOG in which Mr. Geiger is interested.

**(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 held	Approximate % of Shareholding (Note 4)
Reinold Geiger	Beneficial interest and deemed Interest	11,998,513 (Note 1)	52.08%
André Joseph Hoffmann	Deemed interest	3,130,676 (Note 2)	13.59%
Emmanuel Laurent Jacques Osti	Beneficial interest and deemed interest	417,946 (Note 3)	1.18%
Martial Thierry Lopez	Beneficial interest	26,069	0.11%

**Notes:**

1. Comprised of 253 shares held by Mr. Reinold Geiger, 11,964,604 shares held by Societe d'Investissement Cime S.A. and 33,656 shares held by Ms. Dominique Maze-Sencier, each as beneficial and registered owner. Mr. Geiger is the beneficial owner of the entire issued share capital of Societe d'Investissement Cime S.A.; Mr. Geiger is therefore deemed under the SFO to be interested in all the shares in LOG held by Societe d'Investissement Cime S.A. Mr. Geiger is also deemed under the SFO to be interested in the shares in LOG held by Mr. Geiger's wife, Ms. Dominique Maze-Sencier.
2. Mr. André Hoffmann controls Provence Investment Pte. Ltd. Mr. Hoffmann is therefore deemed under the SFO to be interested in all the shares in LOG registered in the name of Provence Investment Pte. Ltd., which holds 3,130,676 shares in LOG.
3. Comprised of 325,402 shares held by Mr. Emmanuel Osti and 92,544 shares held by Ms. Cecile de Verdelhan, each as beneficial and registered owner. Mr. Osti is deemed under the SFO to be interested in the shares of LOG held by Mr. Osti's spouse, Ms. Cecile de Verdelhan.
4. The approximate percentage shareholdings in the share capital of LOG are calculated on the basis of the total number of 23,037,362 LOG shares issued to persons other than LOG, but do not take into account 254,060 LOG treasury shares that are held by LOG itself.



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

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

As at the date of this report, the register of substantial shareholders maintained under section 336 of the SFO shows that the Company had been notified of the following substantial shareholders' interests or short positions, other than a Director or chief executive of the Company, in the shares or underlying shares of the Company:

Name of shareholders	Capacity and Nature of Interest	Number of shares/ underlying shares held	Approximate % of Shareholding
Société d'Investissement Cime S.A.	Interest in controlled corporation	1,071,827,891 (long position) (Note a)	72.6%
LOG	Interest in controlled corporation	1,071,827,891 (long position) (Note a)	72.6%

**Note:**

a. Société d'Investissement Cime S.A. is the beneficial owner of approximately 51.94% of the entire issued share capital of LOG, which held 1,071,827,891 shares. Société d'Investissement Cime S.A. is therefore deemed under the SFO to be interested in all the shares registered in the name of LOG.

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

## SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 March 2010 are set out in the Consolidated Statement of Changes in Shareholders' Equity page 62 and note 16 to the financial statements.

## SHARE OPTION SCHEME

As at 31 March 2010 the Company had no concrete plan to establish any option scheme, nor does the Company plan to issue any options under any scheme previously established, in respect of the Company's shares. There is currently no option scheme in respect of the Company's shares, nor outstanding options over the Company's Shares.

The Company currently has Share-based payments in force to incentivise eligible participants who contribute to the success of the Group.

## Main characteristics of the Share-based payments

LOG (the parent company of the Company) granted rights to its own equity instruments direct to the Company and its subsidiaries' employees.

- Options, granted in July 2009 (formally authorized in January 2010) are conditional on the employee completing four years' service (the vesting period) and there are no performance conditions. The exercise price of the options is € 23.20. Options have a contractual option term of 6 years.
- Options, granted on February 2008, are conditional on the employee completing four years' service (the vesting period) and there are no performance conditions. The exercise price of the options is €26.10. Options have a contractual option term of 6 years.

- The free shares, granted on July 2009, June 2008 and February 2008 are conditional upon the employee completing four years' service (the vesting period).
- On 27 December 2007, 60,651 shares of LOG have been issued to the benefit of FCPE L'Occitane Actionnariat which is a fund held by employees of the French subsidiaries of the Group. The shares were issued for a subscription price with a discount of 20% as compared to the fair value at that date. There is no vesting condition. However the shares are subject to restrictions on transfer over a period of 5 years.

At the time they become LOG shareholders, employees are subject to a liquidity agreement signed with CIME, which is controlled by Mr. Reinold Geiger, a Director of the Company.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

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

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

At the end of the year or at any time during the year ended 31 March 2010, there was no contract of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party, and in which a Director had, whether directly or indirectly, a material interest.

### CONNECTED TRANSACTIONS

During the year ended 31 March 2010, the Company had the following non-exempt continuing connected transaction, which, prior to 3 June 2010 when amendments to Chapter 14A of the Listing Rules came into effect, was subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and the annual review requirements set out in Rules 14A.37 to 14A.40 of the Listing Rules and is exempt from the independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

#### Sale of products to Courtin-Clarins Associates

Clarins Canada Inc., Clarins Sdn Bhd and Monarimport SpA are each a subsidiary of Clarins BV, a substantial shareholder of the Company's subsidiaries, L'Occitane (Suisse) S.A., L'Occitane (Korea) Limited and L'Occitane Mexico S.A. de CV. Further, Clarins BV holds 40% of the equity interest in L'Occitane Nederland BV (a company in which the Company does not have any direct or indirect shareholding interest). Each of Clarins Canada Inc., Clarins Sdn Bhd, Monarimport SpA and L'Occitane Nederland BV (together, the "Courtin-Clarins Associates") is therefore an associate of Clarins BV and a connected person of the Company.

The Company sells L'Occitane products, including regular products as well as samples and products to be distributed as gifts and L'Occitane branded carry bags and similar packaging products, to the Courtin-Clarins Associates. The Courtin-Clarins Associates (other than Clarins Canada Inc.) are distributors for the Company's L'Occitane products in Malaysia, Italy and the Netherlands respectively. The Company has in the past sold our products to Clarins Canada Inc., who would then distribute them in Canada to retailers such as department stores. However, with effect from 31 March 2010, the Company no longer conducts such sales to Clarins Canada Inc. and instead the Company will itself do so, through the entire business undertaking and operations of Stroms' Enterprises Limited, which the Company acquired on 14 May 2009.

For the year ended 31 March 2010, the aggregate sales made by the Company of such products to the Courtin-Clarins Associates was approximately €3.3 million.

Further details of the sale of products to the Courtin-Clarins Associates are set out in note 30 to the financial statements. Please also refer to the Company's announcement to be issued late July 2010 for the changes to the Company's existing non-exempt connected transactions as a result of the amendments to Chapter 14A of the Listing Rules (effective as of 3 June 2010).

During the year ended 31 March 2010, the Company had the following non-exempt continuing connected transaction, which, prior to 3 June 2010 when amendments to Chapter 14A of the Listing Rules came into effect, was subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and the annual review requirements set out in Rules 14A.37 to 14A.40 of the Listing Rules and the independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

### **Clarins Shareholders' Loans**

Clarins BV holds 49.9% of the issued share capital in each of the Company's subsidiaries, L'Occitane (Suisse) S.A., L'Occitane (Korea) Limited and L'Occitane Mexico S.A. de CV. Clarins BV is therefore a connected person of the Company. Each of its subsidiaries, L'Occitane (Suisse) S.A., L'Occitane (Korea) Limited and L'Occitane Mexico S.A. de CV is also a connected person of the Company. The Company and Clarins Groupe Sarl have made shareholders' loans to these subsidiaries in equal shares, as further described below (the Clarins Shareholders' Loans). The Clarins Shareholders' Loans are therefore connected transactions of the Company.

Pursuant to loan contracts dated 22 December 2008 and 18 December 2009 and promissory notes dated 18 December 2008 and 18 December 2009, the Company and Clarins Groupe Sarl each contributed, in both Swiss Francs and Euros, the Euro equivalent of approximately €1,261,000 and €1,190,000 respectively, amounting to an aggregate of approximately €2,451,000, to our subsidiary, L'Occitane (Suisse) S.A., as a shareholders' loan. For the year ended 31 March 2010, the Euro equivalent of €45,000 and €45,000 were paid to the Company and Clarins Groupe Sarl respectively as interest payment. Outstanding principal loan amounts payable by L'Occitane (Suisse) S.A. to the Company and

Clarins Groupe Sarl were the Euro equivalent of €1,278,000 and €1,190,000 respectively as at 31 March 2010. Each of the loans made by the Company and Clarins Groupe Sarl's to L'Occitane (Suisse) S.A. are due for repayment on 20 December 2010.

Pursuant to loan contracts dated 17 December 2008 and 16 October 2009 and promissory notes dated 16 October 2008, 17 December 2008 and 16 October 2009, the Company, our wholly owned subsidiary L'Occitane Singapore Pte Ltd and Clarins Groupe Sarl each contributed €1,220,000, €288,000 and 1,502,000 respectively, amounting to an aggregate of €3,010,000, to our subsidiary, L'Occitane (Korea) Limited, as shareholders' loans. For the year ended 31 March 2010, €44,000, €14,000 and €48,000 were paid to the Company, L'Occitane Singapore Pte Ltd and Clarins Groupe Sarl, respectively, as interest payment. Outstanding principal loan amounts payable by L'Occitane (Korea) Limited to the Company, L'Occitane Singapore Pte Ltd and Clarins Groupe Sarl were €1,233,000, €288,000 and €1,502,000 respectively as at 31 March 2010. The loans made by the Company are due for repayment on 15 October 2010. The loans made by L'Occitane Singapore Pte Ltd were fully repaid on 14 April 2010. Part of the loans made by Clarins Groupe Sarl in the amount of €286,850 were repaid on 14 April 2010 and the remaining €1,215,150 is due for repayment on 18 October 2010.

Pursuant to loan contracts dated 22 December 2008, 5 January 2009, 23 March 2009 and 22 December 2009 and promissory notes dated 22 December 2008, 22 October 2009 and 22 December 2009, the Company and Clarins Groupe Sarl each contributed in US dollars the Euro equivalent of approximately €2,315,000 and €2,303,000 respectively, amounting to approximately €4,618,000, to our subsidiary, L'Occitane Mexico S.A. de CV, as shareholders' loans. For the year ended 31 March 2010, the Euro equivalent of €82,000 and €88,000 were paid to the Company and Clarins Groupe Sarl respectively as interest payment. Outstanding principal loan amounts payable by L'Occitane Mexico S.A. de CV to the Company and Clarins Groupe Sarl were €2,437,000 and €2,419,000 respectively as at 31 March 2010. Both the loans made by the Company and Clarins Groupe Sarl to L'Occitane Mexico S.A. de CV are due for repayment on 22 December 2010.



Further details of the Clarins Shareholders' Loans are set out in note 30 to the financial statements. Please also refer to the Company's announcement to be issued late July 2010 for the changes to the Company's existing non-exempt connected transactions as a result of the amendments to Chapter 14A of the Listing Rules (effective as of 3 June 2010).

For the year ended 31 March 2010, the aggregate principal amount owing and annual interest paid by L'Occitane (Suisse) S.A., L'Occitane (Korea) Limited and L'Occitane Mexico S.A. de CV to the Company, L'Occitane Singapore Pte Ltd and Clarins Groupe Sarl in respect of the Clarins Shareholders' Loans was €5,119,000, €302,000 and €5,292,000 respectively.

The aforesaid continuing connected transactions have been reviewed by independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with paragraph 14A.38 of the Listing Rules, the Board of Directors engaged the auditors of the Company to perform certain factual finding procedures on the above continuing connected transactions on a sample basis in accordance with International Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the International Auditing and Assurance Standards Board. The auditors have reported their factual findings on the selected samples based on the agreed procedures to the Board of Directors and confirmed that the aforesaid connected transactions:

- (i) have received the approval of the Company's board of directors;
- (ii) are in accordance with the pricing policies of the Company, where applicable; and

- (iii) have been entered in accordance with the relevant written agreements governing the transactions.

As no cap amounts have been set out in the Company's prospectus dated 26 April 2010 for the year ended 31 March 2010, the auditors did not report on this point.

### **BANK LOANS AND OTHER BORROWINGS**

Details of the Group's bank loans and other borrowings as at 31 March 2010 are set out in note 17 to the financial statements.

### **MAJOR CUSTOMERS AND SUPPLIERS**

The aggregate sales to the five largest customers of the Group accounted for approximately 3.1% of the Group's total revenue and sales to the largest customer accounted for approximately 0.7% of the Group's total revenue for the year ended 31 March 2010. The aggregate purchases from the five largest suppliers of the Group accounted for approximately 13.7% of the Group's total cost of goods sold and purchases from the largest supplier accounted for approximately 3.9% of the Group's total cost of goods sold for the year ended 31 March 2010.

None of the Directors, their associates, or any shareholder who to the knowledge of the Directors own more than 5% of the Company's issued share capital has any interest in the Group's five largest suppliers or the Group's five largest customers.

### **RETIREMENT BENEFIT SCHEMES**

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

### **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Having made specific enquiry to all Directors, all Directors have confirmed that they have complied with the required standard of the Model Code throughout the period from the Listing Date and up to the date of this report.

## CODE ON CORPORATE GOVERNANCE PRACTICES (THE “CODE”)

As the Company was not listed on the Stock Exchange for the financial year ended 31 March 2010, the Code was not applicable to the Company for the year ended 31 March 2010. Since the Listing Date, the Company is in compliance with all the mandatory provisions of the Code, save for deviation from provision A.2.1.

For details of the Corporate Governance Report, please refer to pages 26 to 35 of this report.

## POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 31 to the financial statements.

## MATERIAL LEGAL PROCEEDINGS

As at 31 March 2010, no member of our 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 Group.

## SUFFICIENCY OF PUBLIC FLOAT

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

## AUDITORS

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

By order of the Board

**Reinold Geiger**  
*Chairman*  
24 June 2010



# CONSOLIDATED **FINANCIAL STATEMENTS**

The image is a full-page background for a financial statement cover. It features a vibrant landscape. In the foreground, there is a dense field of purple flowers, likely lavender, stretching across the bottom half of the frame. Behind the flowers, there are several green trees. In the middle ground, a bright blue lake or reservoir is visible, reflecting the sky. The background consists of rolling mountains under a clear, light blue sky. The overall scene is bright and scenic.







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**PricewaterhouseCoopers**

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

## Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of L'Occitane International S.A. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at March 31, 2010 and the consolidated income statement and consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

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

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as issued by the International Auditing and Assurance Standards Board and as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé" including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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## **Opinion**

In our opinion, these consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of March 31, 2010, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union.

## **Report on other legal and regulatory requirements**

The Directors' report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

PricewaterhouseCoopers S.à r.l.  
Represented by

Luxembourg, June 24, 2010

Pascal Rakovsky

# CONSOLIDATED STATEMENTS OF INCOME

Year ended March 31, In thousands of Euros, except per share data

	NOTES	2010	2009
<b>Net Sales</b>		<b>612,245</b>	<b>537,335</b>
Cost of sales		(114,982)	(105,550)
<b>Gross profit</b>		<b>497,263</b>	<b>431,785</b>
% of net sales		81.22%	80.36%
Distribution expenses		(270,901)	(239,906)
Marketing expenses		(59,644)	(59,434)
General and administrative expenses		(59,404)	(52,799)
Other (losses) / gains-net	(27.2)	2,879	844
<b>Operating profit</b>		<b>110,193</b>	<b>80,490</b>
Finance costs - net	(23)	(3,529)	(5,856)
Foreign currency gains / (losses)	(24)	5,474	1,677
<b>Profit before income tax</b>		<b>112,138</b>	<b>76,311</b>
Income tax expense	(25)	(27,579)	(16,927)
<b>Profit for the year</b>		<b>84,559</b>	<b>59,384</b>
<b>Attributable to:</b>			
Equity holders of the Company		81,626	58,383
Minority interest		2,933	1,001
<b>Total</b>		<b>84,559</b>	<b>59,384</b>
<b>Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in Euros per share)</b>			
Basic	(26)	0.064	0.046
Diluted	(26)	0.064	0.046
<b>Number of shares used in earnings per share calculation adjusted for the new par value of €0.03 (see note 31)</b>			
Basic	(26)	1,274,396,391	1,274,396,391
Diluted	(26)	1,274,396,391	1,274,396,391

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Year ended March 31, In thousands of Euros, except per share data

	NOTES	2010	2009
<b>Profit for the year</b>		84,559	59,384
<b>Other comprehensive income:</b>			
Cash flow hedges fair value gains / (losses) net of tax	(14)	(1,610)	237
Currency translation differences		4,044	4,080
<b>Other comprehensive income / (loss) for the year, net of tax</b>		<b>2,434</b>	<b>4,317</b>
<b>Total comprehensive income for the year</b>		<b>86,993</b>	<b>63,701</b>
<b>Attributable to:</b>			
– Equity holders of the Company		83,337	62,291
– Minority interest		3,656	1,410
<b>Total</b>		<b>86,993</b>	<b>63,701</b>



# CONSOLIDATED BALANCE SHEETS

*In thousands of Euros*

	NOTES	March 31, 2010	March 31, 2009
<b>ASSETS</b>			
Property, plant and equipment, net	(7)	76,680	69,350
Goodwill	(8)	86,184	78,510
Intangible assets, net	(9)	41,098	37,414
Deferred income tax assets	(25.2)	26,252	30,966
Available-for-sale financial assets		39	33
Other non-current receivables	(10)	18,435	17,181
<b>Non-current assets</b>		<b>248,688</b>	<b>233,454</b>
Inventories, net	(11)	67,479	77,666
Trade receivables, net	(12)	47,871	42,512
Other current assets	(13)	30,633	23,608
Derivative financial instruments	(14)	94	2,644
Cash and cash equivalents	(15)	41,825	27,279
<b>Current assets</b>		<b>187,902</b>	<b>173,709</b>
<b>TOTAL ASSETS</b>		<b>436,590</b>	<b>407,163</b>

	NOTES	March 31, 2010	March 31, 2009
<b>EQUITY AND LIABILITIES</b>			
Share capital	(16)	38,232	38,232
Additional paid-in capital	(16)	48,730	49,995
Other reserves		2,554	(1,120)
Retained earnings		67,774	98,148
<b>Capital and reserves attributable to the equity holders</b>		<b>157,290</b>	<b>185,255</b>
Minority interest in equity		3,988	2,004
<b>Total equity</b>		<b>161,278</b>	<b>187,259</b>
Borrowings	(17)	49,997	75,137
Deferred income tax liabilities	(25.2)	1,224	5,851
Derivative financial instruments	(14)	1,364	1,335
Other financial liabilities	(6.4)	5,504	5,145
Other non-current liabilities	(18)	9,591	8,681
<b>Non-current liabilities</b>		<b>67,680</b>	<b>96,149</b>
Trade payables	(19)	59,940	50,702
Salaries, wages, related social items and other tax liabilities		29,523	19,608
Current income tax liabilities		15,950	13,998
Borrowings	(17)	11,872	33,831
Other current liabilities	(18)	84,490	3,187
Derivative financial instruments	(14)	1,646	769
Provisions for other liabilities and charges	(20)	4,211	1,660
<b>Current liabilities</b>		<b>207,632</b>	<b>123,755</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>436,590</b>	<b>407,163</b>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<b>(19,730)</b>	<b>49,954</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>228,958</b>	<b>283,408</b>

## COMPANY-ALONE BALANCE SHEETS

*In thousands of Euros*

	NOTES	March 31, 2010	March 31, 2009
<b>ASSETS</b>			
Property, plant and equipment, net		1,241	1,097
Intangible assets, net		1,503	951
Investments in subsidiaries	(32)	113,463	109,464
Deferred income tax assets		667	—
Other non-current receivables due from subsidiaries		4	1,647
<b>Non-current assets</b>		<b>116,878</b>	<b>113,159</b>
Inventories, net		1,808	1,959
Trade receivables due from subsidiaries, net		36,332	31,743
Trade receivables, net	(12)	7,009	6,331
Other current assets due from subsidiaries		126,005	132,967
Other current assets		2,474	1,953
Derivative financial instruments	(14)	94	2,644
Cash and cash equivalents	(15)	14,482	10,095
<b>Current assets</b>		<b>188,204</b>	<b>187,692</b>
<b>TOTAL ASSETS</b>		<b>305,082</b>	<b>300,851</b>

	NOTES	March 31, 2010	March 31, 2009
<b>EQUITY AND LIABILITIES</b>			
Share capital	(16)	38,232	38,232
Additional paid-in capital	(16)	48,730	49,995
Retained earnings		71,252	115,556
<b>Total equity</b>		<b>158,214</b>	<b>203,783</b>
Borrowings	(17)	12,391	35,517
Deferred income tax liabilities		—	406
Derivative financial instruments	(14)	285	307
Other financial liabilities	(6.4)	4,652	4,339
<b>Non-current liabilities</b>		<b>17,328</b>	<b>40,569</b>
Trade payables due to subsidiaries		17,360	19,166
Trade payables		6,006	4,282
Salaries, wages, related social items and other tax liabilities		3,241	2,273
Current income tax liabilities		6,715	7,809
Borrowings	(17)	3,466	21,983
Other current liabilities due to subsidiaries		11,164	—
Other current liabilities		80,292	440
Derivative financial instruments	(14)	1,217	546
Provisions for other liabilities and charges		79	—
<b>Current liabilities</b>		<b>129,540</b>	<b>56,499</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>305,082</b>	<b>300,851</b>
<b>NET CURRENT ASSETS</b>		<b>58,664</b>	<b>131,193</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>175,542</b>	<b>244,352</b>

The profits attributable to shareholders for the years ended March 31, 2009 and 2010 are dealt with in the financial statements of the Group to the extent of €58,819,000 and €67,281,000.



# CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of Euros (except "Number of Shares")

	Notes	Capital and reserves attributable to the equity holders									TOTAL EQUITY
		Number of shares	Share capital	Additional paid-in capital	Share Based Paym.	Other reserves		Retained earnings		Minority interest	
						Instr / Hedging reserve	Cumul. Currency Transl. Diff.	Prior years	Profit for the period		
<b>Balance at March 31, 2008</b>		19,290,674	38,232	49,995	429	—	(6,170)	21,867	47,898	2,989	155,240
<b>Comprehensive income</b>											
Profit for the period		—	—	—	—	—	—	—	58,383	1,001	59,384
<b>Other comprehensive income</b>											
Currency translation differences		—	—	—	—	—	3,671	—	—	409	4,080
Cash flow hedges fair value gains / (losses) net of tax	(14)	—	—	—	—	237	—	—	—	—	237
<b>Total comprehensive income</b>		—	—	—	—	237	3,671	—	58,383	1,410	63,701
<b>Transactions with owners</b>											
Allocation of prior year earnings		—	—	—	—	—	—	47,898	(47,898)	—	—
Dividends paid	(16.5)	—	—	—	—	—	—	(30,000)	—	(1,882)	(31,882)
Contribution from the parent	(16.3)	—	—	—	713	—	—	—	—	—	713
Minority interest in capital increase		—	—	—	—	—	—	—	—	425	425
Acquisition of minority interests	(6.3)	—	—	—	—	—	—	—	—	(938)	(938)
<b>Total transaction with owners</b>		—	—	—	713	—	—	17,898	(47,898)	(2,395)	(31,682)
<b>Balance at March 31, 2009</b>		19,290,674	38,232	49,995	1,142	237	(2,499)	39,765	58,383	2,004	187,259
<b>Comprehensive income</b>											
Profit for the period		—	—	—	—	—	—	—	81,626	2,933	84,559
<b>Other comprehensive income</b>											
Currency translation differences		—	—	—	—	—	3,321	—	—	723	4,044
Cash flow hedges fair value gains / (losses) net of tax	(14)	—	—	—	—	(1,610)	—	—	—	—	(1,610)
<b>Total comprehensive income</b>		—	—	—	—	(1,610)	3,321	—	81,626	3,656	86,993
<b>Transactions with owners</b>											
Allocation of prior year earnings		—	—	—	—	—	—	58,383	(58,383)	—	—
Dividends paid	(16.5)	—	—	—	—	—	—	(112,000)	—	(1,633)	(113,633)
Contribution from the parent	(16.3)	—	—	—	1,963	—	—	—	—	—	1,963
Incremental costs directly attributable to the issue of new shares net of tax	(21)	—	—	(1,265)	—	—	—	—	—	—	(1,265)
Minority interest in capital increase		—	—	—	—	—	—	—	—	206	206
Acquisition of minority interests	(6.3)	—	—	—	—	—	—	—	—	(245)	(245)
<b>Total transaction with owners</b>		—	—	(1,265)	1,963	—	—	(53,617)	(58,383)	(1,672)	(112,974)
<b>Balance at March 31, 2010</b>		19,290,674	38,232	48,730	3,105	(1,373)	822	(13,852)	81,626	3,988	161,278

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended March 31, In thousands of Euros

	Notes	2010	2009
<b>Cash flows from operating activities</b>			
Profit for the year from continuing operations		84,559	59,384
<i>Adjustments to reconcile profit for the year to net cash from operating activities</i>			
Depreciation, amortization and impairment	(27.3)	26,725	23,370
Deferred income taxes	(25.1)	2,203	(4,932)
Share of (gain) / loss in associates and joint-ventures		—	—
Unwinding of discount on other financial liabilities	(23)	359	595
Share based payment	(22)	1,963	713
Change in the fair value of derivatives	(14)	1,257	(1,878)
Other (losses) – net	(27.2)	(2,292)	(253)
Net movements in provisions	(27.4)	2,648	(100)
<i>Changes in working capital (excluding the effects of acquisitions and exchange differences on consolidation)</i>			
Inventories		11,712	(12,030)
Trade receivables		(3,611)	5,452
Trade payables		6,564	(9,227)
Salaries, wages, related social items and other tax liabilities		9,168	1,260
Current income tax liabilities		520	(2,593)
Unpaid finance costs		(13)	292
Other assets and liabilities, net		(3,648)	(3,721)
<b>Net cash generated from operating activities</b>		<b>138,114</b>	<b>56,332</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiary, net of cash acquired	(6.3)	(7,274)	(57,018)
Purchases of property, plant and equipment	(7)	(22,795)	(30,587)
Purchases of intangible assets	(9)	(7,465)	(8,473)
Proceeds from sale of fixed assets	(27.2)	3,123	742
Proceeds from sale of investment in associates and joint-ventures		—	—
Change in deposits and key moneys paid to the landlords		(1,499)	(4,684)
Change in non-current receivables and liabilities		296	(83)
<b>Net cash used in investing activities</b>		<b>(35,614)</b>	<b>(100,103)</b>
<b>Cash flows from financing activities</b>			
Payments directly attributable to the issue of new shares	(21)	(661)	—
Proceeds from the capital contributed by the minority shareholders		206	425
Change in other financing items		719	—
Dividends paid to shareholders	(16.5)	(32,000)	(30,000)
Dividends paid to minority shareholders		(1,633)	(1,882)
Proceeds from borrowings	(17),(27.7)	10,331	69,338
Change in financing from parent	(17.3)	(23,953)	5,280
Repayments of borrowings	(17),(27.7)	(40,367)	(5,037)
Repayments on obligations under finance leases	(17)	(1,104)	(1,175)
<b>Net cash generated from / (used in) financing activities</b>		<b>(88,462)</b>	<b>36,949</b>
Effects of the exchange rate changes	(27.5)	(2,580)	(4,130)
Net increase/(decrease) in cash and bank overdrafts of discontinued operations		—	—
<b>Net (decrease)/ increase in cash, cash equivalents and bank overdrafts</b>		<b>11,458</b>	<b>(10,952)</b>
<b>Cash, cash equivalents and bank overdrafts at beginning of the year</b>		<b>26,928</b>	<b>37,880</b>
Cash		27,279	39,073
Bank overdrafts		(351)	(1,193)
<b>Cash, cash equivalents and bank overdrafts at end of the year</b>		<b>38,387</b>	<b>26,928</b>
Cash		41,825	27,279
Bank overdrafts		(3,438)	(351)

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## 1. THE GROUP

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

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

The Group markets a range of olive oil based foodstuffs under the brand "Olivier & Co".

L'Occitane International S.A. is a Luxembourg Société Anonyme registered in the Luxembourg Trade and Commercial Register, Grand Duchy of Luxembourg under the R.C.S. Number: B-80 359. The address of the Company is as follows: 1, rue du Fort Rheinsheim, L-2419 Luxembourg.

These consolidated financial statements have been approved by the Board of Directors for issue on June 24, 2010.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1. Basis of preparation

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

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

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

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

### 2.1. Basis of preparation *(continued)*

- (a) Standards, amendments and interpretations published that are effective for the period ended on December 31, 2009 and that are relevant for Group's operations:

The following amendments have been published by IASB / IFRIC and approved by the European Union. They are mandatory for the Group's accounting periods beginning on or after January 1, 2009 or later periods:

- IAS 1 (Revised), 'Presentation of financial statements' (effective for annual periods beginning on or after January 1, 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in the statement of comprehensive income. The Group has elected to present two statements: an income statement and a statement of comprehensive income. Where entities restate or reclassify comparative information, they are required to present a restated balance sheet at the beginning of the first comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. These financial statements have been restated for applying the amendment IAS 38 and therefore present a restated balance sheet as at April 1, 2006.
- IAS 38 (Amendment), 'Intangible assets' (effective for annual periods beginning on or after January 1, 2009). For the Group, this amendment is effective for the first time for the fiscal year beginning on April 1, 2009. According to this revised standard, a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. This means that an expense is recognised for distribution and marketing promotional goods when the Group has access to these goods and not when the goods are distributed to customers or used, as was the Group's accounting policy as at March 31, 2009 and before. The Group applied IAS 38 (Amendment) from April 1, 2009 by writing-off the prepayments related to the promotional goods. The net of taxes impact as at April 1, 2008 amounted to 4,786,000, and has been recognized as a deduction of retained earnings. Those promotional goods that are to be sold to third parties have been reclassified from Other current assets to Inventories.
- IFRS 8, 'Operating segments' (effective for annual periods beginning on or after January 1, 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as is used for internal reporting purposes. The number of reportable segments, as well as the manner in which the segments are reported, have not materially changed as the former segment reporting was consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the President and the Chief Executive Officer that makes strategic decisions. There was no change in the allocation of goodwill that is still allocated by management to groups of cash-generating units on a geographic segment level. Therefore IFRS 8 has not resulted in any goodwill impairment and there has been no further impact on the measurement of the Group's assets and liabilities.

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

### 2.1. Basis of preparation *(continued)*

(a) Standards, amendments and interpretations published that are effective for the year ended March 31, 2010 and that are relevant for Group's operations: *(continued)*

- IFRS 7 (Amendment), 'Financial instruments: disclosure' (effective for annual periods beginning on or after January 1, 2009) related to financial instruments disclosure. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, it requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

IASB also published the following standards and amendments that have been adopted by the European Union and that have not a material impact on the Groups' financial statements.

- IAS 8 (Amendment), 'Accounting policies, changes in accounting estimates and errors' (effective for annual periods beginning on or after January 1, 2009) related to the statute of application guides.
- IAS 19 (Amendment), 'Employee benefits' (effective for annual periods beginning on or after January 1, 2009):
  - The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
  - The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
  - The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
  - IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.
- IFRIC 14, 'IAS 19 – The limit on a defined asset, minimum funding requirements and their interaction' (effective for annual periods beginning on or after January 1, 2009). The interpretation provides guidance on assessing the limit in IAS19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement.
- IAS 23 (Revision), 'Borrowing costs' (effective for annual periods beginning on or after January 1, 2009). It requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed.
- IAS 23 (Amendment), 'Borrowing costs' (effective for annual periods beginning on or after January 1, 2009). The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between IAS 39 and IAS 23.

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

### 2.1. Basis of preparation *(continued)*

- (a) Standards, amendments and interpretations published that are effective for the year ended March 31, 2010 and that are relevant for Group's operations: *(continued)*
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective for annual periods beginning on or after January 1, 2009). An investment in associate is treated as a single asset for the purposes of impairment testing and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases.
  - IAS 34 (Amendment), 'Interim financial reporting' (effective for annual periods beginning on or after January 1, 2009) related to the earning per share in the interim financial reporting.
  - IAS 36 (Amendment), 'Impairment of assets' (effective for annual periods beginning on or after January 1, 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made.
  - IAS 38 (Amendment), 'Intangible assets', (effective for annual periods beginning on or after January 1, 2009). The amendment deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortisation than the straight line method.
  - IFRS 2 (Amendment), 'Share-based payment' (effective for annual periods beginning on or after January 1, 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment.
- (b) Standard, amendments and interpretations published that are effective for the year ended March 31, 2010 and that are not relevant for Group's operations:

The following amendments and interpretations have been published by IASB / IFRIC and approved by the European Union. They are mandatory for the Group's accounting periods beginning on or after January 1, 2009 or later periods but are not relevant for Group's operations:

- IAS 1 (Amendment), 'Presentation of financial statements' (effective for annual periods beginning on or after January 1, 2009) related to the presentation of financial assets and liabilities classified as held for trading in accordance with IAS 39.
- IAS 10 (Amendment), 'Events after the reporting period' (effective for annual periods beginning on or after January 1, 2009) related to the vote of dividends after the closing date.



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

### 2.1. Basis of preparation *(continued)*

(b) Standard, amendments and interpretations published that are effective for the year ended March 31, 2010 and that are not relevant for Group's operations: *(continued)*

- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective for annual periods beginning on or after January 1, 2009). Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to IAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities.
- IAS 18 (Amendment), 'Revenue' (effective for annual periods beginning on or after January 1, 2009) and related amendments to IFRS 1 and IAS 27, related to the cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements.
- IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective for annual periods beginning on or after January 1, 2009). The benefit of a below-market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39, 'Financial instruments: Recognition and measurement', and the proceeds received with the benefit accounted for in accordance with IAS 20.
- IAS 27 (Amendment), 'Consolidated and separate financial statements' (effective for annual periods beginning on or after January 1, 2009). Where an investment in a subsidiary that is accounted for under IAS 39, 'Financial instruments: recognition and measurement' is classified as held for sale under IFRS 5, 'Non-current assets held for sale and discontinued operations', IAS 39 would continue to be applied.
- IFRS 1 (Amendment), 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements' (effective for annual periods beginning on or after January 1, 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor.
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective for annual periods beginning on or after January 1, 2009). Where an investment in associate is accounted for in accordance with IAS 39 'Financial instruments: recognition and measurement' only certain, rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosures'.
- IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective for annual periods beginning on or after January 1, 2009). The guidance has been amended to reflect the fact that a number of assets and liabilities are measured at fair value rather than historical cost.

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

### 2.1. Basis of preparation *(continued)*

- (b) Standard, amendments and interpretations published that are effective for the year ended March 31, 2010 and that are not relevant for Group's operations: *(continued)*
- IAS 31 (Amendment), 'Interests in joint ventures (and consequential amendments to IAS 32 and IFRS 7) (effective for annual periods beginning on or after January 1, 2009). Where an investment in joint venture is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 need to be made in addition to disclosures required by IAS 32, 'Financial instruments: Presentation' and IFRS 7 'Financial instruments: Disclosures'.
  - IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective for annual periods beginning on or after January 1, 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions.
  - IAS 39 (Amendment), 'Financial instruments: Recognition and measurement (effective for annual periods beginning on or after January 1, 2009):
    - This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge;
    - The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition;
    - The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes this requirement so that IAS 39 is consistent with IFRS 8, 'Operating segments' which requires disclosure for segments to be based on information reported to the chief operating decision maker;
    - When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.

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

### 2.1. Basis of preparation *(continued)*

(b) Standard, amendments and interpretations published that are effective for the year ended March 31, 2010 and that are not relevant for Group's operations: *(continued)*

- IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16) (effective for annual periods beginning on or after January 1, 2009). Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable.
- IAS 41 (Amendment), 'Agriculture' (effective for annual periods beginning on or after January 1, 2009). It requires the use of a market-based discount rate where fair value calculations are based on discounted cash flows and the removal of the prohibition on taking into account biological transformation when calculating fair value.
- IFRIC 15, 'Agreements for constructing of real estates'. (effective for annual periods beginning on or after January 1, 2009). The interpretation clarifies whether IAS 18 or IAS 11 should be applied to particular transactions.

(c) Standard, amendments and interpretations published that are not effective for the year ended March 31, 2010 and that are relevant for Group's operations:

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the period ended December 31, 2009 and have not been early adopted:

- IAS 17 (Amendment), 'Leases' (effective for annual periods beginning on or after January 1, 2010) related to the classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification.
- IAS 27 (Revised), 'Consolidated and separate financial statements' (effective for annual periods beginning on or after July 1, 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from April 1, 2010.
- IFRS 3 (Revised), 'Business combinations' (effective for annual periods beginning on or after July 1, 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from April 1, 2010.

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

### 2.1. Basis of preparation *(continued)*

- (c) Standard, amendments and interpretations published that are not effective for the year ended March 31, 2010 and that are relevant for Group's operations: *(continued)*
- IAS 38 (Amendment), 'Intangible assets', (effective for annual periods beginning on or after January 1, 2010) clarifies the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets.
  - IAS 39 (Amendment), 'Financial instruments: Recognition and measurement (effective for annual periods beginning on or after January 1, 2010): the amendment clarifies that gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects profit and loss.
  - IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective for annual periods beginning on or after October 1, 2008). The interpretation clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Group.
  - IFRS 9, 'Financial Instruments'. This is the first instalment of a 3 phased project to replace the existing standard on financial instruments, IAS39. IFRS 9 deals with classification and measurement of financial assets. The standard is effective for annual periods beginning on or after January 1, 2013.

### 2.2. Principles of consolidation

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

#### (a) *Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of income.

Inter-company transactions, in particular the internal profits included in the inventories at the balance sheet date, balances and unrealized gains on transactions between group companies are eliminated. If any, unrealized losses are also eliminated but considered as an impairment indicator of the asset transferred.

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

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

(a) *Subsidiaries (continued)*

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) *Transactions with minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals of minority interests result in gains and losses for the Group that are recorded in the statement of income. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

When the minority interests have the right to sell the remaining shares through a put option, a liability is recognized for the put option. The liability is measured at present value of the redemption amount. When the put option is written as part of a business combination and when control over the subsidiary is acquired, no minority interest is recognized in respect of the shares subject to the put option and the goodwill arising on the business combination includes the goodwill related to the shares subject to the put option.

Subsequently to the initial recognition, the changes in the financial liability are recorded as follows;

- The unwinding of discount is recorded in finance costs,
- If any, the change in estimates in the redemption amount is recorded against goodwill.

(c) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost.

The Group's investment in associates includes goodwill identified on acquisition, if any (net of any impairment loss).

The Group's share of its associates' post-acquisition profits or losses is recognized in the statement of income, and its share of post-acquisition movements in reserves is recognized in the Group's reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognized in the statement of income.



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

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

*(d) Interest in joint-ventures*

The Group's interests in jointly controlled entities are accounted for using the equity method of accounting and are initially recognized at cost.

### 2.3.Foreign currency translation

*(a) Functional and presentation currency*

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

*(b) Transactions and balances*

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

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

*(c) Group companies*

None of the Group's entities has the functional currency of a hyperinflationary economy. The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

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

#### *(c) Group companies (continued)*

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

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

### 2.4. Segment reporting

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

### 2.5. Intangible assets

#### *(a) Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is presented on the Consolidated Balance Sheet under the line "Goodwill". Goodwill on acquisitions of associates is included in investments in associates. Separately recognized goodwill is tested annually for impairment and carried at cost less impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose.

#### *(b) Key moneys*

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

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

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

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

**(c) Contractual customer relationship**

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

**(d) Trademarks**

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

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

**(e) Computer software**

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

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Directly attributable costs include the software development employee costs and an appropriate portion of relevant overheads. These costs are amortized using the straight-line method over their estimated useful lives (not exceeding 5 years).

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

**(f) Development costs**

Given the nature of the products developed and sold by the Group (products manufactured with natural ingredients), research and development costs for the products are non-significant and are expensed when incurred.

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

### 2.6. Property, Plant and Equipment

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance 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:

• Buildings	20 years
• Equipment and machinery	between 5 and 10 years
• Information system equipments and cash registers	3 years
• Leasehold improvements	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 balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see note 2.7).

Gains and losses on sales are determined by comparing proceeds with the carrying amount. These are included in the statement of income under "Other (losses) / gains-net".

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

### 2.7. 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.

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

### 2.7. Impairment of non-financial assets *(continued)*

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

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

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

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

Goodwill and trademarks are allocated to cash generating units either by operating segment or by operating segment and by country. Cash generating units to which goodwill and trademarks have been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, an impairment loss is recognized. An impairment loss recognized for goodwill or trademarks is not reversed in a subsequent period.

### 2.8. Deposits

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

A provision for impairment of deposits is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of deposits.

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

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



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

### 2.10. Inventories

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

Inventories also include distribution and marketing promotional goods that are intended to be sold to third parties.

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

### 2.11. Trade receivables

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

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement within "Distribution expenses". When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "Distribution expenses" in the statement of income.

### 2.12. Financial assets

#### *Classification of financial assets*

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

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

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

#### (b) Loans and receivables

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

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

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

#### *Recognition and measurement*

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

Gains or losses arising from changes in the fair value of the "Financial assets at fair value through profit and loss" category are presented in the statement of income within "Finance costs" for interest derivatives and within "Foreign currency gains / (losses)" for currency derivatives in the period in which they arise.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in profit or loss, translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the statement of income as "Other (losses) / gains - net". Interest on available-for-sale securities calculated using the effective interest method is recognized in the statement of income. Dividends on available-for-sale equity instruments are recognised in the statement of income as part of other income when the Group's right to receive payments is established.

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

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

#### *Impairment of financial assets*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in note 2.11.

### 2.13. Derivative financial instruments and hedging activities

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

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

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

The fair value of the various derivative instruments used for hedging purposes is disclosed in note 16. Movements on the hedging reserve in shareholders' equity are shown in the consolidated statement of changes in shareholders' equity.

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

#### *(a) Fair value hedge*

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

The Group does not use fair value hedges.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)***2.13. Derivative financial instruments and hedging activities** *(continued)***(b) Cash flow hedge**

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

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

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

**(c) Net investment hedge**

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

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

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

The Group does not use net investment hedges.

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

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of these derivative instruments are recognized immediately in the statement of income within ‘Finance costs – net’ or “Foreign currency gains / (losses)”.

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

### **2.14. Cash and cash equivalents**

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

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

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

### **2.15. Share capital**

Ordinary shares are classified as equity. If any, mandatory redeemable preference shares are classified as liabilities.

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

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

### **2.16. Dividend distribution**

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

### **2.17. Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### 2.18. Provisions

Provisions for customer and warranty claims, dismantling and restoring obligations, restructuring costs and legal claims are recognized when:

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

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

Provisions are measured at the present value of the best estimate of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the obligation. The increase in the provisions due to passage of time is recognized as interest expense.

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

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

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

#### *Provision for onerous contracts*

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

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

### 2.19. Employee benefits

#### *(a) Pension obligations*

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

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

#### **Defined benefit plans**

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

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of income in the period in which they arise.

Past-service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

#### **Defined contribution plans**

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

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

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

*(b) Other post-employment obligations*

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

*(c) Share-based compensation*

Following decisions approved on September 28, 2007, L'Occitane Groupe S.A., the parent of the Company, operates a number of equity-settled, share-based compensation plans which are granted to employees of the Group and its subsidiaries. The fair value of the employee services received in exchange for the grant of the equity instruments is recognized as an expense. The expense is determined by reference to the fair value of the equity instruments at grant date, excluding the impact of any service and non-market performance conditions if any. Service and non-market performance conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity (contribution from the parent).

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

*(d) Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

*(e) Profit-sharing and bonus plans*

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

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

### 2.20. Borrowings and compound financial instruments

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

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

On initial recognition the fair value of the liability portion of a convertible bond is the present value of the contractually determined stream of future cash flows discounted using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognized and included in shareholders' equity, net of income tax if compliant with the definition of an equity instrument according to IAS 32. The issuer's obligation to make scheduled payments of interest and principal is a financial liability that exists as long as the instrument is not converted. On conversion of a convertible instrument at maturity, the entity derecognizes the liability component and recognizes it as equity. The original equity component remains as equity. There is no gain or loss on conversion at maturity.

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

### 2.21. Revenue recognition

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

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

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

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

Revenue is recognized as follows:

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

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

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

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

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

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

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

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

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

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

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

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



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

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

#### *(d) Loyalty program*

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

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

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

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

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

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

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

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

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

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

### 2.22. Distribution expenses

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

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

### 2.23. Marketing expenses

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

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

### 2.24. Accounting of rent expenses

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

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

Should the landlord grant free rent – in particular during the first months of the lease during the construction of the store – the free part is recognized on a straight-line basis over the remaining duration of the lease. Similarly, in the case of escalation clauses, lease payments are recognized as an expense on a straight-line basis.

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

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

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

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

The line “Foreign currency gains / (losses)” in the statement of income relates to:

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

### 2.27. Income taxes

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

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

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

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

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

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

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

### 2.28. Earnings per share

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

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Anti-dilutive potential ordinary shares are not considered in the calculation of the diluted earnings per share. Potential ordinary shares are anti-dilutive when the conversion in ordinary shares increases the earnings per share or decreases the net losses per share. The Group has two categories of dilutive potential ordinary shares: share options and free shares. For the share options a calculation is made to determine the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

## 3. FINANCIAL RISK MANAGEMENT

### 3.1. Financial risk factors

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

#### (a) *Market risk*

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

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

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

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

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

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

(a) *Market risk (continued)*

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

During the fiscal years 2010 and 2009 and on March 31, 2010 and 2009, if the euro had weakened / strengthened by 10% in comparison to the currencies listed below with all other variables held constant, equity, net sales and post-tax profit for the year would have been higher / lower as illustrated below:

<i>In thousands of Euros</i> March 31,	Currency translation differences (equity)		Net sales		Profit for the year	
	2010	2009	2010	2009	2010	2009
USD	3,814	4,759	8,936	9,119	1,943	3,241
JPY	8,669	7,618	14,838	12,766	4,833	5,158
HKD	3,240	3,180	4,254	3,620	2,123	1,817
GBP	1,678	1,438	3,080	2,600	1,370	1,126

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

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

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

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

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

In accordance with debt covenants described in note 17.7, the interest rate of certain bank borrowings can be re-priced.



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

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

(a) *Market risk (continued)*

**Cash flow and fair value interest rate risk *(continued)***

Based on the simulations performed, on March 31, 2010 and 2009, if interest rates had been 50 basis points higher / lower with all other variables held constant, post-tax profit for the year would have been lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings (note 25).

<i>In thousands of Euros</i>	Impact on post-tax profit March 31,	
	2010	2009
Sensitivity of finance costs	180	345
Sensitivity of the post-tax profit	124	237

The above sensitivity takes into consideration the impact of the interest rate derivatives existing at March 31, 2010 and 2009 on the interest expense but does not take into consideration the effect of a higher / lower interest rate on the fair market value of the derivatives designed to manage the cash flow interest risk floating-to-fixed interest rate swaps. The fair value of these derivatives at period end is not material.

**Price risk**

The Group is not significantly exposed to equity securities risk and to commodity price risk.

(b) *Credit risk*

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with bank and financial institutions, as well as credit exposures to wholesale and retail customers.

The Group has no significant concentrations of credit risk:

- For cash and cash equivalents and derivatives financial instruments, only major financial institutions are accepted by the Group;
- For wholesales, the Group maintains adequate allowances for potential credit losses and follows regularly the solvency of its counterpart. As of March 31, 2010 and 2009, the Group did not have any significant concentration of business conducted with a particular customer that could, if suddenly eliminated, severely impact the operations of the Group;
- For retail sales, the sales to retail customers are made in cash or via major credit cards.

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

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

##### (c) Liquidity risk

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

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents) on the basis of expected cash flow. The liquidity reserve on March 31, 2010 is as follows:

March 31, <i>In thousands of Euros</i>	2010
Cash and cash equivalents and bank overdrafts	38,387
Undrawn borrowing facilities (note 19.10)	125,493
<b>Liquidity reserves</b>	<b>163,880</b>

The repayment of existing borrowings on March 31, 2010 and 2009 and the related interests to be paid, assuming interest rate applicable on March 31, 2010 and 2009 are as follows:

<i>In thousands of Euros</i>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Borrowings	89,771	11,207	33,163	6,015	140,156
Interests payments on borrowings	1,032	792	1,329	205	3,358
<b>Total on March 31, 2010</b>	<b>90,803</b>	<b>11,999</b>	<b>34,492</b>	<b>6,220</b>	<b>143,514</b>
Borrowings	33,831	1,942	40,632	32,563	108,968
Interests payments on borrowings	3,898	3,465	3,734	611	11,708
<b>Total on March 31, 2009</b>	<b>37,729</b>	<b>5,407</b>	<b>44,366</b>	<b>33,174</b>	<b>120,676</b>

The amount of interests to be paid does not take into consideration the effect of interest rate derivatives.

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

#### 3.2. Capital risk management

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

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

#### 3.3. Fair value estimation

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

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

<i>In thousands of Euros</i>	March 31,			
	2010		2009	
	Net book value	Fair value	Net book value	Fair value
<b>Assets</b>				
Available-for-sale financial assets (a)	39	39	33	33
Other non-current receivables	18,435	18,435	17,181	17,181
Derivatives financial instruments (b)	94	94	2,644	2,644
<b>Total assets</b>	<b>18,568</b>	<b>18,568</b>	<b>19,858</b>	<b>19,858</b>
<b>Liabilities</b>				
Non-current borrowings				
Fixed rate	—	—	—	—
Floating rate	61,832	61,832	75,137	75,137
<b>Total borrowings</b>	<b>61,832</b>	<b>61,832</b>	<b>75,137</b>	<b>75,137</b>
Derivatives financial instruments (b)	3,010	3,010	2,104	2,104
<b>Total liabilities</b>	<b>3,010</b>	<b>3,010</b>	<b>2,104</b>	<b>2,104</b>

(a) Non-consolidated investments are not significant and are valued as described in the note 2.12.

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

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

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

##### *Fair value measurement hierarchy*

IFRS 7 for financial instruments requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

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

<i>In thousands of Euros</i>	March 31, 2010			March 31, 2009		
	Level 1 (a)	Level 2 (b)	Level 3 (c)	Level 1 (a)	Level 2 (b)	Level 3 (c)
<b>Assets</b>						
Derivatives at fair value through profit and loss	—	61	—	—	882	—
Derivatives designated as hedging instruments	—	33	—	—	1,762	—
Cash and cash equivalents	41,825	—	—	27,279	—	—
<b>Total assets</b>	<b>41,825</b>	<b>94</b>	<b>—</b>	<b>27,279</b>	<b>2,644</b>	<b>—</b>
<b>Liabilities</b>						
Derivatives at fair value through profit and loss	—	(1,134)	—	—	(769)	—
Derivatives designated as hedging instruments	—	(1,876)	—	—	(1,335)	—
<b>Total liabilities</b>	<b>—</b>	<b>(3,010)</b>	<b>—</b>	<b>—</b>	<b>(2,104)</b>	<b>—</b>

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

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

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

- (a) The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.
- (b) The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by external counterparties using methods and assumptions that are based on market conditions existing at each balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- (c) If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.



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## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Consolidated Financial Statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the reporting period. Estimates are used for, but not limited to, depreciation, amortization and impairment (notes 2.5, 2.6 and 2.7) of non-current assets, allocation of the excess of the cost of an acquisition over the carrying value of the net assets acquired to key money (note 2.5) and to contractual customer relationship (note 2.5), valuation of inventories (note 2.10), depreciation of inventories (note 2.10), provisions (note 2.18), the provision for impairment of trade receivables (note 2.11), revenue recognition (note 2.21), income taxes (note 2.27), fair value of the derivative instruments (note 2.13) and contingencies (note 28).

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

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

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

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

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

- Forecasted sales are determined for each store based on its location. This may vary significantly from one location to another or from one country to another. Management determined budgeted net sales, gross margin and operating cash flows based on past performance and its expectations of market developments;
- The terminal value is based on a long term growth rate of 1%;
- The pre-tax discount rate of 9.00% (9.27% in the fiscal year 2009). The same pre-tax discount rate has been used for all the segments as:
  - o All the products are produced in France;
  - o Most of the financing is done centrally, and;
  - o The specific local market risks are embedded in the cash flows projections.

### 4.2. Depreciation and amortization periods

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

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

### 4.3. Allowance on inventories

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

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

### 4.4. Legal claims

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

### 4.5. Income taxes

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

## 5. SEGMENT INFORMATION

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

The Chairman & CEO and the Managing Director consider the business from both a channel and a geographic perspective. The Chairman & CEO and the Managing Director review the operating results of both sets of components and 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 Sell-out, Sell-in and Business to Business:

- Sell-out comprises the sale of our products directly to the final customers. These sales are mainly done in the Group's stores and/or through the Group's website;
- Sell-in comprises the sale of our 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 sale of the Group's products to an intermediate who will provide them as free amenities to its final customers. These intermediates are mainly airline companies and hotels.

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

## 5. SEGMENT INFORMATION *(continued)*

### 5.1. Operating segments

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

The operating segments information as at March 31, 2010 and 2009 is as follows:

March 31, <i>In thousands of Euros</i>	2010				
	Sell-Out	Sell-In	B to B	Other reconciling items	Total
Sales	449,817	141,674	20,754	—	612,245
<i>In %</i>	73.5%	23.1%	3.4%	—	100.0%
Gross profit	395,087	95,483	6,693	—	497,263
<i>% of sales</i>	87.8%	67.4%	32.2%	—	81.2%
Distribution expenses	(217,999)	(22,097)	(2,441)	(28,364)	(270,901)
Marketing expenses	(28,343)	(5,193)	(43)	(26,065)	(59,644)
General and administrative expenses	(1,759)	—	—	(57,645)	(59,404)
Goodwill amortization and impairment	—	—	—	—	—
Other (losses) / gains-net	1,617	(4)	—	1,266	2,879
<b>Operating profit</b>	148,603	68,189	4,209	(110,808)	110,193
<i>% of sales</i>	33.0%	48.1%	20.3%		18.0%

## 5. SEGMENT INFORMATION (continued)

## 5.1. Operating segments (continued)

March 31,	2009				
<i>In thousands of Euros</i>	Sell-Out	Sell-In	B to B	Other reconciling items	Total
Sales	384,406	132,561	20,368	—	537,335
<i>In %</i>	71.5%	24.7%	3.8%	—	100.0%
Gross profit	336,953	88,998	5,834	—	431,785
<i>% of sales</i>	87.7%	67.1%	28.6%	—	80.4%
Distribution expenses	(190,972)	(24,086)	(2,638)	(22,210)	(239,906)
Marketing expenses	(24,984)	(7,231)	(100)	(27,119)	(59,434)
General and administrative expenses	(2,192)	(2,551)	—	(48,056)	(52,799)
Goodwill amortization and impairment	—	—	—	—	—
Other (losses) / gains-net	227	79	—	538	844
<b>Operating profit</b>	119,032	55,209	3,096	(96,847)	80,490
<i>% of sales</i>	31.0%	41.6%	15.2%		15.0%

There are no significant inter-segment transfers or transactions.

## 5. SEGMENT INFORMATION *(continued)*

### 5.2. Geographic areas

#### (a) Sales

Sales consist only of product sales. The Group's external sales of samples, catalogues and windows are deducted from marketing costs.

Sales are allocated based on the country of the invoicing subsidiary.

March 31, <i>In thousands of Euros</i>	2010		2009	
	Total	In %	Total	In %
Japan	147,825	24.1%	127,470	23.7%
United States	89,363	14.6%	90,872	16.9%
France	78,051	12.7%	77,136	14.4%
Hong-Kong	49,692	8.1%	43,312	8.1%
United Kingdom	30,796	5.0%	26,004	4.8%
Luxembourg-Swiss Branch	27,837	4.5%	24,231	4.5%
Taiwan	24,681	4.0%	24,163	4.5%
Brazil	25,524	4.2%	19,282	3.6%
Other countries	138,476	22.6%	104,865	19.5%
<b>Sales</b>	<b>612,245</b>	<b>100%</b>	<b>537,336</b>	<b>100%</b>

#### (b) Assets

The following table shows the breakdown of certain non-current assets by geographical areas.

March 31, <i>In thousands of Euros</i>	2010			2009		
	Property, Plant and Equipment	Goodwill	Intangible assets	Property, Plant and Equipment	Goodwill	Intangible assets
Japan	6,467	20,612	570	6,089	19,787	617
United States	8,369	5,018	166	10,585	5,083	224
France	36,673	36,056	25,392	32,452	36,056	23,009
Hong Kong	1,519	2,189	—	1,629	2,221	—
United Kingdom	3,705	1,380	24	2,865	1,319	57
Luxembourg-Swiss Branch	402	—	2,342	258	—	1,790
Taiwan	529	1,575	85	665	1,505	104
Brazil	2,486	4,114	2,097	1,716	939	1,305
Other countries	16,530	15,240	10,422	13,091	11,600	10,308
<b>Total</b>	<b>76,680</b>	<b>86,184</b>	<b>41,098</b>	<b>69,350</b>	<b>78,510</b>	<b>37,414</b>

These assets are allocated based on the country of the subsidiary owning the asset.

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

### 6.1. For the year ended March 31, 2010

#### *L'Occitane Do Brazil*

On November 16, 2009, L'Occitane Holding Brazil LTDA, a fully owned subsidiary of L'Occitane International SA, acquired the remaining minority interests in L'Occitane Do Brazil S/A for a consideration of €2,701,000 in cash.

After this transaction, L'Occitane Do Brazil is now 100% held by the Group.

#### *L'Occitane Canada Corp.*

On January 29, 2009, a new intermediary subsidiary, L'Occitane Canada Corp was created. On April 17, 2009, the Group has acquired through L'Occitane Canada Corp., from the Canadian agent, the net assets related to retail and wholesales activities in Canada. The objective of this acquisition is to strengthen the Group's position in North America. The purchase consideration amounted to €4,684,000.

The acquired business had contributed revenues of €5,393,000 and net profit of €(105,000) to the Group for the period from the acquisition date to March 31, 2010.

### 6.2. For the year ended March 31, 2009

#### *(a) Business combinations and acquisitions of minority interests*

##### **M&A Développement (France)**

On June 5, 2008, the Group signed a share purchase agreement for the purchase of 85% of M&A Développement (M&A) for a purchase price of €46,750,000. The remaining 15% were held by Bernard Chevilliat. M&A is the holding company which holds 100% of its following subsidiaries: M&A Santé Beauté, Melvita and Ardecosm. M&A Group is located in Lagorce (Ardèche – South of France) and is specialized in manufacturing and the distribution of organic cosmetic and hygiene products under the brand Melvita.

As at the same date, the Group obtained the right to purchase and Bernard Chevilliat obtained the right to sell the remaining 15% through a call, respectively put, option giving the Group the right to acquire, at any time, respectively Bernard Chevilliat to sell these shares, during the option period or when certain triggering events occurred. The option period was the period starting from June 6, 2013. The valuation of option shares was based on a formula deemed to approximate the fair value of the shares at the date of transaction. Depending upon certain triggering events, the valuation can be adjusted downward.

In accordance with IAS 32, a liability was recognized for the put option. The liability was measured at the present value of the redemption amount (note 6.4). As the put option was written as part of a business combination when control over the subsidiary was acquired, no minority interest was recognized in respect of the shares subject to the put option and the goodwill arising on the business combination included the goodwill related to the shares subject to the put option.



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

### 6.2. For the year ended March 31, 2009 *(continued)*

#### *(a) Business combinations and acquisitions of minority interests (continued)*

##### **M&A Développement (France) *(continued)***

Following an agreement with the minority shareholder dated November 21, 2008, L'Occitane Groupe S.A., the parent company, has authorized on March 30, 2009, the issuance of 183,433 new shares in return of the contribution to the parent company by the minority shareholder Bernard Chevilliat of his shares in the company M&A Développement (M&A) for 15% of the capital. The shares issued by the parent company in exchange of the minority shareholdings were estimated at market value (€4,516,000). The market value was based on method of the multiple which consisted of comparing the Group with comparable listed companies operating in the same business or having a similar scheme of distribution network. These 15% of the shares in the company M&A Développement (M&A) were sold for an amount of €4,516,000 by the parent company to L'Occitane S.A., a 100% subsidiary of the Group (note 17.3). After the exchange, M&A Développement (M&A) is now 100% held by the Group.

After the acquisition of the 15% remaining shares, the goodwill was adjusted downward for an amount of €3,930,000 to reflect the final consideration.

The acquired business had contributed revenues of €19,101,000 and net profit of €1,351,000 to the Group for the period from the acquisition date to March 31, 2009.

##### **L'Occitane (China) limited**

On December 5, 2008, L'Occitane (Far East) Limited finalised the acquisition of 49% of the issued share capital of L'Occitane (China) limited from LS Holding Company Ltd, the minority shareholder. These shares were paid through €684,000 in cash and 92,469 of the L'Occitane Groupe S.A.'s treasury shares. The treasury shares of the parent company were valued at market value (€2,271,000). The market value was based on method of the multiple which consisted of comparing the Group with comparable listed companies operating in the same business or having a similar scheme of distribution network. Because the minority interests have been partly paid by the parent to the vendor, this transaction resulted in the increase of the financing from parent for the same amount of €2,271,000.

After this transaction, L'Occitane (China) Limited is now 100% held by the Group.

As indicated in note 19.4, on November 2, 2009 LS Holding Company Ltd has released and discharged the Group from the obligation to repay a loan amounting to €686,000. This has been recorded as an adjustment to the consideration to purchase the minority interests and the goodwill was adjusted downward accordingly (note 8.1).

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

### 6.2. For the year ended March 31, 2009 *(continued)*

#### *(a) Business combinations and acquisitions of minority interests (continued)*

##### **Urban Design Sp.z.o.o (Poland)**

On July 7, 2008, the Group acquired 100% of the issued share capital of Urban Design Sp.z.o.o (renamed L'Occitane Polska Sp.z.o.o.) for a total consideration of €1,773,000. L'Occitane Polska Sp.z.o.o is located in Warsaw, Poland and is specialized in the distribution of L'Occitane products in the territory of Poland.

The acquired business had contributed revenues of €1,495,000 and net loss of €94,000 to the Group for the period from the acquisition date to March 31, 2009.

##### **L'Occitane (Thailand) Limited**

Following various arrangements signed in April and May 2008, the Group acquired 49% of the business conducted by its agent distributing L'Occitane products in Thailand through the newly constituted subsidiary L'Occitane (Thailand) Limited. The transfer of risks and rewards was effective on June 30, 2008. The objective of this acquisition was to strengthen the Group's position in this market. The purchase consideration for the transfer of 49% of the business had amounted to €409,000. The inventories and fixed assets necessary to run the business were acquired separately for €1,475,000. The remaining 51% in L'Occitane (Thailand) Limited are held by Harald Link and Nunthinee Sudhirak. In accordance with these arrangements, the Group controls L'Occitane (Thailand) Limited.

As part of these arrangements, Harald Link and Nunthinee Sudhirak obtained the right to sell the remaining 51% through a put option during the option period which starts three years after the completion of these arrangements. The valuation of exercise price will be based on a mutually agreed price.

In accordance with IAS 32, a liability was recognized for the put option. The liability was measured at the present value of the redemption amount (note 6.6). As the put option was written as part of a business combination when control over the subsidiary was acquired, no minority interest was recognized in respect of the shares subject to the put option and the goodwill arising on the business combination included the goodwill related to the shares subject to the put option.

The acquired business had contributed revenues of €3,551,000 and net loss of €119,000 to the Group for the period from the acquisition date to March 31, 2009.

#### *(b) Disposals*

##### **Oliviers & Co Importação Ltda**

On March 31, 2009, the Group disposed its investment in Oliviers & Co Importação Ltda for an amount of €114,000 and recorded a gain amounting to €46,000.

The disposed business had contributed revenues of €235,000 and net profit of €(15,000) to the Group for the year ended March 31, 2009.

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

### 6.3. Cash used in acquisitions and fair value of the net assets acquired

For the year ended March 31, 2010

The cash used in acquisitions made during year ended March 31, 2010, can be analyzed as follows:

On March 31, <i>In thousands of Euros</i>	L'Occitane Canada	2010 L'Occitane do Brazil	Total
Cash payments	4,684	2,701	7,385
Direct costs relating to the acquisitions	107	—	107
Cash acquired	(218)	—	(218)
<b>Purchase of activities net of cash acquired</b>	<b>4,573</b>	<b>2,701</b>	<b>7,274</b>
Fair value of the Company's shares issued	—	—	—
<b>Acquisition costs net of cash acquired</b>	<b>4,573</b>	<b>2,701</b>	<b>7,274</b>
Property, plant and equipment (note 7)	555	—	555
Key moneys (note 9)	—	—	—
Trademarks (note 9)	—	—	—
Contractual customer relationship (note 9)	—	—	—
Other non-current assets	—	(263)	(263)
Goodwill (note 8)	3,171	2,719	5,890
Deferred tax assets (note 25.3)	327	—	327
Inventories	507	—	507
Trade receivables and other current assets	155	—	155
Trade payables and other current liabilities	(142)	—	(142)
Deferred tax liabilities (note 25.3)	—	—	—
Changes in minority interest	—	245	245
<b>Fair value of net assets acquired</b>	<b>4,573</b>	<b>2,701</b>	<b>7,274</b>

The excess of the acquisition cost over the share of the fair value at the acquisition date of the acquiree's assets, liabilities and contingent liabilities is recorded to goodwill.

The goodwill for L'Occitane do Brazil is related to the purchase of minority interests.

The goodwill related to L'Occitane Canada is attributable to the increased profitability linked to the margins previously earned by the agent and also to the fact that the access of the Group to this geographical market will be facilitated (there is no contractual customer relationship as the acquired business is mainly related to the Sell-out operating segment).

**6. INFORMATION RELATING TO CHANGES IN THE GROUP STRUCTURE (continued)**
**6.3. Cash used in acquisitions and fair value of the net assets acquired (continued)**

For the year ended March 31, 2009

The cash used in acquisitions made during year ended March 31, 2009 can be analyzed as follows:

On March 31,	2009				
<i>In thousands of Euros</i>	M&A Développement	L'Occitane (China) limited	L'Occitane Polska (Poland)	L'Occitane (Thailand) Limited	Total
Cash payments	46,750	684	1,773	1,884	51,091
Direct costs relating to the acquisitions	116	—	—	—	116
Fair value of the parent company's shares issued and related debt to parent	4,516	2,271	—	—	6,787
Cash acquired	(804)	—	(172)	—	(976)
<b>Purchase of activities net of cash acquired</b>	<b>50,578</b>	<b>2,955</b>	<b>1,601</b>	<b>1,884</b>	<b>57,018</b>
Unwinding of discount of the put option (note 6.6)	(196)	—	—	—	(196)
<b>Acquisition costs net of cash acquired</b>	<b>50,382</b>	<b>2,955</b>	<b>1,601</b>	<b>1,884</b>	<b>56,822</b>
Acquisition of minority shareholdings (option rights: note 6.6)	—	—	—	777	777
<b>Total acquisition costs including options</b>	<b>50,382</b>	<b>2,955</b>	<b>1,601</b>	<b>2,661</b>	<b>57,599</b>
Property, plant and equipment (note 7)	2,607	—	312	268	3,187
Key moneys (note 9)	255	—	—	—	255
Trademarks (note 9)	14,717	—	—	—	14,717
Contractual customer relationship (note 9)	334	—	—	—	334
Other non-current assets	134	—	98	—	232
Goodwill (note 8)	35,931	2,017	1,300	1,186	40,434
Deferred tax assets (note 25.3)	209	—	—	—	209
Inventories	5,553	—	203	1,207	6,963
Trade receivables and other current assets	6,891	—	81	—	6,972
Borrowings	(3,241)	—	—	—	(3,241)
Trade payables and other current liabilities	(7,093)	—	(393)	—	(7,486)
Other non current liabilities (note 18.1)	(270)	—	—	—	(270)
Deferred tax liabilities (note 25.3)	(5,645)	—	—	—	(5,645)
Changes in minority interest	—	938	—	—	938
<b>Fair value of net assets acquired</b>	<b>50,382</b>	<b>2,955</b>	<b>1,601</b>	<b>2,661</b>	<b>57,599</b>

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

### 6.3. Cash used in acquisitions and fair value of the net assets acquired *(continued)*

For the year ended March 31, 2009 *(continued)*

The excess of the acquisition cost over the share of the fair value at the acquisition date of the acquiree's assets, liabilities and contingent liabilities is recorded to goodwill. The main differences between the fair value of assets and liabilities and the corresponding acquiree's carrying amount are related to the trademarks and the key moneys and to the related deferred tax liabilities.

The goodwill related to M&A was attributable to the fact that it will accelerate and facilitate the access of the Group to the organic cosmetic and hygiene markets. A portion of the goodwill is also attributable to synergies with the Group.

The goodwill related to L'Occitane (China) Limited related to the purchase of the minority shares in this subsidiary.

The goodwill related to L'Occitane (Thailand) Limited and L'Occitane Polska Sp.z.o.o (Poland) was attributable to the increased profitability linked to the margins previously earned by the agent and also to the fact that the access of the Group to these geographical markets will be facilitated.

**6. INFORMATION RELATING TO CHANGES IN THE GROUP STRUCTURE** *(continued)*
**6.4. Other financial liabilities**

For the year ended March 31, 2010

The following put options have been granted by the Group to the minority shareholders:

<i>In thousands of Euros</i>	March 31, 2009	Grant of puttable instruments	Unwinding of discount (note 23)	Change in estimates in the valuation of the exercise price	Exercise of the option/ purchase of minority interests	March 31, 2010
Anton Luybimov (L'Occitane Russia)	4,339	—	313	—	—	4,652
Harald Link and Nunthinee Sudhirak (L'Occitane Thailand)	806	—	46	—	—	852
<b>Total put options</b>	<b>5,145</b>	<b>—</b>	<b>359</b>	<b>—</b>	<b>—</b>	<b>5,504</b>

For the year ended March 31, 2009

The following put options have been granted by the Group to the minority shareholders:

<i>In thousands of Euros</i>	March 31, 2008	Grant of puttable instruments	Unwinding of discount (note 23)	Change in estimates in the valuation of the exercise price	Exercise of the option/ purchase of minority interests	March 31, 2009
Anton Luybimov (L'Occitane Russia)	3,969	—	370	—	—	4,339
Bernard Chevilliat (M&A Développement)	—	8,250	196	(3,930)	(4,516)	—
Harald Link and Nunthinee Sudhirak (L'Occitane Thailand)	—	777	29	—	—	806
<b>Total put options</b>	<b>3,969</b>	<b>9,027</b>	<b>595</b>	<b>(3,930)</b>	<b>(4,516)</b>	<b>5,145</b>

The unwinding of discount is recognised as finance costs in the statement of income (note 25).



## 7. PROPERTY, PLANT AND EQUIPMENT, NET

### 7.1. Year ended March 31, 2010

As of March 31, 2010, property, plant and equipment, net can be analyzed as follows:

<i>In thousands of Euros</i>	Land	Buildings	Machinery and equipment	Leasehold			Tangible assets in progress	Total
				Other tangible assets	improvements related to the stores	Other tangible assets related to the stores		
<b>Cost as of April 1, 2009</b>	1,358	18,087	18,343	16,420	67,188	14,577	3,854	139,827
Additions	657	4,188	3,269	3,888	9,080	2,919	4,326	28,327
Disposals	—	—	(2,311)	(663)	(3,369)	(505)	(83)	(6,931)
Acquisition of subsidiaries	—	—	102	445	—	—	—	547
Other movements	—	(2,194)	290	4,418	1,503	(862)	(3,469)	(314)
Exchange differences	—	(52)	64	960	2,073	701	72	3,818
<b>Cost as of March 31, 2010</b>	<b>2,015</b>	<b>20,029</b>	<b>19,757</b>	<b>25,468</b>	<b>76,475</b>	<b>16,830</b>	<b>4,700</b>	<b>165,274</b>
<b>Accum. depreciat. as of April 1, 2009</b>	<b>—</b>	<b>(5,585)</b>	<b>(11,732)</b>	<b>(7,397)</b>	<b>(37,301)</b>	<b>(8,462)</b>	<b>—</b>	<b>(70,477)</b>
Depreciation	—	(805)	(2,769)	(3,494)	(10,623)	(2,147)	—	(19,838)
Impairment loss	—	—	—	—	(2,466)	—	—	(2,466)
Reversal of impairment loss	—	—	—	—	489	—	—	489
Disposals	—	—	2,164	644	2,856	478	—	6,142
Other movements	—	1,349	(1,003)	(2,790)	(98)	1,832	—	(710)
Exchange differences	—	50	—	(401)	(1,160)	(223)	—	(1,734)
<b>Accum. depreciat. as of March 31, 2010</b>	<b>—</b>	<b>(4,991)</b>	<b>(13,340)</b>	<b>(13,438)</b>	<b>(48,303)</b>	<b>(8,522)</b>	<b>—</b>	<b>(88,594)</b>
<b>Net book value as of March 31, 2010</b>	<b>2,015</b>	<b>15,038</b>	<b>6,417</b>	<b>12,030</b>	<b>28,172</b>	<b>8,308</b>	<b>4,700</b>	<b>76,680</b>
Including assets under finance leases:								
Property, plant & equipment, gross	1,639	14,938	2,737	1,032	—	—	—	20,346
Accumulated depreciation	—	(4,326)	(2,737)	(682)	—	—	—	(7,745)
<b>Net book value under finance leases as of March 31, 2010</b>	<b>1,639</b>	<b>10,612</b>	<b>—</b>	<b>350</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>12,601</b>

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

### 7.1. Year ended March 31, 2010 *(continued)*

Main additions during the period related to leasehold improvements for the opening of 110 stores.

On March 30, 2010, the Company signed a 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. As at March 31, 2010, the finance lease was drawn for an amount of €4,934,000 in connection with the acquisition of the land, buildings and other tangible assets related to the plant in Lagorce.

The additions in Other tangible assets related to the stores include the costs for dismantling and restoring that are recorded at the inception of the lease and that amount to €423,000. This component is subsequently depreciated over the lease term (note 2.18 and 18.3). Excluding these costs of dismantling and restoring and the acquisitions under finance lease that are non cash items, total additions amount to €22,795,000.

The addition in Land is related to the extension of the plant in Lagorce.

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

### 7.2. Year ended March 31, 2009

As of March 31, 2009, property, plant and equipment, net can be analyzed as follows:

<i>In thousands of Euros</i>	Land	Buildings	Machinery and equipment	Other tangible assets	Leasehold improvements related to the stores	Other tangible assets related to the stores	Tangible assets in progress	Total
<b>Cost as of April 1, 2008</b>	1,327	15,939	14,061	11,743	49,920	9,653	3,084	105,727
Additions	—	161	2,990	4,141	15,734	4,566	4,352	31,944
Disposals	—	(91)	(208)	(1,139)	(4,136)	(778)	—	(6,352)
Acquisition of subsidiaries	31	686	950	679	215	328	298	3,187
Other movements	—	1,220	260	1,036	1,202	192	(3,962)	(52)
Exchange differences	—	172	290	(40)	4,253	616	82	5,373
<b>Cost as of March 31, 2009</b>	1,358	18,087	18,343	16,420	67,188	14,577	3,854	139,827
<b>Accum. depreciation as of April 1, 2008</b>	—	(4,325)	(9,465)	(6,101)	(27,385)	(6,722)	—	(53,998)
Depreciation	—	(1,224)	(2,214)	(2,489)	(10,473)	(2,016)	—	(18,416)
Impairment loss	—	—	—	—	(428)	—	—	(428)
Reversal of impairment loss	—	—	—	—	69	—	—	69
Disposals	—	81	197	1,092	3,579	991	—	5,940
Other movements	—	(8)	—	97	—	(117)	—	(28)
Exchange differences	—	(109)	(250)	4	(2,663)	(598)	—	(3,616)
<b>Accum. depreciat. as of March 31, 2009</b>	—	(5,585)	(11,732)	(7,397)	(37,301)	(8,462)	—	(70,477)
<b>Net book value as of March 31, 2009</b>	1,358	12,502	6,611	9,023	29,887	6,115	3,854	69,350
Including assets under finance leases:								
Property, plant & equipment, gross	1,100	10,893	2,737	—	—	682	—	15,412
Accumulated depreciation	—	(3,605)	(2,592)	—	—	(682)	—	(6,879)
<b>Net book value under finance leases as of March 31, 2009</b>	1,100	7,288	145	—	—	—	—	8,533

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

### 7.2. Year ended March 31, 2009 *(continued)*

Main additions during the year related to leasehold improvements for the opening of 155 stores, the finalisation of the renovation of the Paris office and new offices in Manosque.

The additions in Other tangible assets related to the stores include the costs for dismantling and restoring that are recorded at the inception of the lease and that amount to €1,357,000. This component is subsequently depreciated over the lease term (note 2.18 and 18.3). Excluding these non-cash costs, total additions amount to €30,587,000.

The increase in finance leases is related to the acquisition of land and buildings.

Land is located in France.

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

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

March 31, <i>In thousands of Euros</i>	2010	2009
Cost of goods sold	2,950	2,353
Distribution expenses	14,957	13,893
General and administrative expenses	1,931	2,170
<b>Depreciation expenses</b>	<b>19,838</b>	<b>18,416</b>

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

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

March 31, <i>In thousands of Euros</i>	2010	2009
<b>Accumulated impairment as of April 1,</b>	<b>(1,141)</b>	<b>(641)</b>
Impairment loss	(2,466)	(428)
Reversal of impairment loss	489	69
Disposals	—	—
Exchange differences	(81)	(141)
<b>Accumulated impairment as of March 31,</b>	<b>(3,199)</b>	<b>(1,141)</b>

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

An impairment loss amounting to €2,466,000 at March 31, 2010 and €428,000 at March 31, 2009 has been recorded within the distribution expenses to adjust the carrying amount of certain assets related to the stores.

A reversal of impairment loss amounting to €489,000 at March 31, 2010 and €69,000 at March 31, 2009 has been recorded within the distribution expenses. No impairment loss has been recorded in the general and administrative expenses.

## 8. GOODWILL

Goodwill variation analysis is as follows:

March 31, <i>In thousands of Euros</i>	2010	2009
<b>Cost as of April 1,</b>	<b>78,510</b>	<b>35,334</b>
Acquisition of new companies and of additional shareholdings (see note 6.3)	5,890	40,434
Adjustment to the purchase consideration	(686)	—
Exchange differences	2,470	2,742
<b>Cost as of March 31,</b>	<b>86,184</b>	<b>78,510</b>
<b>Accumulated impairment aa of April 1,</b>	<b>—</b>	<b>—</b>
Impairment loss	—	—
Exchange differences	—	—
<b>Accumulated impairment as of March 31,</b>	<b>—</b>	<b>—</b>
<b>Net book value as of March 31,</b>	<b>86,184</b>	<b>78,510</b>



## 8. GOODWILL *(continued)*

### 8.1. Year ended March 31, 2010

As of March 31, 2010, the breakdown of the Group's goodwill by country of origin is detailed as follows:

Geographic areas <i>In thousands of Euros</i>	Net book value on April 1, 2009	Acquisitions of subsidiaries or of additional shareholdings	Adjustment to the purchase consideration	Exchange differences	Net book value on March 31, 2010
France (a)	36,056	—	—	—	36,056
Japan (b)	19,787	—	—	825	20,612
Russia	5,315	—	—	354	5,669
United States	5,083	—	—	(65)	5,018
Brazil	939	2,719	—	456	4,114
Canada	—	3,171	—	470	3,641
Hong Kong	2,221	—	—	(32)	2,189
Taiwan	1,505	—	—	70	1,575
United Kingdom	1,319	—	—	61	1,380
China (c)	2,142	—	(686)	(71)	1,385
Thailand	1,225	—	—	(10)	1,215
Poland	929	—	—	197	1,126
Spain	880	—	—	—	880
Australia	656	—	—	215	871
Belgium	323	—	—	—	323
Germany	130	—	—	—	130
<b>TOTAL</b>	<b>78,510</b>	<b>5,890</b>	<b>(686)</b>	<b>2,470</b>	<b>86,184</b>

- (a) The French goodwill mostly related to Melvita acquisition is allocated to the Sell-out operating segment for an amount of 22,067,000 and to the Sell-in operating segment for an amount of 13,864,000. The key step in relation to the impairment test is the international launch of the Melvita brand which has not yet started;
- (b) The Japanese goodwill is allocated to the Sell-out operating segment.
- (c) On November 2, 2009, LS Holding Company Ltd has released and discharged the Group from the obligation to repay a loan amounting to €686,000. This has been recorded as an adjustment to the consideration to purchase the minority interests (note 6.2) and the goodwill was adjusted downward accordingly.

## 8. GOODWILL (continued)

### 8.2. Year ended March 31, 2009

As of March 31, 2009, the breakdown of the Group's goodwill by country of origin was detailed as follows:

Geographic areas <i>In thousands of Euros</i>	Net book value on April 1, 2008	Acquisitions of subsidiaries or of additional shareholdings	Exchange differences	Net book value on March 31, 2009
France	125	35,931	—	36,056
United States	4,278	—	805	5,083
United Kingdom	1,542	—	(223)	1,319
Japan	16,520	—	3,267	19,787
Hong Kong	1,861	—	360	2,221
Taiwan	1,396	—	109	1,505
Brazil	1,046	—	(107)	939
Spain	880	—	—	880
Australia	784	—	(128)	656
Belgium	323	—	—	323
Germany	130	—	—	130
Russia	6,449	—	(1,134)	5,315
Thailand	—	1,186	39	1,225
Poland	—	1,300	(371)	929
China	—	2,017	125	2,142
<b>TOTAL</b>	<b>35,334</b>	<b>40,434</b>	<b>2,742</b>	<b>78,510</b>

### 8.3. Impairment test for goodwill

As described in notes 2.5, 2.7 and 4.1, goodwill is reviewed for impairment based on expectations of future cash flows at each balance sheet date or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. When an impairment loss is recognized, the corresponding amount is included in the statement of income under "Goodwill impairment" (note 4.1).

No impairment loss was recognized during the periods.

## 9. INTANGIBLE ASSETS, NET

Indemnities paid to the previous lessee at the inception of the lease are recorded as key money and amortized over a period of 10 years or over the lease term if shorter.

Other intangible assets relate mainly to internally used software including enterprise resources planning system, point-of-sales system and others.

Except for trademarks, there are no intangible assets with indefinite useful lives.

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

## 9. INTANGIBLE ASSETS, NET *(continued)*

### 9.1. Year ended March 31, 2010

As of March 31, 2010, intangible assets, net can be analyzed as follows:

<i>In thousands of Euros</i>	Website	Trademarks	Key moneys	Contractual customer relationships	Intangible assets in progress	Other intangible assets	Total
<b>Cost as of April 1, 2009</b>	698	14,717	32,081	1,761	839	8,229	58,325
Additions	—	—	2,321	—	3,035	2,108	7,464
Disposals	—	—	(222)	—	—	(538)	(760)
Acquisition of subsidiaries	—	—	—	—	—	—	—
Other movements	—	—	34	—	(727)	897	204
Exchange differences	—	—	1,259	—	—	178	1,437
<b>Cost as of March 31, 2010</b>	698	14,717	35,473	1,761	3,147	10,874	66,670
<b>Accumulated amortization and impairment as of April 1, 2009</b>	(686)	—	(13,175)	(1,483)	—	(5,567)	(20,911)
Impairment loss	—	—	—	—	—	—	—
Reversal of impairment loss	—	—	—	—	—	—	—
Amortization	(12)	—	(3,122)	(188)	—	(1,588)	(4,910)
Disposals	—	—	205	—	—	513	718
Other movements	—	—	3	—	—	42	45
Exchange differences	—	—	(448)	—	—	(66)	(514)
<b>Accumulated amortization and impairment as of March 31, 2010</b>	(698)	—	(16,537)	(1,671)	—	(6,666)	(25,572)
<b>Net book value as of March 31, 2010</b>	—	14,717	18,936	90	3,147	4,208	41,098
Including assets under finance leases							
Intangible assets, gross	—	—	—	—	—	1,170	1,170
Accumulated amortization	—	—	—	—	—	(1,170)	(1,170)
<b>Net book value under finance leases as of March 31, 2010</b>	—	—	—	—	—	—	—

Additions mainly concern:

- Key moneys for an amount of €2,321,000. Such key moneys were mainly acquired in France, Mexico and Brazil;
- Intangible assets in progress for an amount of €3,035,000 that mainly relate to a SAP project.

The amount of intangible assets whose title is restricted or that are pledged as security for liabilities is €1,368,000 as at March 31, 2010.

## 9. INTANGIBLE ASSETS, NET *(continued)*

### 9.2. Year ended March 31, 2009

As of March 31, 2009, intangible assets, net can be analyzed as follows:

<i>In thousands of Euros</i>	Website	Trademarks	Key moneys	Contractual customer relationships	Intangible assets in progress	Other intangible assets	Total
<b>Cost as of April 1, 2008</b>	<b>696</b>	<b>—</b>	<b>26,421</b>	<b>1,427</b>	<b>651</b>	<b>6,355</b>	<b>35,550</b>
Additions	13	—	6,612	—	700	1,148	8,473
Disposals	(22)	—	(189)	—	—	(90)	(301)
Acquisition of subsidiaries	—	14,717	255	334	—	12	15,318
Other movements	11	—	(466)	—	(512)	514	(453)
Exchange differences	—	—	(552)	—	—	290	(262)
<b>Cost as of March 31, 2009</b>	<b>698</b>	<b>14,717</b>	<b>32,081</b>	<b>1,761</b>	<b>839</b>	<b>8,229</b>	<b>58,325</b>
<b>Accumulated amortization and impairment as of April 1, 2008</b>	<b>(687)</b>	<b>—</b>	<b>(10,765)</b>	<b>(1,069)</b>	<b>—</b>	<b>(4,400)</b>	<b>(16,921)</b>
Impairment loss	—	—	—	—	—	—	—
Reversal of impairment loss	—	—	—	—	—	—	—
Amortization	(7)	—	(3,059)	(413)	—	(1,116)	(4,595)
Disposals	11	—	188	—	—	82	281
Other movements	(3)	—	326	(1)	—	63	385
Exchange differences	—	—	135	—	—	(196)	(61)
<b>Accumulated amortization and impairment as of March 31, 2009</b>	<b>(686)</b>	<b>—</b>	<b>(13,175)</b>	<b>(1,483)</b>	<b>—</b>	<b>(5,567)</b>	<b>(20,911)</b>
<b>Net book value as of March 31, 2009</b>	<b>12</b>	<b>14,717</b>	<b>18,906</b>	<b>278</b>	<b>839</b>	<b>2,662</b>	<b>37,414</b>
Including assets under finance leases							
Intangible assets, gross	—	—	—	—	—	1,170	1,170
Accumulated amortization	—	—	—	—	—	(1,170)	(1,170)
<b>Net book value under finance leases as of March 31, 2009</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

Additions and acquisitions mainly concern:

- Trademarks acquired through the business combination with M&A Développement (M&A): Melvita, Prosun, Procarbo and Algascience. These trademarks which have an indefinite useful life are not amortized but are tested for impairment;
- Key moneys for an amount of €6,612,000. Such key moneys were mainly acquired in France, Mexico and Spain.

The amount of intangible assets whose title is restricted or that are pledged as security for liabilities is €2,087,000 as at March 31, 2009.

## 9. INTANGIBLE ASSETS, NET *(continued)*

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

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

March 31, <i>In thousands of Euros</i>	2010	2009
Cost of goods sold	5	—
Distribution expenses	3,264	3,914
General and administrative expenses	1,641	681
<b>Amortization expenses</b>	<b>4,910</b>	<b>4,595</b>

### 9.4. Impairment tests for intangible assets

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

March 31, <i>In thousands of Euros</i>	2010	2009
<b>Accumulated impairment as of April 1,</b>	<b>(101)</b>	<b>(94)</b>
Impairment loss	—	—
Reversal of impairment loss	—	—
Exchange differences	1	(7)
<b>Accumulated impairment as of March 31,</b>	<b>(100)</b>	<b>(101)</b>

No new impairment loss has been recorded during the periods. The accumulated impairment loss is fully allocated to the Sell-Out segment.

No reversal of impairment loss has been recorded at March 31, 2010 and 2009.

## 10. OTHER NON-CURRENT RECEIVABLES

The other non-current receivables consist of the following:

March 31, <i>In thousands of Euros</i>	2010	2009
Deposits	16,839	15,049
Key moneys paid to the landlord	1,596	1,112
Loans to employees	—	1,020
<b>Other non-current receivables</b>	<b>18,435</b>	<b>17,181</b>

Key moneys paid to the landlord are deemed to be linked to the rent and are classified within prepaid expenses (current and non current) (note 2.5).

The decrease in the loans to employees is mainly explained by repayments that occurred during the period and by the fact that certain loans were assigned to LOG on December 31, 2009 for an amount of €454,000. This resulted in a corresponding change in the current account from parent (note 30.4).

The fair value of these loans to employees (based on discounted cash flows at a market rate) was not significantly different from the above nominal value.

## 11. INVENTORIES, NET

Inventories, net consist of the following items:

March 31, <i>In thousands of Euros</i>	2010	2009
Raw materials and supplies	15,942	15,559
Finished goods and work in progress	59,361	68,801
<b>Inventories, gross</b>	<b>75,303</b>	<b>84,360</b>
Less, allowance	(7,824)	(6,694)
<b>Inventories, net</b>	<b>67,479</b>	<b>77,666</b>



## 12. TRADE RECEIVABLES, NET

### Group:

Trade receivables, net consist of the following:

March 31, <i>In thousands of Euros</i>	2010	2009
Trade receivables, gross	49,758	44,865
Less, allowances for doubtful accounts	(1,887)	(2,353)
<b>Trade receivables, net</b>	<b>47,871</b>	<b>42,512</b>

### Credit risk:

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

The Group's sales to end customers are retail sales and no credit terms are granted to the end customers. For customers in the Sell-in and B to B segments, sales are made with credit terms generally from 60 and 90 days. Ageing analysis of trade receivables from due date at the respective balance sheet date is as follows:

March 31, <i>In thousands of Euros</i>	2010	2009
Current and past due within 3 months	47,806	41,965
3 to 6 months	813	1,875
6 to 12 months	245	309
Over 12 months	894	716
<b>Trade receivables-gross</b>	<b>49,758</b>	<b>44,865</b>

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

March 31, <i>In thousands of Euros</i>	2010	2009
At beginning of the year / period	(2,353)	(1,119)
Provision for impairment	(555)	(1,693)
Reversal of impairment	1,084	459
Exchange differences	(63)	—
<b>At end of the year / period</b>	<b>(1,887)</b>	<b>(2,353)</b>

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

**12. TRADE RECEIVABLES, NET** *(continued)*

**Credit risk:** *(continued)*

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

March 31, <i>In thousands of Euros</i>	2010	2009
Within 3 months	977	761
3 to 6 months	121	860
6 to 12 months	80	103
Over 12 months	709	629
<b>Impaired receivables</b>	<b>1,887</b>	<b>2,353</b>

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

The ageing analysis of trade receivables from due date that were past due but not impaired as of March 31, 2010 and 2009 is as follows:

March 31, <i>In thousands of Euros</i>	2010	2009
Within 3 months	4,182	4,067
3 to 6 months	692	1,015
6 to 12 months	164	205
Over 12 months	186	88
<b>Trade receivables past due but not impaired</b>	<b>5,224</b>	<b>5,375</b>

These trade receivables relate to a number of customers for whom there is no recent history of default.

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

## 12. TRADE RECEIVABLES, NET *(continued)*

### Denomination in currencies:

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

March 31, <i>In thousands of Euros</i>	2010	2009
Euros	16,813	15,956
US Dollar	3,329	2,777
Sterling Pound	764	683
Japanese Yen	9,870	9,860
Hong Kong Dollar	4,920	5,002
Brazilian Real	3,790	2,286
Taiwan Dollar	1,752	1,464
Chinese Renminbi	3,092	2,164
Other currencies	3,541	2,320
<b>Total</b>	<b>47,871</b>	<b>42,512</b>

### Company

Trade receivables, net consist of the following:

March 31, <i>In thousands of Euros</i>	2010	2009
Trade receivables, gross	7,300	7,433
Less, allowances for doubtful accounts	(291)	(1,102)
<b>Trade receivables, net</b>	<b>7,009</b>	<b>6,331</b>

**12. TRADE RECEIVABLES, NET** *(continued)*
**Credit risk:**

The carrying amounts of the Company's trade receivables approximate their fair value. At the balance sheet date, there is no concentration of credit risk with respect to trade receivables, as the Company has a large number of customers, dispersed internationally. The maximum exposure to credit risk at each balance sheet date is the fair value of receivables set out above.

The Company's sales to the customers in the Sell-in segments are made with credit terms generally from 60 and 90 days. Aging analysis of trade receivables from due date at the respective balance sheet date are as follows:

March 31, <i>In thousands of Euros</i>	2010	2009
Current and past due within 3 months	7,086	6,803
3 to 6 months	149	453
6 to 12 months	2	75
Over 12 months	63	102
<b>Trade receivables-gross</b>	<b>7,300</b>	<b>7,433</b>

Movement of the Company's provision for impairment on trade receivables are as follows:

March 31, <i>In thousands of Euros</i>	2010	2009
At beginning of the year / period	(1,102)	(38)
Provision for impairment	—	(1,064)
Reversal of impairment	811	—
<b>At end of the year / period</b>	<b>(291)</b>	<b>(1,102)</b>

Provision for impaired receivables and its reversal have been included in distribution expenses.

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

March 31, <i>In thousands of Euros</i>	2010	2009
Within 3 months	208	567
3 to 6 months	19	423
6 to 12 months	1	10
Over 12 months	63	102
<b>Impaired receivables</b>	<b>291</b>	<b>1,102</b>

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

## 12. TRADE RECEIVABLES, NET *(continued)*

### **Credit risk:** *(continued)*

The ageing analysis of trade receivables from due date that were past due but not impaired as at March 31, 2009 and 2010 is as follows:

March 31, <i>In thousands of Euros</i>	2010	2009
Within 3 months	1,109	1,036
3 to 6 months	130	30
6 to 12 months	1	65
Over 12 months	—	—
<b>Trade receivables past due but not impaired</b>	<b>1,240</b>	<b>1,131</b>

These trade receivables relate to a number of customers for whom there is no recent history of default.

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

### **Denomination in currencies:**

The carrying amounts of the Company's trade receivables are denominated in the following currencies:

March 31, <i>In thousands of Euros</i>	2010	2009
Euros	6,355	5,912
US Dollar	610	388
Sterling Pound	44	31
<b>Total</b>	<b>7,009</b>	<b>6,331</b>

### 13. OTHER CURRENT ASSETS

The following table presents details of other current assets:

March 31, <i>In thousands of Euros</i>	2010	2009
Value added tax receivable and other taxes and social items receivable	9,750	8,637
Prepaid expenses	10,504	7,496
Income tax receivable	7,350	5,173
Loans to employees (Note 10)	—	321
Recharge of IPO costs to the parent company (note 21)	1,713	—
Other current assets	1,316	1,981
<b>Total other current assets</b>	<b>30,633</b>	<b>23,608</b>

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

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



## 14.DERIVATIVE FINANCIAL INSTRUMENTS

### Analysis of derivatives financial instruments

Derivative financial instruments are analyzed as follows:

March 31, <i>In thousands of Euros</i>	2010		2009	
	Assets	Liabilities	Assets	Liabilities
Interest rate derivatives – held for trading	—	230	—	223
Foreign exchange derivatives – held for trading	61	904	882	546
<b>Sub-total derivatives at fair value through profit and loss</b>	<b>61</b>	<b>1,134</b>	<b>882</b>	<b>769</b>
Interest rate derivatives – cash flow hedges	—	1,364	—	1,335
Foreign exchange derivatives – cash flow hedges	33	512	1,762	—
<b>Sub-total derivatives designated as hedging instruments</b>	<b>33</b>	<b>1,876</b>	<b>1,762</b>	<b>1,335</b>
<b>Total derivatives financial instruments</b>	<b>94</b>	<b>3,010</b>	<b>2,644</b>	<b>2,104</b>
Less non-current portion:				
– Interest rate derivatives – cash flow hedges	—	1,364	—	1,335
– Interest rate derivatives – held for trading	—	—	—	—
<b>Non current portion of derivatives financial instruments</b>	<b>—</b>	<b>1,364</b>	<b>—</b>	<b>1,335</b>
<b>Current portion of derivatives financial instruments</b>	<b>94</b>	<b>1,646</b>	<b>2,644</b>	<b>769</b>

Held for trading derivatives are classified as a current asset or liability. The fair value of a derivative designated as hedging instrument is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 months. Gains and losses recognized in the hedging reserve in equity on forward foreign exchange contracts designated as hedging instruments as of the end of the period will be recognized in the statement of income in the period or periods during which the hedged forecast transaction will affect the statement of income. This is generally within the 12 months from the balance sheet date.

### Derivatives at fair value through profit and loss

The change in fair value related to derivatives at fair value through profit and loss is as follows:

March 31, <i>In thousands of Euros</i>	2010	2009
In thousands of Euros		
– within “Finance costs” for interest derivatives (note 23)	(7)	(262)
– within “Foreign currence gains / (losses)” for currency derivatives (note 24)	(1,179)	1,970
<b>Total change in the fair value of derivatives at fair value through profit and loss: gains / (losses)</b>	<b>(1,186)</b>	<b>1,708</b>

**14.DERIVATIVE FINANCIAL INSTRUMENTS** *(continued)*
**Derivatives designated as hedging instruments**

The change in the fair value of derivatives designated as hedging instrument is as follows:

March 31, <i>In thousands of Euros</i>	2010	2009
Interest rate derivatives – cash flow hedges	(29)	(1,334)
Foreign exchange derivatives – cash flow hedges	(2,242)	1,761
<b>Total change in the fair value of hedging instruments</b>	<b>(2,271)</b>	<b>427</b>
Less ineffective portion:		
– Ineffective portion of interest rate derivatives	(82)	(19)
– Ineffective portion of foreign exchange derivatives	(7)	189
<b>Ineffective portion</b>	<b>(89)</b>	<b>170</b>
<b>Effective portion</b>	<b>(2,182)</b>	<b>257</b>

The effective portion of changes in the fair value of derivatives designated as hedging instruments has been recognized in comprehensive income for an amount net of tax for €(1,610,000) at March 31, 2010 (€237,000 at March 31, 2009).

The ineffective portion that arises from derivatives designated as hedging instruments is recognized in the statement of income as follows:

March 31, <i>In thousands of Euros</i>	2010	2009
– within “Finance costs” for interest derivatives (note 23)	(82)	(19)
– within “Foreign currence gains / (losses)” for currency derivatives (note 24)	(7)	189
<b>Total change in the fair value of derivatives at fair value through profit and loss: gains / (losses)</b>	<b>(89)</b>	<b>170</b>

## 14.DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

### Notional amounts of derivatives

#### (a) Foreign exchange derivatives

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

Currencies	March 31,	
	2010	2009
<b>Sale of currencies</b>		
USD	2,077	13,526
AUD	1,933	1,483
GBP	3,147	1,182
JPY	32,065	23,633
CAD	621	4,388
RUB	—	3,192
THB	936	864
MXN	705	—
<b>Purchase of currencies</b>		
USD	—	—
EUR	1,100	—
CHF	—	2,112

#### (b) Interest rate derivatives

The notional principal amounts of the outstanding interest rate derivatives that qualify for hedge accounting are (in thousands of Euros):

Instruments	March 31,	
	2010	2009
Swap EUR	15,000	15,000
Swap USD	7,419	7,514

The fixed interest rate for the first swap for a notional amount of €15,000,000 is 4.0%. The fixed interest rate for the second swap for a notional amount of €7,419,000 is 2.995%.

Gains and losses recognized in the hedging reserve in equity on interest rate swap contracts as of March 31, 2010 will be continuously released to the statement of income until the repayment of the bank borrowings.

**14. DERIVATIVE FINANCIAL INSTRUMENTS (continued)**
**Notional amounts of derivatives (continued)**
**(b) Interest rate derivatives (continued)**

The notional principal amounts of the outstanding interest rate derivatives that do not qualify for hedge accounting are (in thousands of Euros):

Instruments	March 31,	
	2010	2009
Swap	3,925	4,294

At March 31, 2010 and 2009, the fixed interest rate for the swap is 3.7625%.

**15. CASH AND CASH EQUIVALENTS**
**Group:**

The following table presents details of cash and cash equivalents:

March 31, <i>In thousands of Euros</i>	2010		2009	
	Cash at bank and in hand	39,007		20,921
Cash equivalents	2,818		6,358	
<b>Cash and cash equivalents</b>	<b>41,825</b>		<b>27,279</b>	

Cash equivalents include highly liquid investments in money market instruments.

The effective interest rate on cash at bank and in hand is based on Eonia Index -0.10% for Euro and on Fed Funds Rate -0.10% for US dollar. The effective interest rate on cash equivalents (short-term bank deposits) is based on Eonia Index in 2009 and 2010.

The Cash and cash equivalents are denominated in the following currencies:

Currencies	March 31,	
	2010	2009
EUR	6,412	11,438
USD	11,283	6,458
JPY	13,954	4,383
Others	10,176	5,000
<b>Total</b>	<b>41,825</b>	<b>27,279</b>

## 15.CASH AND CASH EQUIVALENTS *(continued)*

### Company:

The following table presents details of cash and cash equivalents:

March 31, <i>In thousands of Euros</i>	2010	2009
Cash at bank and in hand	11,705	3,737
Cash equivalents	2,777	6,358
<b>Cash and cash equivalents</b>	<b>14,482</b>	<b>10,095</b>

The effective interest rate on cash at bank and in hand is based on Eonia Index -0.10% for Euro and on Fed Funds Rate -0.10% for US dollar.

The effective interest rate on short-term bank deposits is based on Eonia Index.

## 16. CAPITAL AND RESERVES

L'Occitane International S.A. is a corporation incorporated in the Grand Duchy of Luxembourg. The authorized capital of the Company is €100,000,000 as at March 31, 2010. At March 31, 2010, the Company's share capital is held by the company "L'Occitane Groupe S.A.", in a proportion of 100% (fully diluted).

All the shares of the Company are fully paid and benefit from the same rights and obligations.

### 16.1. Share capital and Additional paid-in capital

The changes in the number of shares, share capital and share premium are summarized as follows:

<i>In thousands of Euros except "Number of shares"</i>	Number of shares	Share capital	Share premium
Balance at March 31, 2008	19,290,674	38,232	49,995
Balance at March 31, 2009	19,290,674	38,232	49,995
Costs directly attributable to the issue of new shares, net of tax (note 21)	—	—	(1,265)
Balance at March 31, 2010	19,290,674	38,232	48,730

### 16.2. Treasury shares

There is no treasury shares held by the Group.



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## 16. CAPITAL AND RESERVES *(continued)*

### 16.3. Share-based payments

#### *Share-based payments from the parent*

##### *Main characteristics of the plans*

L'Occitane Groupe S.A. (the parent company of L'Occitane International S.A.) ("LOG") granted rights to its own equity instruments direct to L'Occitane International S.A. and its subsidiaries' employees.

- Options, granted in July 2009 (formally authorized in January 2010) are conditional on the employee completing four year's service (the vesting period) and there are no performance conditions. The exercise price of the options is €23.20. Options have a contractual option term of 6 years.
- Options, granted on February 2008, are conditional on the employee completing four year's service (the vesting period) and there are no performance conditions. The exercise price of the options is €26.10. Options have a contractual option term of 6 years.
- The free shares, granted on July 2009, June 2008 and February 2008 are conditional upon the employee completing four year's service (the vesting period).
- On December 27, 2007, 60,651 shares of L'Occitane Groupe S.A., the parent company have been issued to the benefit of FCPE L'Occitane Actionnariat which is a fund held by employees of the French subsidiaries of the Group. The shares were issued for a subscription price with a discount of 20% as compared to the fair value at that date. There is no vesting condition. However the shares are subject to restrictions on transfer over a period of 5 years.

At the time they become LOG shareholders, employees are subject to a liquidity agreement signed with CIME, which is controlled by Mr. Reinold Geiger, a Director of the Company.

**16. CAPITAL AND RESERVES** (continued)

**16.3. Share-based payments** (continued)

*Share-based payments from the Company* (continued)

**Accounting treatment**

In accordance with IFRIC 11 as the share-based arrangements is accounted for as equity-settled in the financial statements of L'Occitane Groupe S.A., they are also accounted for as an equity-settled share-based payment transaction in the financial statements of L'Occitane International S.A..

In the financial statements of the Group, the share-based compensation expense is therefore recognized with a corresponding effect in shareholders' equity: contribution from the parent.

As at March 31, 2010, the share-based payments are as follows:

Plan authorized on January 28, 2010 for 730,000 stock options	Granted at the beginning of the period	Granted during the period	Forfeited	Expired	Granted at the end of the period	Vesting period	Grantees
Granted in July 2009 (authorized in January 2010) at an exercise price of €23.20 (a)	—	365,700	—	—	365,700	4 years	Management and middle management

Plan authorized on September 28, 2007 for 200,000 stock options	Granted at the beginning of the period	Granted during the period	Forfeited	Expired	Granted at the end of the period	Vesting period	Grantees
Granted on February 2008 at an exercise price of €26.10 (b)	198,000	—	(5,800)	—	192,200	4 years	Management and middle management

Plan authorized on September 28, 2007 for 40,000 free shares	Granted at the beginning of the period	Granted during the period	Forfeited	Expired	Granted at the end of the period	Vesting period	Grantees
Granted on February 2008 (c)	5,500	—	—	—	5,500	4 years	Management
Granted on June 2008 (c)	30,935	—	(1,000)	—	29,935	4 years	and middle management

## 16. CAPITAL AND RESERVES *(continued)*

### 16.3. Share-based payments *(continued)*

#### *Share-based payments from the Company (continued)*

#### *Accounting treatment (continued)*

Plan authorized on December 27, 2007 for 30,000 free shares	Granted at the beginning of the period	Granted during the period	Forfeited	Expired	Granted at the end of the period	Vesting period	Grantees
Granted on June 2008 (c)	4,807	—	—	—	4,807	4 years	Management and middle management
Granted on July 2009 (c)	—	14,340	—	—	14,340	4 years	Management and middle management

As at March 31, 2009, the share-based payments were as follows:

Plan authorized on September 28, 2007 for 200,000 stock options	Granted at the beginning of the period	Granted during the period	Forfeited	Expired	Granted at the end of the period	Vesting period	Grantees
Granted on February 2008 at an exercise price of €26.10 (b)	200,000	—	(2,000)	—	198,000	4 years	Management and middle management

Plan authorized on September 28, 2007 for 40,000 free shares	Granted at the beginning of the period	Granted during the period	Forfeited	Expired	Granted at the end of the period	Vesting period	Grantees
Granted on February 2008 (c)	5,500	—	—	—	5,500	4 years	Management and middle management
Granted on June 2008 (c)	—	34,500	(3,565)	—	30,935	4 years	Management and middle management

Plan authorized on December 27, 2007 for 30,000 free shares	Granted at the beginning of the period	Granted during the period	Forfeited	Expired	Granted at the end of the period	Vesting period	Grantees
Granted on June 2008 (c)	—	4,807	—	—	4,807	4 years	Management and middle management

## 16. CAPITAL AND RESERVES *(continued)*

### 16.3. Share-based payments *(continued)*

#### *Share-based payments from the Company (continued)*

#### *Accounting treatment (continued)*

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

The share-based compensation expense recognized within the employee benefits for the above plans during the fiscal year ended March 31, 2010 was €1,963,000 (€713,000 for the fiscal year ended March 31, 2009).

#### *Measurement of grant date fair values*

- (a) The fair value of options granted in July 2009 (authorized in January 2010) as assessed by the Directors, determined using the Black-Scholes valuation model was €19.91 per option. The significant inputs into the model in addition to the exercise price were the following:
- Fair value of a share of L'Occitane Groupe S.A. at the grant date;
  - Volatility of 35% (based on historical volatility of listed comparable companies over a period of 4 years);
  - No dividend yield;
  - An expected option life of four years (derived from the expected tax behaviour from individuals);
  - And an annual risk-free interest rate of 2.5%.
- (b) The fair value of options granted during the year ended March 31, 2008, as assessed by the Directors, determined using the Black-Scholes valuation model was €12.01 per option. The significant inputs into the model in addition to the exercise price were the following:
- Fair value of a share of L'Occitane Groupe S.A. at the grant date;
  - Volatility of 26% (based on historical volatility of listed comparable companies over a period of 4 years);
  - No dividend yield;
  - An expected option life of four years (derived from the expected tax behaviour from individuals);
  - And an annual risk-free interest rate of 4.40%.

The fair value of a share was determined through a formula based on multiples for comparable companies (net sales, EBITDA, net income and market capitalization). These multiples were applied to the performance of the Group based on forecasted figures which were available at the grant date.

## 16. CAPITAL AND RESERVES *(continued)*

### 16.3. Share-based payments *(continued)*

#### *Share-based payments from the Company (continued)*

#### *Measurement of grant date fair values (continued)*

- (c) The free shares were valued using the estimated fair value of L'Occitane Groupe S.A. shares at the grant date as determined above.
- (d) The discount of 20% on the fair value for shares issued to the benefit of FCPE L'Occitane actionnariat in December 2007 was based on a fair value of a share of L'Occitane Groupe S.A. using the same methodology as described above applied to information available at the grant date. The corresponding charge recognised in the employee benefits during the year ended March 31, 2008 was €317,000.

### 16.4. Distributable reserves

On March 31, 2010, the distributable reserves of L'Occitane International S.A. amounted to €94,396,000 (€135,841,000 on March 31, 2009).

The amendment to the articles of association of L'Occitane International S.A has been approved by the Shareholder's meeting held on April 15, 2010. A list of undistributable reserves has been added. The amount of share premium as shown in the statutory accounts of the Company is now considered as undistributable. If this definition of undistributable reserves had been in place since April 1st, 2008, the distributable reserves would have been modified as followed:

<i>In thousands of euros</i>	March 31, 2010	March 31, 2009
Original amount of distributable reserves (I)	94,396	135,841
Amount of distributable reserves in accordance with the new list of undistributable reserves (II)	70,817	112,262
Difference between (II) and (I)	(23,579)	(23,579)

## 16. CAPITAL AND RESERVES *(continued)*

### 16.5. Dividend per share

On March 31, 2010, the Shareholders' Meeting approved the distribution of €80,000,000 being €4.147 per share. This distribution was conditional upon the approval of the interim financial information of the Company on a stand alone basis under Luxembourg Generally Accepted Accounting Principles as at February 28, 2010. This interim financial information was approved by the Board of directors held for April 9, 2010. The dividend was paid on May 4, 2010.

On September 30, 2009, the annual Shareholder's Meeting approved the distribution of €32,000,000 being €1.659 per share which was paid before December 31, 2009.

During the year ended March 31, 2009, the dividend paid was €30,000,000 being €1.555 per share.

The dividend per share adjusted for the new par value of €0.03 as detailed in note 31 paid during the years ended March 31, 2009 and 2010 is €0.024 and €0.025 respectively.

### 16.6. Additional paid in capital

Additional paid in capital includes:

- The additional paid in capital recognized in the statutory financial statements;
- The effect of valuing, at market value, the shares issued in exchange of acquisitions;
- The difference between the carrying amount net of tax and the nominal amount of the compound financial instruments converted to equity on February 26, 2007.

## 17.BORROWINGS

### Group:

Borrowings include the following items:

March 31, <i>In thousands of Euros</i>	2010	2009
Capex facility	36,527	48,275
Revolving facility	—	16,507
Other bank borrowings	4,671	5,999
Finance lease liabilities	11,265	7,274
Current accounts with minority shareholders and related parties (note 17.3)	5,968	30,561
Bank overdrafts	3,438	351
<b>Total</b>	<b>61,869</b>	<b>108,967</b>
Less, current portion:		
– Capex facility	(184)	(246)
– Revolving facility	—	(18)
– Other bank borrowings	(1,164)	(1,845)
– finance lease liabilities	(1,118)	(810)
– current accounts with minority shareholders and related parties (note 17.3)	(5,968)	(30,561)
– bank overdrafts	(3,438)	(351)
<b>Total current</b>	<b>(11,872)</b>	<b>(33,831)</b>
<b>Total non-current</b>	<b>49,997</b>	<b>75,136</b>

Other bank borrowings are secured by key moneys (note 9 and 29.3). The capex facility and the revolving facility are secured by investments (note 29.3).



**17. BORROWINGS** *(continued)*

**Company**

Borrowings include the following items:

March 31, <i>In thousands of Euros</i>	2010	2009
Capex facility	11,386	26,122
Revolving facility	—	9,498
Other bank borrowings	1,055	—
Current accounts (financing from parent)	—	21,880
Bank overdrafts	3,417	—
<b>Total</b>	<b>15,858</b>	<b>57,500</b>
Less, current portion:		
– Capex facility	(45)	(95)
– Revolving facility	—	(8)
– Other bank borrowings	(4)	—
– current accounts (financing from parent)	—	(21,880)
– Bank overdrafts	(3,417)	—
<b>Total current</b>	<b>(3,466)</b>	<b>(21,983)</b>
<b>Total non-current</b>	<b>12,391</b>	<b>35,517</b>

## 17.BORROWINGS *(continued)*

### 17.1.Maturity of non-current borrowings

For the year ended March 31, 2010 and 2009, maturity of non-current borrowings, excluding current portion, can be broken down as follows:

<i>In thousands of Euros</i>	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Capex facility	9,085	27,258	—	36,343
Revolving facility	—	—	—	—
Other bank borrowings	1,022	2,485	—	3,507
Finance lease liabilities	1,100	3,420	5,627	10,147
<b>Maturity on March 31, 2010</b>	<b>11,207</b>	<b>33,163</b>	<b>5,627</b>	<b>49,997</b>
Capex facility	—	35,651	12,378	48,029
Revolving facility	—	—	16,489	16,489
Other bank borrowings	1,129	2,438	588	4,155
Finance lease liabilities	813	2,543	3,108	6,464
<b>Maturity on March 31, 2009</b>	<b>1,942</b>	<b>40,632</b>	<b>32,563</b>	<b>75,137</b>

**17.BORROWINGS** *(continued)*
**17.2.Senior credit facilities agreement**

On July 4 2007, the Company, its parent company and its subsidiary L'Occitane S.A. entered into a senior credit facilities agreement for the amount in principal of €280,000,000, made up of:

- A capex facility of €50 million with a maturity of 7 years that can be drawn only by L'Occitane International S.A. or L'Occitane S.A.. This facility was drawn in the following currencies at the end of the following fiscal year ended:

March 31, <i>In thousands of Euros</i>	2010	2009
<b>Drawn by L'Occitane S.A.</b>		
EUR	25,000	22,000
<b>Drawn by L'Occitane International S.A.</b>		
JPY	—	7,433
GBP	1,124	2,041
USD	7,419	14,277
AUD	2,798	2,277
<b>Capex facility – nominal value</b>	<b>36,341</b>	<b>48,028</b>
Accrued interests	186	247
<b>Capex facility</b>	<b>36,527</b>	<b>48,275</b>

## 17.BORROWINGS *(continued)*

### 17.2.Senior credit facilities agreement *(continued)*

- A multi-currency revolving facility of €25 million granted for a period of 7 years that can be drawn only by L'Occitane International S.A. or L'Occitane S.A.. This facility was drawn in the following currencies at the end of the following fiscal year ended:

March 31, <i>In thousands of Euros</i>	2010	2009
<b>Drawn by L'Occitane S.A.</b>		
EUR	—	7,000
<b>Drawn by L'Occitane International S.A.</b>		
JPY	—	2,783
GBP	—	1,182
USD	—	4,809
AUD	—	716
<b>Capex facility – nominal value</b>	<b>—</b>	<b>16,490</b>
Accrued interests		17
<b>Capex facility</b>	<b>—</b>	<b>16,507</b>

- A senior loan of €205 million that can be drawn only by L'Occitane Groupe S.A.. An amount of €195 million net is drawn as at March 31, 2009. After a repayment of €20.75 million in April 2009, an amount of €174.25 million is drawn as at March 31, 2010. This loan is secured by a pledge on 100% of the Company's shares.

The capex and revolving facilities are secured by a pledge on respectively 100% of L'Occitane S.A. shares and 100% of Les Relais L'Occitane France shares (note 29.3). In addition, L'Occitane Groupe S.A. granted a guarantee ("caution solidaire") on the Group's borrowings in relation to the capex or revolving facilities above mentioned.

**17.BORROWINGS** *(continued)*
**17.3.Current accounts with minority shareholders and related parties**

Current accounts with minority shareholders and related parties concern:

March 31, <i>In thousands of Euros</i>		2010	2009
<b>Subsidiaries</b>	<b>Minority shareholders and related parties</b>		
L'Occitane China (a)	LS Holding Company Ltd.	—	1,102
L'Occitane Mexico (note 30.4)	Clarins Group	2,419	1,334
L'Occitane Korea (note 30.4)	Clarins Group	1,502	1,475
L'Occitane Suisse (note 30.4)	Clarins Group	1,190	1,165
L'Occitane Thailand	Various individual minority shareholders	853	882
L'Occitane India	Beauty Concepts Pvt Ltd.	4	—
L'Occitane Brazil (b)	Shower	—	104
Other	Other	—	93
<b>Total current accounts with minority shareholders and related parties</b>		<b>5,968</b>	<b>6,155</b>
Financing from parent (note 30.4) and (c)		—	24,406
<b>Total current accounts</b>		<b>5,968</b>	<b>30,561</b>

- (a) On November 2, 2009, LS Holding Company Ltd has released and discharged the Group from the obligation to repay a portion of the loan. This has been recorded as an adjustment to the consideration to purchase the minority interests (note 6.2) and the goodwill was adjusted downward accordingly.
- (b) Since the acquisition of minority interests in November 2009 (see note 6.1), this current account has been settled.

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## 17.BORROWINGS *(continued)*

### 17.3.Current accounts with minority shareholders and related parties *(continued)*

(c) The financing from parent is based on the following rules:

- Interest rate is based on Euribor 3M + 1%;
- There is no specified repayment date;
- There is no guarantee granted by the Group;
- This facility can be cancelled within 30 days notice.

During the year ended March 31, 2009, the financing from parent has increased mainly due to:

- The acquisition of the 15 % remaining shares of M&A Développement (M&A) in return of the issuance by the parent company of 183,433 new shares estimated at a market value of €4,516,000 (note 6);
- The acquisition of the 49% remaining shares of L'Occitane (China) limited through €684,000 in cash and 92,469 of the parent company's treasury shares estimated at a market value of €2,271,000.

On March 30, 2010, the amount of the current account due to LOG was fully settled for an amount of €59,647,000.

**17. BORROWINGS** *(continued)*
**17.4. Finance lease liabilities**

Finance lease liabilities outstanding are analyzed as follows:

March 31, <i>In thousands of Euros</i>	2010	2009
Within one year	1,287	1,063
One to two years	1,201	987
Two to three years	1,224	992
Three to four years	1,247	998
Four to five years	1,272	1,004
Thereafter	6,411	3,392
<b>Total minimum lease payments</b>	<b>12,642</b>	<b>8,436</b>
Less, amount representing interest	(1,377)	(1,162)
<b>Present value of finance lease liabilities</b>	<b>11,265</b>	<b>7,274</b>
Less, current portion of finance lease liabilities	(1,118)	(810)
<b>Non-current portion of finance lease liabilities</b>	<b>10,147</b>	<b>6,464</b>

On March 30, 2010, the Company signed a 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 will be based on Euribor 3M (Euribor 3M + 1.5% for a part of the finance lease amounting to €9,334,000; Euribor 3M + 1.25% for a part of the finance lease amounting to €4,666,000). As at March 31, 2010, an amount of €4,934,000 was drawn. Additional €1,208,000 have been drawn post year-end.

**17.5. Effective interest rates**

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

	2010	As at March 31, 2009
Other bank overdrafts and borrowings	Mainly Euribor 3M + Margin	Mainly Euribor 3M + Margin
Capex and revolving facilities	See note 17.6	See note 17.6
Other bank overdrafts and borrowings	Mainly Euribor 3M + Margin	Mainly Euribor 3M + Margin
Finance lease liabilities	Mainly Euribor 3M + Margin	Mainly Euribor 3M + Margin
Current accounts with minority shareholders and related parties	See note 17.3	See note 17.3



## 17.BORROWINGS *(continued)*

### 17.6.Exposure to interest rate changes

#### *Capex and revolving credit facilities*

The capex and revolving facilities issued on July 4, 2007, include a repricing option. The interest rates depend on a covenant and are calculated every semester after the consolidated financial statements of L'Occitane Groupe S.A. are issued.

The covenant is based on the leverage financial ratio: Consolidated net debt / EBITDA. For the measurement of this ratio, which is based on the consolidated financial statements of L'Occitane Groupe S.A., the definitions to be used are as follows:

- Consolidated net debt: current and non-current borrowings (excluding subordinated loan of L'Occitane Groupe S.A.) minus cash and cash equivalents
- EBITDA: operating profit before depreciation, amortization and impairment, before net movements in provisions for other liabilities and before allowance for inventories and trade receivables and before any other allowance.

The change in the above ratio results in repricing the interest rate as follows:

Leverage financial ratio	Capex and revolving facilities
Ratio being higher or equal than 2.4	Euribor 3M + Margin
Ratio being comprised between 1.9 and 2.4:	Euribor 3M + Margin -0.1
Ratio being comprised between 1.4 and 1.9:	Euribor 3M + Margin -0.2
Ratio being comprised between 1.0 and 1.4:	Euribor 3M + Margin -0.25
Ratio being lower than 1.0:	Euribor 3M + Margin -0.3

During the fiscal year ended March 31, 2008, the interest rate was based on Euribor 3M + Margin.

On March 31, 2008 the ratio amounted to 2.12, therefore the rate used from July 2008 was based on Euribor 3M + Margin -0.1.

On March 31, 2009, the ratio amounted to 2.26, therefore the rate used from July 2009 is based on Euribor 3M+ margin -0.1. On September 30, 2009, the unaudited ratio amounted to 1.75 and the rate to be used from January 2010 is based on Euribor 3M + margin - 0.2.

## 17. BORROWINGS *(continued)*

### 17.7. Exposure to debt covenants

#### *Capex and revolving facilities*

Event of default resulting in the early repayment of the Capex and Revolving facilities issued on July 4, 2007 depends on 2 ratios based on L'Occitane Groupe S.A. consolidated financial statements (issued each semester): the Leverage financial ratio and the Finance cost coverage ratio.

#### *Leverage financial ratio*

For the purpose of debt covenant, 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 (excluding subordinated loan of L'Occitane Groupe S.A.) – cash and cash equivalents
- EBITDA: operating profit before depreciation, amortization and impairment, before net movements in provisions for other liabilities and before allowance for inventories and trade receivables and before any other allowance.

According to the agreement, the leverage financial ratio should be lower than:

- 3.75 for the year ending March 31, 2008;
- 3.50 for the half-year ending September 30, 2008;
- 3.25 for the year ending March 31, 2009;
- 3.00 for the half-year ending September 30, 2009;
- 2.75 for the year ending March 31, 2010;
- 2.50 for the half-year ending September 30, 2010 and the following 6-months periods.

The unaudited Leverage financial ratio on September 30, 2009 amounted to 1.75 (2.26 on March 31, 2009).

On December 15, 2008, the Group re-negotiated the terms of the senior credit facilities. Characteristics remained unchanged except mainly for:

- The leverage financial ratio that should be lower than 2.75 for the half-year ending September 30, 2010 and the following 6-months periods;
- Reimbursement events were redefined to exclude the listing of the Group and more generally the agreement was modified to allow potential listing of the Group and to determine the use of the proceeds,
- Reduction on constraints made on investments

## 17.BORROWINGS *(continued)*

### 17.7.Exposure to debt covenants *(continued)*

#### *Finance costs coverage ratio*

This ratio was calculated as EBITDA (as defined above) divided by finance costs (only paid).

According to the agreement, the finance costs coverage ratio should be higher than:

- 4.00 for the year ending March 31, 2008;
- 4.25 for the half-year ending September 30, 2008;
- 4.50 for the year ending March 31, 2009;
- 5.00 for the half-year ending September 30, 2009 and the following 6-months periods.

The unaudited finance costs coverage ratio on September 30, 2009 amounted to 6.08 (6.09 on March 31, 2009).

### 17.8.Denomination in currencies

The carrying amounts of the Group's borrowings are denominated in the following currencies:

March 31, <i>In thousands of Euros</i>	2010	2009
Euro	42,334	67,207
US dollar	9,849	19,086
Japanese Yen	—	10,216
Sterling Pound	1,124	3,223
Australian dollar	2,798	2,992
Swiss Franc	1,581	1,165
Mexican Peso	—	1,334
Canadian Dollar	3,363	—
Other currencies	820	3,745
<b>Total</b>	<b>61,869</b>	<b>108,968</b>

**17.BORROWINGS** *(continued)*
**17.9.Borrowing facilities**

The Group has the following undrawn borrowing facilities:

March 31, <i>In thousands of Euros</i>	2010	2009
Floating rate:		
– Expiring within one year	10,474	3,514
– Expiring beyond one year	115,018	55,483
Fixed rate:		
– Expiring within one year	—	—
– Expiring beyond one year	—	—
<b>Total</b>	<b>125,492</b>	<b>58,997</b>

The above amount mainly includes:

- The undrawn part of the capex and revolving facilities. As at May 28, 2010, these facilities were reimbursed and the contract was terminated (see note 31).
- Three borrowing facilities for an amount of €15,000,000 each that were signed in August 2008, October 2008 and November 2008 for a total amount of €45,000,000 over the year ended March 31, 2009. These facilities were drawn up to €25,000,000 and were repaid during the period. No amount is drawn at March 31, 2010. The interest rates of these new borrowing facilities are based on Euribor + margin. One of the above borrowing facilities is subject to debt covenants. Event of default resulting in the early reimbursement of the borrowing facility depends on 2 ratios based on L'Occitane Groupe SA consolidated financial statements (issued each semester): the Leverage financial ratio and the Finance costs coverage ratio. These ratios are defined and measured as those used for the Capex and Revolving facilities (note 17.6 and note 17.7).
- Two new borrowing facilities for an initial amount of €15,000,000 and €8,000,000 that were signed in July 2009 and September 2009, respectively, for a total amount of €23,000,000. As of March 31, 2010, these amounts are reduced at a total of €22,200,000. No amount is drawn at March 31, 2010.
- One new borrowing facility for an amount of €15,000,000 was signed in February 2010. An amount of €1,051,000 was drawn as of March 31, 2010.

## 18. OTHER CURRENT AND NON-CURRENT LIABILITIES

Other current and non-current liabilities include the following:

March 31, <i>In thousands of Euros</i>	2010	2009
Retirement indemnities	1,935	1,411
Liabilities linked to operating leases	5,331	4,780
Provisions for dismantling and restoring	2,325	1,690
Grants to a foundation	—	800
<b>Total non current liabilities</b>	<b>9,591</b>	<b>8,681</b>
Grants to a foundation	800	700
Dividend payable	80,000	—
Deferred revenue	3,690	2,487
<b>Total current liabilities</b>	<b>84,490</b>	<b>3,187</b>

### 18.1. Provision for retirement indemnities

Subsidiaries of the Group incorporated in France contribute to the national pension system, which is a defined contribution obligation. In addition, a lump-sum payment is made on the date the employee reaches retirement age, such award being determined for each individual based upon factors such as years of service provided and projected final salary. There are no plan assets. In other countries, the Group contributes to pensions with defined contributions.

The amounts recognized in the balance sheet are determined as follows:

March 31, <i>In thousands of Euros</i>	2010	2009
Present value of unfunded obligations	1,935	1,411
Unrecognized past service cost	—	—
<b>Liability in the balance sheet</b>	<b>1,935</b>	<b>1,411</b>

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

**18.1. Provision for retirement indemnities** (continued)

The movement in the defined benefit obligation over the year is as follows:

March 31, In thousands of Euros	2010	2009
Beginning of the year / period	1,411	953
Acquisition of subsidiaries (note 6.3)	—	270
Current service cost	376	230
Interest cost	56	51
Actuarial losses / (gains)	96	(84)
Exchange differences	22	(9)
Benefits paid	(26)	—
Curtailments	—	—
Settlements	—	—
<b>End of year / period</b>	<b>1,935</b>	<b>1,411</b>

The amounts recognized in the income statement are as follows:

March 31, In thousands of Euros	2010	2009
Current service cost	376	230
Interest cost	56	51
Actuarial losses / (gains)	96	(84)
<b>Total included in employee benefit expenses (note 24)</b>	<b>528</b>	<b>197</b>

The principal actuarial assumptions used were as follows:

March 31, In percentage	2010	2009
Discount rate	5.00	5.75
Inflation rate	2.00	2.00
Future salary increases	3.00	3.00

The effect of a 1% movement of the actuarial assumptions is not material on the calculation of the defined benefit obligation.

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

### 18.2. Liabilities linked to operating leases

The liabilities linked to operating leases are related to:

- The impact of recognizing the lease payment as an expense on a straight-line basis (note 2.24);
- Incentives received from the lessors at the inception of the lease, which are recognized pro-rata over the lease term (note 2.24).

### 18.3. Provision for dismantling and restoring

As at March 31, 2010, provisions for dismantling and restoring costs are as follows:

<i>In thousands of Euros</i>	March 31, 2009	Provisions recorded in the statement of income	Provisions recorded as a component of tangible fixed assets	Unused amounts reversed	Used during the year	Exchange differences	March 31, 2010
Provisions recorded over the length of the lease	290	129	—	(5)	—	11	425
Provisions recorded at the inception of the lease	1,400	—	423	(55)	—	132	1,900
<b>Total</b>	<b>1,690</b>	<b>129</b>	<b>423</b>	<b>(60)</b>	<b>—</b>	<b>143</b>	<b>2,325</b>

As at March 31, 2009, provisions for dismantling and restoring costs are as follows:

<i>In thousands of Euros</i>	March 31, 2008	Provisions recorded in the statement of income	Provisions recorded as a component of tangible fixed assets	Unused amounts reversed	Used during the year	Exchange differences	March 31, 2009
Provisions recorded over the length of the lease	—	282	—	—	—	8	290
Provisions recorded at the inception of the lease	—	—	1,358	—	—	42	1,400
<b>Total</b>	<b>—</b>	<b>282</b>	<b>1,358</b>	<b>—</b>	<b>—</b>	<b>50</b>	<b>1,690</b>



**18. OTHER CURRENT AND NON-CURRENT LIABILITIES** *(continued)*
**18.4. Grants to a foundation**

In early fiscal year 2007, L'Occitane SA and Relais de L'Occitane SARL, two wholly owned French subsidiaries of the Group, participated in the creation of a foundation ("La Fondation L'Occitane"). The objective of this foundation is to participate in the development of sustainable economic projects conducted by women in developing countries, in safeguarding traditions from Provence and in the integration of people suffering from visual deficiency.

At the creation of the foundation, the two companies L'Occitane SA and Relais de L'Occitane SARL were unconditionally committed to fund the foundation for an amount of €3,000,000. The maturity of the remaining obligation can be analyzed as follows:

March 31, <i>In thousands of Euros</i>	2010	2009
Within one year	800	700
One to two years	—	800
Two to three years	—	—
Three to four years	—	—
<b>Total obligation</b>	<b>800</b>	<b>1,500</b>
Less, current portion	(800)	(700)
<b>Non-current portion of the obligation</b>	<b>—</b>	<b>800</b>

The obligation is recorded at its nominal value. The impact for not discounting is not significant. The payment of the total obligation is guaranteed by the bank Calyon.

The payments to the foundation benefit from a tax incentive as the payments are deductible at a rate of 60% as opposed to the normal enacted rate of 34.43% in France.

**18.5. Deferred revenue**

Deferred revenue is related to:

- Sales for which the transfer of ownership and related risks has not occurred at year-end;
- The fair value of the consideration received allocated to the award credits granted in case of loyalty program.

## 19. TRADE PAYABLES

The credit terms granted by the domestic suppliers to the production subsidiaries and to the distribution subsidiaries were usually 80 to 110 days and 30 to 60 days, respectively. The average credit terms granted by the overseas suppliers to the distribution subsidiaries were usually 30 days.

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

March 31, <i>In thousands of Euros</i>	2010	2009
Current and past due within 3 months	59,489	50,157
Past due from 3 to 6 months	233	278
Past due from 6 to 12 months	118	176
Past due over 12 months	100	91
<b>Trade payables</b>	<b>59,940</b>	<b>50,702</b>

## 20. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Within the normal framework of their activities, the Group and its subsidiaries are subject to various forms of litigation and legal proceedings. The Group sets aside a provision based on its past experience and on facts and circumstances known at the balance sheet date. The provision charge is recognized in the statement of income within "General and administrative expenses". When the date of the utilization is not reliably measurable, the provisions are not discounted and are classified in current liabilities. The impact for not discounting is not significant.

Social litigation relates mainly to litigations with employees in relation to staff benefits or potential claims from social security administrations authorities.

Commercial claims relate mainly to claims from distributors.

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

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

**20. PROVISIONS FOR OTHER LIABILITIES AND CHARGES** *(continued)*
**20.1. Year ended March 31, 2010**

As at March 31, 2010, provisions for other liabilities and charges can be analyzed as follows:

<i>In thousands of Euros</i>	March 31, 2009	Additional provisions	Unused amounts reversed	Used during the year	Exchange differences	March 31, 2010
Social litigations	1,477	515	(590)	(25)	361	1,738
Commercial claims	183	411	(140)	(72)	6	388
Onerous contracts	—	1,513	—	—	66	1,579
Tax risks	—	465	—	—	41	506
<b>Total</b>	<b>1,660</b>	<b>2,904</b>	<b>(730)</b>	<b>(97)</b>	<b>474</b>	<b>4,211</b>

The increase in the provision for onerous contract is related to operating lease contracts of stores (note 2.18).

The provisions reversed unused are mainly due to statute of limitation of certain risks.

**20.2. Year ended March 31, 2009**

As of March 31, 2009, provisions for other liabilities and charges can be analyzed as follows:

<i>In thousands of Euros</i>	March 31, 2008	Additional provisions	Unused amounts reversed	Used during the year	Exchange differences	March 31, 2009
Social litigations	2,256	114	(295)	(521)	(77)	1,477
Commercial claims	61	442	(23)	(296)	(1)	183
<b>Total</b>	<b>2,317</b>	<b>556</b>	<b>(318)</b>	<b>(817)</b>	<b>(78)</b>	<b>1,660</b>

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## 21.DIRECT COSTS RELATED TO THE PROJECTED IPO – NET

During the fiscal year ended March 31, 2009, the Group has conducted an IPO project which has been postponed due to adverse market conditions in October 2008.

Transactions costs (external and incremental costs directly attributable to the project) incurred during the period and related to this project were expensed for an amount of €1,996,000, as the achievement of the IPO project was not probable in the foreseeable future and as the future economic benefits were questioned due to the time that has elapsed since the costs have been incurred. They are classified in general and administrative expenses in the operating profit in the statement of income. The total costs amounted to €3,986,000 and were partly recharged to L'Occitane Groupe S.A. the parent company, for an amount of €1,990,000.

In September 2009, the Group has decided to resume the IPO project. The total incremental transaction costs related to the new project amounted to €3,542,000 as at March 31, 2010. The accounting treatment of these costs is as follows:

- the costs associated with the listing of new shares amounting to €1,771,000 are recorded as a reduction to equity for €1,265,000 net of tax.;
- the costs allocated to the listing of existing shares amounting to €1,771,000 have been recharged to L'Occitane Groupe SA (note 30.2).

## 22. EXPENSES BY NATURE

Expenses by nature include the following amounts:

March 31, In thousands of Euros	2010	2009
Employee benefit expenses	159,961	136,303
Rent and occupancy	105,010	83,734
Advertising costs	49,740	49,159
Raw materials and consumables used	69,329	71,820
Professional fees (1)	28,131	28,045
Depreciation, amortization and impairment (note 27.3)	26,725	23,370
Transportation expenses	15,253	21,819
Change in inventories of finished goods and work in progress	10,267	(16,327)
Other expenses	40,515	59,766
<b>Total cost of sales, distribution expenses, marketing expenses, general and administrative expenses and direct costs related to the projected IPO-net</b>	<b>504,931</b>	<b>457,689</b>

(1) Professional fees include mainly payments made to lawyers, auditors, accountants, marketing agencies and direct costs related to the first projected IPO (see note 21).

Rent and occupancy include the minimum lease payments for operating leases, contingent rents (variable rents based on sales) and other charges related to these leases.

Employee benefits include the following amounts:

March 31, In thousands of Euros	2010	2009
Wages, salaries and bonus	130,512	110,868
Share-based payments	1,963	713
Social security	25,814	23,800
Post employment benefit (note 18)	894	197
Others	778	725
<b>Total employee benefits</b>	<b>159,961</b>	<b>136,303</b>
<b>Workforce (full time equivalent)</b>	<b>4,573</b>	<b>4,292</b>

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

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

## 23. FINANCE COSTS, NET

Finance costs, net consist of the following:

March 31, <i>In thousands of Euros</i>	2010	2009
Interest on cash and cash equivalent	121	130
Fair value gains on derivatives (note 14)	28	76
<b>Finance income</b>	<b>149</b>	<b>206</b>
Interest expense:		
– Interest on other borrowings	(847)	(1,638)
– Interest on capex facility	(1,238)	(1,743)
– Interest on revolving facility	(148)	(523)
– Interest on finance lease	(303)	(281)
– Interest on financing from parent	(666)	(925)
– Unwinding of discount on financial liabilities (note 6.4)	(359)	(595)
Fair value losses on derivatives (note 14)	(117)	(357)
<b>Finance costs</b>	<b>(3,678)</b>	<b>(6,062)</b>
<b>Finance costs, net</b>	<b>(3,529)</b>	<b>(5,856)</b>

The interest expense on other borrowings is related to other bank borrowings, current account with minority shareholders and related parties (excluding financing from parent) and bank overdrafts.

On March 31, 2010, the interests paid amount to €3,542,000 (€4,755,000 on March 31, 2009).

## 24. FOREIGN CURRENCY GAINS / (LOSSES)

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

March 31, <i>In thousands of Euros</i>	2010	2009
Foreign exchange differences	6,658	(482)
Fair value gains on derivatives (note 14)	(1,184)	2,159
<b>Foreign currency gains / (losses)</b>	<b>5,474</b>	<b>1,677</b>

## 25. INCOME TAX EXPENSE

### 25.1. Income tax expense

The components of income tax expense are as follows:

March 31, In thousands of Euros	2010	2009
Current income tax	(25,376)	(21,859)
Deferred income tax	(2,203)	4,932
<b>Total tax expense</b>	<b>(27,579)</b>	<b>(16,927)</b>

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

March 31, In thousands of Euros	2010	2009
Profit before tax and share of gain /(loss) in joint ventures	112,138	76,311
Income tax calculated at corporate tax rate <i>(Luxembourg tax rate of 28.59% as at March 31, 2010 and 2009)</i>	(32,060)	(21,817)
Effect of different tax rates in foreign countries	6,856	7,834
Effect of unrecognized tax assets	(358)	(1,440)
Expenses not deductible for taxation purposes	(1,299)	(1,114)
Effect of unremitted tax earnings	(815)	(480)
Effect of new tax regulation (a)	(633)	—
Recognition of previously unrecognised tax assets	758	90
Minimum tax payments	(28)	—
<b>Income tax expense</b>	<b>(27,579)</b>	<b>(16,927)</b>

- (a) A new tax regulation was enacted in France end of December 2009. This tax which will replace an existing operating tax is based on a measure of income (revenue less expenses) and therefore is considered within the scope of IAS 12. A net deferred tax liability was recorded on all temporary differences impacted by this new tax.



## 25. INCOME TAX EXPENSE *(continued)*

### 25.2. Components of deferred income tax assets and liabilities

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

The components of the net deferred income tax assets recorded on March 31, 2010 and 2009 are:

<i>In thousands of Euros</i>	2010	2009
<b>ASSETS</b>		
Tax loss carried forward	142	630
Intercompany margin in inventory	10,622	13,035
Excess tax basis over carrying amount of non-current assets	10,442	8,191
Promotional goods expensed	3,139	3,865
Rent on operating leases recognized on a straight-line basis	996	1,122
Inventory valuation	1,458	1,200
Onerous contracts	307	—
IPO costs	506	—
Deferred tax related to grants to a foundation	480	900
Retirement indemnity	592	440
Mandatory profit sharing scheme to employees of French subsidiaries	285	472
Provision for litigation	459	436
Derivatives financial instruments	498	381
Loyalty programs	360	312
Other temporary differences	2,903	1,543
<b>Total</b>	<b>33,189</b>	<b>32,527</b>
<i>To be recovered after more than 12 months</i>	<i>13,063</i>	<i>10,437</i>
<i>To be recovered within 12 months</i>	<i>20,126</i>	<i>22,090</i>
<b>LIABILITIES</b>		
Identified intangible assets in business combinations	(5,303)	(5,224)
Derivatives financial instruments	—	(654)
Income tax on unremitted earnings	(1,995)	(1,228)
New tax regulation	(633)	—
Other temporary differences	(231)	(306)
<b>Total</b>	<b>(8,162)</b>	<b>(7,412)</b>
<i>To be recovered after more than 12 months</i>	<i>(5,303)</i>	<i>(5,224)</i>
<i>To be recovered within 12 months</i>	<i>(2,859)</i>	<i>(1,534)</i>
<b>Deferred income tax, net</b>	<b>25,027</b>	<b>25,115</b>
<i>Deferred income tax assets</i>	<i>26,251</i>	<i>30,966</i>
<i>Deferred income tax liabilities</i>	<i>(1,224)</i>	<i>(5,851)</i>

## 25. INCOME TAX EXPENSE (continued)

### 25.2. Components of deferred income tax assets and liabilities (continued)

Deferred income tax assets are recognized to the extent that the realization of the related benefit through the future taxable profits is probable.

On March 31, 2010, the Group had tax losses of €6,063,000 to be carried over, generating a potential deferred tax asset of €1,814,000. These figures were €9,479,000 and €2,574,000 respectively, on March 31, 2009.

The use of the deferred tax assets will mainly depend upon the Group's results from operations, which are difficult to accurately predict in certain tax jurisdictions. The deferred income tax assets that were not recognized on March 31, 2010, amount to €1,672,000 and €2,484,000 on March 31, 2009.

### 25.3. Movements in deferred tax assets and liabilities, net

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

March 31, In thousands of Euros	2010	2009
At the beginning of the year	25,115	24,349
(Charged) / credited to income, continuing operations (note 25.1)	(2,203)	4,932
(Charged) / credited to equity	1,078	(19)
Acquisition of subsidiary (note 6.3)	327	(5,436)
Exchange differences	710	1,289
<b>At the end of the year</b>	<b>25,027</b>	<b>25,115</b>

As at March 31, 2010, the deferred income tax credited to equity related to:

- The effective portion of change in the fair value of derivatives designated as hedging instruments that were recognized in equity (note 14): €572,000;
- The costs directly attributable to the issue of new shares (note 21): €506,000.

As at March 31, 2009, the deferred income tax charged to equity related to the effective portion of changes in the fair value of derivatives designated as hedging instruments that were recognized in equity (note 14).

### 25.4. Income tax on unremitted earnings

Deferred income taxes on the unremitted earnings of the Group's foreign subsidiaries and associates are provided for unless the Group intends to indefinitely reinvest the earnings in the subsidiaries. The Group does intend to indefinitely reinvest unremitted earnings of its foreign subsidiaries in most jurisdictions.

For certain subsidiaries that the Group does not intend to indefinitely reinvest unremitted earnings of these foreign jurisdictions, the corresponding distribution of earnings may trigger taxes. Therefore, the Group provides for deferred income taxes on these earnings where distribution would trigger taxes. The corresponding deferred tax liability amounts to €1,995,000 on March 31, 2010 and €1,228,000 on March 31, 2009.

## 26.EARNINGS PER SHARE

The Group applies the rules governing earnings per share as described in note 2.28 above. The reconciliation between basic earnings per share and diluted earnings per share is as follows:

	2010	March 31, 2009
Profit for the year attributable to equity holders of the Company ( <i>in thousands of Euros</i> )	81,626	58,383
Weighted average number of ordinary shares in issue	19,290,674	19,290,674
Weighted average number of ordinary shares in issue adjusted for the new par value of €0.03	1,274,396,391	1,274,396,391
<b>Basic earnings per share (<i>in € per share</i>)</b>	<b>0.064</b>	<b>0.046</b>

During the periods, the Group had no potential dilutive ordinary shares, nor share options or convertible debt. Therefore, the diluted earnings per share is equal to the basic earnings per share.

### Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. The weighted average number of ordinary shares in issue is adjusted for the new par value of €0.03 as detailed in note 31.

### Diluted earnings per share

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

The diluted average number of shares is adjusted for the new par value of €0.03 as detailed in note 31.

## 27.SUPPLEMENTAL DISCLOSURE ON CASH FLOW INFORMATION

### 27.1.Cash paid for interest and income taxes

Cash paid for interest and income taxes are as follows:

March 31, In thousands of Euros	2010	2009
Cash paid for:		
– Interest net	3,542	4,755
– Income taxes	24,534	24,372

### 27.2.Proceeds from sale of assets

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

March 31, In thousands of Euros	2010			2009			
	Intangible assets	Property, plant and equipment	Total	Intangible assets	Property, plant and equipment	Disposal of Oliviers & Co Importação Ltda	Total
Disposals – Cost	760	6,931	7,691	301	6,352	68	6,721
Disposals – Accumulated depreciation and amortization	(718)	(6,142)	(6,860)	(281)	(5,951)	—	(6,232)
<b>Net book value (7), (9)</b>	<b>42</b>	<b>789</b>	<b>831</b>	<b>20</b>	<b>401</b>	<b>68</b>	<b>489</b>
Profit / (loss) on sale of assets	2,500	(208)	2,292	506	(299)	46	253
<b>Proceeds from sale of assets</b>	<b>2,542</b>	<b>581</b>	<b>3,123</b>	<b>526</b>	<b>102</b>	<b>114</b>	<b>742</b>

On November 2, 2009, Oliviers and Co. LLC, L'Occitane Inc (the sellers, two fully owned subsidiaries of the Group) and Oliviers & Co S.A (the buyer) have signed a transition and an asset purchase agreement. This agreement has been amended on December 17, 2009 and again on January 5, 2010. Following these arrangements the current distribution agreement with Olivier & CO S.A. has been terminated and the assets of four stores have been transferred from the Group to Oliviers & Co S.A as at February 1, 2010 (the closing date). Five other stores owned by the Group have continued distributing Oliviers & Co products until March 31, 2010. A provision for onerous contract for an amount of €495,000 was recorded in connection with these five stores as at March 31, 2010. The consideration paid by Oliviers & Co S.A. to the Group for this agreement amount to approximately €500,000 which may be increased to approximately €1,250,000 depending upon the renewal of a lease. The net profit on this sale approximate the consideration as the carrying amount of the assets sold is closed to zero. Inventories have also been transferred at the closing date for a consideration closed to their net carrying amounts.

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

### 27.2.Proceeds from sale of assets *(continued)*

The profit / (loss) on sale of assets is presented in the line “Other (losses) / gains – net” in the consolidated statement of income that also comprises a government grant on research & development costs as detailed below:

March 31, <i>In thousands of Euros</i>	2010	2009
Profit / (loss) on sale of assets	2,292	253
Government grant on research & development costs	587	591
<b>Other (losses) / gains – net</b>	<b>2,879</b>	<b>844</b>

### 27.3.Depreciation, amortization and impairment

Depreciation, amortization and impairment include the following:

March 31, <i>In thousands of Euros</i>	Notes	2010	2009
Depreciation of property, plant and equipment	(7.3)	19,838	18,416
Impairment charge on property, plant and equipment, net	(7.4)	1,977	359
Amortization of intangible assets	(9.3)	4,910	4,595
Impairment charge on intangible assets, net	(9.4)	—	—
<b>Depreciation, amortization and impairment</b>		<b>26,725</b>	<b>23,370</b>

### 27.4.Net movement in provisions

In the cash flow statement, net movement in provisions comprises the following:

March 31, <i>In thousands of Euros</i>	Notes	2010	2009
Social litigations	(20)	(100)	(702)
Commercial claims	(20)	199	123
Onerous contracts	(20)	1,513	—
Tax risks	(20)	465	—
Dismantling and restoring	(18)	69	282
Retirement indemnities	(18)	502	197
<b>Net movement in provisions</b>		<b>2,648</b>	<b>(100)</b>

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

### **27.5.Other non cash items**

On March 31, 2010, the Shareholders' Meeting approved the distribution of €80,000,000. The dividend payable has been recorded in Other current liabilities as at March 31, 2010 and was paid in May 4, 2010.

On March 31, 2010, the Company also drawn an amount of €4,934,000 in connection with the acquisition of a land and buildings (see note 7.1 and 17.4).

### **27.6.Effects of the exchange rate changes on the net (decrease) / increase in cash and cash equivalents**

The effects of exchange rate changes as stated in the consolidated statement of cash flows include the following:

- The translation at the closing exchange rate of foreign currency cash and cash equivalents;
- The exchange rate effect of the movement in foreign currency cash and cash equivalents from the average exchange rate to the closing exchange rate;
- The exchange movements on intra-group transactions not settled at year-end.

### **27.7.Cash flows reported on a net basis**

In accordance with IAS 7 § 23, proceeds from and repayments of borrowings (Capex facility, Revolving facility, other bank borrowings and current account with the parent company) in which the turnover is quick, the amounts are large, and the maturities are short are reported on a net basis in the consolidated statement of cash flows.

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## 28. CONTINGENCIES

### 28.1. Legal proceedings

In September 2008, a complaint was filed by the co-owners of the L'Occitane Soho building against H. Stern, a third party and lessee, and against L'Occitane Inc and O.&Co. Table LLC, respectively as sub-lessee and assignee of the sublease, requesting damages and the termination of the lease and sublease. The suit has been dropped following a settlement agreement dated April 2, 2009 according to which L'Occitane Inc and O.&Co. Table LLC left the premises in consideration to termination compensations of €1,893,000 (net of excluding lawyers costs). The related profit net of disposal costs of €1,893,000 (the net book value of related assets was nil as at March 31, 2009) has been recognised during the period ended March 31, 2010.

Also, the Company launched a new Immortelle product "Immortelle Crème Divine" in September 2009. In French, "divine" is a generic descriptive adjective with a similar meaning to the English word "divine", and is often used to mean "godly". A third party claiming to be the registered owner of the trademark "Divine" recently commenced legal proceedings against the Company for unauthorized use of their mark in France only. The claimant or plaintiff sought an interdiction of the commercialization via a preliminary claiming for damages. On January 14, 2010, the Court decided against the plaintiff, dismissed the action and consequently enabled the continuous use of the name "Divine". It is theoretically possible that the claimant files another legal action (main proceedings) against L'Occitane. Should the Company lose the main proceedings contrary to our expectations, the Company believe that using another word in the name of that product will not affect our sale of that product in any materially adverse way given that the product is very new to the market and there would not be a significant or material marketing goodwill attached to that particular name yet, and in any event our products are marketed for their principal ingredients, and the word "divine" was not included nor intended to indicate the ingredients of that product. The Company therefore believe that these claims are immaterial and will not materially affect our results of operations.

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

### 28.2. Contingent liabilities

The Group has contingent liabilities in respect of bank, other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

All guarantees given by the Group are described in note 31.



## 29.COMMITMENTS

### 29.1.Capital expenditure commitments

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

March 31, <i>In thousands of Euros</i>	2010	2009
Property, plant and equipment	7,526	2,162
Intangible assets	—	—
Investment	—	—
<b>Total</b>	<b>7,526</b>	<b>2,162</b>

The amounts as of March 31, 2010 and 2009 are mainly related to the factories.

### 29.2.Lease commitments

The Group leases various retail stores, offices and warehouses under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses, free-rents period and renewal rights. The lease expenditure charged to the statement of income is disclosed in note 22.

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

March 31, <i>In thousands of Euros</i>	2010	2009
Within one year	52,965	48,049
One to two years	44,355	40,387
Two to three years	34,952	33,617
Three to four years	26,767	28,517
Four to five years	20,390	23,508
Subsequent years	52,212	48,877
<b>Total</b>	<b>231,641</b>	<b>222,955</b>

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

## 29.COMMITMENTS *(continued)*

### 29.3.Other commitments

March 31, <i>In thousands of Euros</i>	2010	2009
Pledge of key money (note 17)	1,368	2,087
Pledge of Investments (note 17)	36,527	64,782
<b>Total</b>	<b>37,895</b>	<b>66,869</b>

The pledge of investments corresponds to the capex and revolving facilities. The senior loan of the parent company which amounted to €174,253,000 as at March 31, 2009 is pledged by 100% of the Company's shares.

### 30. TRANSACTIONS WITH RELATED PARTIES

The following transactions were carried out with related parties:

#### 30.1. Key management compensation

Key management is composed of the Company's Board members (executive and non-executive Directors).

##### Director's emoluments

Directors are the Board members. Directors' emoluments expensed during the periods are analyzed as follows:

March 31, 2010 <i>In thousands of Euros</i>	Salaries and other benefits kind	Bonus	Directors fees	Share-based payments	Services	Total
<b>Executive directors</b>						
Reinold Geiger	—	250	100	—	672	1,022
Emmanuel Osti	255	150	50	6	—	461
André Hoffmann	450	169	—	6	—	625
Thomas Levilion	181	200	—	24	—	405
Martial Lopez**	92	(24)	10	—	—	78
Bernard Chevilliat*	79	41	56	51	—	227
Nicolas Veto*	30	6	—	11	—	47
Peter Reed*	90	22	—	—	—	112
<b>Non executive directors</b>						
Martial Lopez**	—	—	—	—	—	—
Karl Guenard	—	—	—	—	—	—
Mark Broadley	—	—	—	—	—	—
Yves Chezeaud*	—	—	—	—	—	—
Elise Lethuillier*	—	—	—	—	—	—
Olivier Courtin*	—	—	—	—	—	—
Pierre Milet***	—	—	—	—	—	—
Susan Kilsby***	—	—	—	—	—	—
Jackson Ng***	—	—	—	—	—	—
<b>Total</b>	<b>1,177</b>	<b>814</b>	<b>216</b>	<b>98</b>	<b>672</b>	<b>2,977</b>

\* On January 25, 2010, the extraordinary general shareholders meeting approved the termination of the mandate of these Directors.

\*\* Mr. Martial Lopez was an executive Director up to September 30, 2009. Since that date, he is a consultant of the Group and is non executive Director.

\*\*\* On January 25, 2010, the extraordinary general shareholders meeting also approved the appointment of Mr. Pierre Milet, Mrs. Susan Kilsby and Mr. Ng, Chick Sum Jackson.

## 30. TRANSACTIONS WITH RELATED PARTIES *(continued)*

### 30.1. Key management compensation *(continued)*

March 31, 2009 <i>In thousands of Euros</i>	Salaries and other benefits kind	Bonus	Directors fees	Share-based payments	Services	Total
<i>Executive directors</i>						
Reinold Geiger	—	75	100	—	664	839
Emmanuel Osti	248	100	50	—	—	398
André Hoffmann	400	167	—	—	—	567
Thomas Levilion**	89	—	—	—	—	89
Bernard Chevilliat**	36	—	—	—	—	36
Nicolas Veto**	50	10	—	—	—	60
Peter Reed**	55	21	—	—	—	76
Martial Lopez	141	24	24	10	—	199
Christopher Braden*	51	—	33	—	—	84
<i>Non executive directors</i>						
Yves Chezeaud	—	—	—	—	—	—
Karl Guenard	—	—	—	—	—	—
Mark Broadley**	—	—	—	—	—	—
Elise Lethuillier	—	—	—	—	—	—
Olivier Courtin	—	—	—	—	—	—
Olivier Baussan*	—	—	—	—	—	—
Henri Biard*	—	—	—	—	—	—
<b>Total</b>	<b>1,070</b>	<b>397</b>	<b>207</b>	<b>10</b>	<b>664</b>	<b>2,348</b>

\* Correspond to the emoluments up to the date of resignation from the Board as at September 30, 2008.

\*\* Correspond to the emoluments from the date of nomination as director by the General Meeting held on September 30, 2008.

Other than the types of emoluments described above, none of the Directors received any other form of compensation during the relevant periods. There was no arrangement under which a director has waived or agreed to waive any emolument.

There was no payment during the above financial years or periods to directors as an inducement to join the Group or as compensation for loss of office.

Mr. Yves Chezeaud, Mr. Karl Guenard, Ms. Elise Lethuillier, Mr. Olivier Baussan, Mr. Olivier Courtin and Mr. Henri Biard did not perform executive functions, nor were they involved in the day to day operations or management of the Group. Accordingly, they did not receive any emoluments as Directors during the above periods.

**30. TRANSACTIONS WITH RELATED PARTIES** (continued)

**30.1. Key management compensation** (continued)

Mr. Olivier Baussan, a Director, and Olivier Baussan S.a.r.l., a company wholly owned by Mr. Olivier Baussan, were engaged as design consultants to the Group in return for an annual design consulting service fee. These fees were not paid to Mr. Olivier Baussan as a Director and were not in the nature of Directors' emoluments (note 30.3).

Esprit-fi Eurl, a company owned by Mr. Martial Lopez, was engaged as financial consultant to the Group in return for financial consulting service fee. These fees were not paid to Mr. Martial Lopez as a Director and were not in the nature of Director's emoluments (note 30.3).

**Highest paid individuals**

The five highest paid individuals are as follows:

March 31, In thousands of Euros	2010	2009
Salaries and other benefits in kind	1,108	1,058
Bonus	810	385
Directors fees	150	150
Share-based payments	71	78
Services	672	664
<b>Total</b>	<b>2,811</b>	<b>2,335</b>

Four members of the Board are included in the March 31, 2010 amounts.

Three members of the Board are included in the March 31, 2009 amounts.

The emoluments of the five highest paid individuals are analyzed by the following banding:

	March 31,	
	2010	2009
Nil to €100,000	—	—
€100,000 to €150,000	—	—
€150,000 to €200,000	—	—
€200,000 to €250,000	—	1
over €250,000	5	4
<b>Total</b>	<b>5</b>	<b>5</b>

## 30. TRANSACTIONS WITH RELATED PARTIES *(continued)*

### 30.2. Sales of products and services

March 31, <i>In thousands of Euros</i>	2010	2009
<b>Sales of goods and services</b>		
- Sales of L'Occitane products to Clarins and its subsidiaries (a)	3,022	3,073
- Sales of L'Occitane promotional goods to Clarins and its subsidiaries (b)	285	337
- Sales of L'Occitane and Le Couvent des Minimes products to Les Minimes (c)	66	62
- Recharge of IPO costs to parent (d)	1,771	1,990
<b>Total Sales of products</b>	<b>5,144</b>	<b>5,462</b>
<b>Receivable to related parties in connection with the above sales of products</b>		
- Receivables from Clarins and its subsidiaries (a) (b)	754	566
- Receivables from Les Minimes (c)	5	4
- Receivables from parent (d)	—	—
<b>Total receivables</b>	<b>759</b>	<b>570</b>

- (a) In the normal course of business the Group has sold L'Occitane products, L'Occitane promotional goods and private label products to Clarins and its subsidiaries, which has a common Director with the Group.
- (b) Sales of L'Occitane promotional goods are recorded as a decrease of marketing expenses.
- (c) In the normal course of business the Group has sold L'Occitane and Le Couvent des minimes products to Les Minimes SA, which is owned by the parent company as to 25%, by Mr. Reinold Geiger as to 25% and by independent third parties as to 50%.
- (d) As at March 31, 2009, the recharge of costs corresponds to costs of the first IPO project that was postponed due to adverse market conditions in October 2008 (note 21). These costs were incurred by the company for €3,986,000 and partly recharged to L'Occitane Groupe S.A. the parent company, for €1,990,000. In September 2009, the Group has decided to resume the IPO project. The costs allocated to the listing of existing shares amounted to €1,771,000 as at March 31, 2010 and were recharged to L'Occitane Groupe SA (note 21).

**30. TRANSACTIONS WITH RELATED PARTIES** *(continued)*
**30.3. Purchases of goods and services**

March 31, <i>In thousands of Euros</i>	2010	2009
<b>Purchases of services</b>		
– Services from Clarins and its subsidiaries (a)	717	1046
– Services from Directors (b)	146	180
– Services from Marquenoux S.C.I. (c)	441	373
– Services from Les Minimés SAS (d)	175	455
– Services from CIME S.A. (e)	2	3
<b>Total purchases of services</b>	<b>1,481</b>	<b>2,057</b>
<b>Payables to related parties in connection with the above services</b>		
– Services from Clarins and its subsidiaries (a)	903	841
– Services from Directors (b)	85	—
– Services from Marquenoux S.C.I. (c)	15	—
– Services from Les Minimés SAS (d)	60	411
– Services from CIME S.A. (e)	—	—
<b>Total payables</b>	<b>1,063</b>	<b>1,252</b>

- (a) Some of the subsidiaries of the Group have contracts for administrative services and cost sharing with Clarins and its subsidiaries, which has a common Director with the Group.
- (b) One of the French subsidiaries of the Group has a contract for design consulting services with the company Olivier Baussan S.A.R.L., whose general manager Mr. Olivier Baussan was also a Director of the Company up to the date of resignation from the Board as at September 30, 2008. The services mainly concern advisory and consulting in the development of new products marketed under the L'Occitane brand. The Group recorded expenses for these services for €180,000 for the year ended March 31, 2009, up to the date of resignation from the board.
- The Company has a contract for financial consulting services with the company Esprit-fi Eurl, wholly owned by Mr. Martial Lopez. The Group recorded expenses for these financial consulting services for €146,000.
- (c) The land on which the manufacturing facilities of Melvita Production S.A.S. are located is owned by Marquenoux S.C.I, a company controlled by Mr. Bernard Chevilliat, a Director of the Company up to January 25, 2010. This land is leased pursuant to several lease agreements (see also post balance sheet events on note 7.1).
- (d) L'Occitane SA, a French subsidiary, has a contract for communication and marketing services with the company Les Minimés SAS, which is indirectly owned by the parent company as to 25%, by Mr. Reinold Geiger as to 25% and by independent third parties as to 50%.



## **30. TRANSACTIONS WITH RELATED PARTIES** *(continued)*

### **30.3. Purchases of goods and services** *(continued)*

- (e) In 2007, a shareholding fund (FCPE L'Occitane actionnariat) was established. The fund holds L'Occitane Groupe's shares, the beneficiaries of whom are certain employees of some of our French subsidiaries. Pursuant to relevant French regulations, a fund of this nature is required to afford its beneficiaries a certain minimum degree of liquidity in their investment. The company CIME, which is controlled by Mr. Reinold Geiger, a Director of the Company, agreed to act as liquidity guarantor whereby it would purchase such number of LOG's shares at certain regular times each year as may be requested by the manager of the fund in order to comply with the minimum liquidity requirements. L'Occitane SA, a French wholly owned subsidiary, has agreed to pay CIME an annual fee representing 0.125% of the net asset value of the fund for so acting as liquidity guarantor (note 16.3).

### **30.4. Borrowings from related parties** (note 17.3)

An advance was granted to L'Occitane Suisse SA by the company Clarins BV, a subsidiary of the Clarins group, which has a common Director with the Group, for an amount in euro equivalent of €1,190,000 on March 31, 2010 (€1,165,000 on March 31, 2009), with a 1.64333% fixed interest rate on Swiss Francs and with a 2.242% interest rate on euro. An interest expense of €45,000 was recorded by the Group on March 31, 2010 (€48,000 on March 31, 2009).

An advance was granted to L'Occitane Korea Ltd by the company Clarins BV, a subsidiary of the Clarins group, which has a common Director with the Group, for an amount of €1,502,000 on March 31, 2010 (€1,475,000 on March 31, 2009) and with a 2.4967% fixed interest rate. An interest expense of €48,000 was recorded by the Group on March 31, 2010 (€64,000 on March 31, 2009).

An advance was granted to L'Occitane Mexico SA de CV by the company Clarins BV, a subsidiary of the Clarins group, which has a common Director with the Group, for an amount of €2,419,000 on March 31, 2010 (€1,334,000 on March 31, 2009) and with a 2.21292% fixed interest rate. An interest expense of €88,000 was recorded by the Group on March 31, 2010 (€65,000 on March 31, 2009).

Since the fiscal year ended March 31, 2008, the Group benefited from a financing from parent amounting €24,406,000 on March 31, 2009. On March 30, 2010, the amount of the current account due from LOG was fully settled for an amount of €59,647,000. The terms of such financing are disclosed in note 17.3.

### 30. TRANSACTIONS WITH RELATED PARTIES *(continued)*

#### 30.5. Transactions with other related parties

The close members of the family of key management are also related parties. Some individual that are close members of the key management are also employees in the Group or provide services to the Group.

The transactions with these other related parties are as follows:

March 31, <i>In thousands of Euros</i>	2010	2009
<b>Cost of services</b>		
– Employees benefits	248	238
– Other services	42	42
<b>Total purchases of services</b>	<b>290</b>	<b>280</b>
<b>Payables to related parties in connection with the above services</b>		
– Employees benefits	—	—
– Other services	—	—
<b>Total payables</b>	<b>—</b>	<b>—</b>

Other services mainly include legal services.

#### 30.6. Formation of joint ventures/acquisition of additional interests in a subsidiary

No transaction occurred with related parties linked to formation of joint-ventures or acquisitions of additional interests in subsidiary other than those listed in note 6 during the years ended March 31, 2010 and March 31, 2009.

#### 30.7. Commitments and contingencies

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

## 31. POST BALANCE SHEET EVENTS

On May 7, 2010, the Company was listed on the main board of the Hong Kong stock exchange. 364,120,000 shares of the Company were sold at a unit price of HKD 15.08. Out of these 364,120,000 shares, 182,060,000 shares were sold by LOG and 182,060,000 were newly issued shares as provided for by the Shareholders' Meeting held on March 31, 2010. Consequently, the Company received gross proceed of €276,872,000 (HKD 2,745,465,000) and the shareholding of LOG in the share capital was reduced to 75%.

On May 28, 2010, the Underwriters to the global offering exercised their over-allotment option for a total number of shares of 41,017,000. Out of these 41,017,000 shares, 20,508,500 shares were sold by LOG and 20,508,500 were newly issued shares as provided for by the Shareholders' Meeting held on May 31, 2010. Consequently, the Company received an additional gross proceed of €32,480,000 (HKD 309,268,000) and the shareholding of LOG in the share capital was reduced to 72,57%.

As at March 31, 2010, the aggregate amount of undrawn borrowing facilities was €125.5 million. In April, May and June 2010, an additional amount of €110.1 million in bank borrowings has been drawn on our existing bank facilities to finance principally the repayment of the LOG current account, and to partially finance the repayment in full of our Capex Facility (note 17.9).

In FY2007, LOG, the Company, L'Occitane S.A., a French subsidiary, entered into a senior credit facility agreement in the principal amount of €280.0 million (the 2007 Credit Facility) made up of:

- (i) A medium term senior loan of €205.0 million that can be drawn only by LOG (the Acquisition Facility), of which €200.0 million was drawn as of 31 March 2010. The balance of the principal amount was €174.3 million as at March 31, 2010;
- (ii) A capital expenditures facility of €50.0 million with a maturity of seven years that can be drawn only by the Company and L'Occitane S.A. (the Capex Facility), of which €36.5 million was outstanding as at March 31, 2010; and
- (iii) A multi-currency revolving facility of €25.0 million granted for a period of seven years that can be drawn only by us and L'Occitane S.A. (the Revolving Facility), of which nil was outstanding as at March 31, 2010.

As at May 28, 2010, all amounts due by LOG, the Company and L'Occitane S.A. under the 2007 Credit Facility have been repaid in full and the 2007 Credit Facility has been terminated.

The amendment to the articles of association of L'Occitane International S.A has been approved by the Shareholder's meeting held on April 15, 2010 and a list of undistributable reserves has been added (see note 16.4).

On 9 April 2010, the sole shareholder of the Company, LOG resolved that a value of €0.03 be designated as the par value per ordinary share in the share capital of the Company so that the subscribed share capital of the Company amounting to €38,232,000 be represented by 1,274,396,391 shares having a par value of €0.03. In accordance with IAS 33, the calculation of basic and diluted earnings per share for all periods presented has been adjusted retrospectively (see note 26).

On May 28, 2010, the Company signed a term sheet with one of its banks, under which this bank will arrange a new syndicated credit facility in favour of the Company for a minimum amount of €300.0 million with a 5 years maturity, as approved by the Company's board of directors on June 24, 2010.

### 32.LIST OF SUBSIDIARIES AND ASSOCIATES

The list of subsidiaries and associates was as follows:

Subsidiaries	City – Country	% of interest		Method of consolidation	
		March 31, 2010	2009	March 31, 2010	2009
L'Occitane International S.A.	Luxembourg	Parent	Parent	Global	Global
L'Occitane S.A.	* Manosque – France	100.0	100.0	Global	Global
Relais L'Occitane S.a.r.l.	** Manosque – France	100.0	100.0	Global	Global
L'Occitane Inc.	* New York – USA	100.0	100.0	Global	Global
Olivier & Co., LLC	** New York – USA	100.0	100.0	Global	Global
L'Occitane LLC	** Delaware – USA	100.0	100.0	Global	Global
L'Occitane (Far East) Limited	* Hong Kong	100.0	100.0	Global	Global
L'Occitane Singapore Pte. Limited	** Singapore	100.0	100.0	Global	Global
L'Occitane Japon K.K.	*** Tokyo -Japan	100.0	100.0	Global	Global
L'Occitane Holding Brasil	* Sao Paulo – Brazil	100.0	100.0	Global	Global
L'Occitane Do Brasil	** Sao Paulo – Brazil	100.0	75.0	Global	Global
Espaço Do Banho	** Sao Paulo – Brazil	100.0	75.0	Global	Global
Oliviers Importação	** Sao Paulo – Brazil	—	—	Global	Global
L'Occitane Ltd.	* London – UK	100.0	100.0	Global	Global
L'Occitane GmbH	* Villach – Austria	56.6	56.6	Global	Global
L'Occitane GmbH	* Dusseldorf-Germany	100.0	100.0	Global	Global
L'Occitane Italia S.r.l.	* Milan – Italy	100.0	100.0	Global	Global
L'Occitane Australia	** Sydney – Australia	100.0	100.0	Global	Global
Oliviers & Co., Ltd.	**** London – UK	—	—	—	—
L'Occitane (Suisse) S.A.	* Geneva – Switzerland	50.1	50.1	Global	Global
L'Occitane Espana S.L	* Barcelona – Spain	100.0	100.0	Global	Global
L'Occitane Central Europe s.r.o.	* Prague – Czech Rep.	94.6	85.0	Global	Global
L'Occitane (Taiwan) Limited	** Taipei – Taiwan	50.1	50.1	Global	Global
AHP S.a.r.l.	** Mane – France	100.0	100.0	Global	Global
L'Occitane Belgium Sprl	* Brussels – Belgium	100.0	100.0	Global	Global
Les Minimes SAS	**** Manosque – France	—	—	—	—
Le Cloître des Minimes S.a.r.l.	**** Mane – France	—	—	—	—
L'Occitane Trading (Shanghai) Co. Limited	** Shanghai – China	100.0	100.0	Global	Global
L'Occitane (Korea) Limited	** Seoul – Korea	50.1	50.1	Global	Global
L'Occitane Airport Venture LLC	** Dallas – USA	65.0	65.0	Global	Global
L'Occitane Mexico S.A. de CV	* Mexico City – Mexico	50.1	50.1	Global	Global
L'Occitane (China) Limited	** Hong Kong	100.0	100.0	Global	Global
L'Occitane Macau Limited	** Macau	100.0	100.0	Global	Global
L'Occitane Russia OOO	* Moscow – Russia	51.0	51.0	Global	Global
Tsai Szu Ltd.	** Taiwan	—	—	—	—
Verveina SAS	** Manosque – France	100.0	100.0	Global	Global

## 32.LIST OF SUBSIDIARIES AND ASSOCIATES *(continued)*

Subsidiaries	City – Country	% of interest		Method of consolidation	
		March 31, 2010	2009	March 31, 2010	2009
L'Occitane Americas Export & Travel Retail Inc	* Miami – USA	100.0	100.0	Global	Global
M&A Développement SAS	** Lagorce – France	100.0	100.0	Global	Global
M&A Santé Beauté SAS	** Lagorce – France	100.0	100.0	Global	Global
Melvita Distribution SAS	** Lagorce – France	100.0	100.0	Global	Global
Melvita Production SAS	** Lagorce – France	100.0	100.0	Global	Global
L'Occitane Thailand Ltd.	** Bangkok – Thailand	49.0	49.0	Global	Global
O.&Co. Table LLC	***** New York – USA		100.0	Global	Global
Urban Design Sp.z.o.o	* Warsaw – Poland	100.0	100.0	Global	Global
Aromas y Perfumes de Provence S.A de C.V.	** Mexico City – Mexico	50.1	50.1	Global	Global
L'Occitane Canada Corp	* Toronto – Canada	100.0	—	—	—
L'Occitane India Private Limited	** New Delhi – India	51.0	—	—	—

\* *directly held by the Company*

\*\* *indirectly held by the Company*

\*\*\* *both directly and indirectly held by the Company*

\*\*\*\* *no more directly or indirectly held by the Company*

\*\*\*\*\* *limited liability company with no share capital with sole member witch is L'Occitane Inc.*

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

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

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

The date of incorporation, the share capital and the principal activities of the subsidiaries are as follows:

Subsidiaries	City – Country	Date of incorporation	Share capital	Principal activities
L'Occitane International S.A.	Luxembourg	2000	EUR 38,231,891.72	Holding & Distribution
L'Occitane S.A.	* Manosque – France	1976	EUR 8,126,409.35	Production
Relais L'Occitane S.a.r.l.	** Manosque – France	1994	EUR 3,097,000	Distribution
L'Occitane Inc.	* New York – USA	1995	USD 1	Distribution
Olivier & Co., LLC	** New York – USA	1999	USD 1	Distribution
L'Occitane LLC	** Delaware – USA	1999	USD 1	Dormant Holding & Distribution
L'Occitane (Far East) Limited	* Hong Kong	1992	HKD 8,000,000	Distribution
L'Occitane Singapore Pte. Limited	** Singapore	1997	SGD 100,000	Distribution
L'Occitane Japon K.K.	*** Tokyo -Japan	1998	JPY 100,000,000	Distribution
L'Occitane Holding Brasil	* Sao Paulo – Brazil	1999	BRL11,132,197	Holding
L'Occitane Do Brasil	** Sao Paulo – Brazil	1999	BRL 8,700,000	Distribution
Espaço Do Banho	** Sao Paulo – Brazil	1996	BRL 3,800,000	Distribution
Oliviers Importação	** Sao Paulo – Brazil	2006	BRL 11,132,197	Distribution
L'Occitane Ltd.	* London – UK	1996	GBP 1,398,510.75	Distribution
L'Occitane GmbH	* Villach – Austria	2000	EUR 70,000	Distribution
L'Occitane GmbH	* Dusseldorf-Germany	2004	EUR 25,000	Distribution
L'Occitane Italia S.r.l.	* Milan – Italy	2001	EUR 80,000	Distribution
L'Occitane Australia	** Sydney – Australia	2000	AUD 5,000,000	Distribution
L'Occitane (Suisse) S.A.	* Geneva – Switzerland	2002	CHF100,000	Distribution
L'Occitane Espana S.L	* Barcelona – Spain	2003	EUR 2,924,650.10	Distribution
L'Occitane Central Europe s.r.o.	* Prague – Czech Rep.	2004	CZK 9,361,000	Distribution
L'Occitane (Taiwan) Limited	** Taipei – Taiwan	2005	TWD 28,500,000	Distribution Marketing support
AHP S.a.r.l.	** Mane – France	2004	EUR 10,000	Marketing support
L'Occitane Belgium Sprl	* Brussels – Belgium	2005	EUR 20,000	Distribution
L'Occitane Trading (Shanghai) Co. Limited	** Shanghai – China	2005	USD 1,400,000	Distribution
L'Occitane (Korea) Limited	** Seoul – Korea	2005	KRW 2,505,000,000	Distribution
L'Occitane Airport Venture LLC	** Dallas – USA	2006	USD 10,000	Distribution
L'Occitane Mexico S.A. de CV	* Mexico City – Mexico	2006	MXP 28,250,000	Distribution
L'Occitane (China) Limited	** Hong Kong	2006	HKD 10,000	Distribution
L'Occitane Macau Limited	** Macau	2007	MOP 25,000	Distribution
L'Occitane Russia OOO	* Moscow – Russia	2006	RUB 10,000	Distribution
Tsai Szu Ltd.	** Taiwan	2008	TWD 2,500,000	Distribution
Verveina SAS	** Manosque – France	2008	EUR 37,000	Dormant

## 32.LIST OF SUBSIDIARIES AND ASSOCIATES *(continued)*

The date of incorporation, the share capital and the principal activities of the subsidiaries are as follows:

Subsidiaries	City – Country	Date of incorporation	Share capital	Principal activities
L'Occitane Americas Export & Travel Retail Inc	* Miami – USA	2008	USD 1,000	Distribution
M&A Développement SAS	** Lagorce – France	2005	EUR 4,600,000	Holding
M&A Santé Beauté SAS	** Lagorce – France	1998	EUR 500,000	Holding
Melvita Distribution SAS	** Lagorce – France	1982	EUR 555,105	Distribution
Melvita Production SAS	** Lagorce – France	1987	EUR 150,000	Production
L'Occitane Thailand Ltd.	** Bangkok – Thailand	2008	THB 20,000,000	Dormant
O.&Co. Table LLC	**** New-York – USA	2007	—	Out
Urban Design Sp.z.o.o	* Warsaw – Poland	2009	PLN 3,754,000	Distribution
Aromas y Perfumes de Provence S.A de C.V.	** Mexico City – Mexico	2009	MXN 50,000	Dormant
L'Occitane Canada Corp	* Toronto – Canada	2009	CAD 3,000,000	Distribution
L'Occitane India Private Limited	** New Delhi – India	2009	INR 17,500,000	Distribution

\* *directly held by the Company*

\*\* *indirectly held by the Company*

\*\*\* *both directly and indirectly held by the Company*

\*\*\*\* *no more directly or indirectly held by the Company*

\*\*\*\*\* *limited liability company with no share capital with sole member which is L'Occitane Inc.*

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

## 33.ULTIMATE HOLDING COMPANY

The Directors consider L'Occitane Groupe S.A., an unlisted company incorporated in Luxembourg as the ultimate holding company.



## FINANCIAL SUMMARY

A summary of the consolidated results and assets, liabilities, equity and minority interests of the Group for the last five financial years is set out below.

Year ended 31 March	2010 €'000	2009 €'000	2008 €'000	2007 €'000	2006 €'000
Net Sales	612,245	537,335	414,965	334,949	269,303
Gross profit	497,263	431,785	336,364	271,147	211,282
Gross profit margin	81.2%	80.4%	81.1%	81.0%	78.5%
Operating profit	110,193	80,490	73,136	52,111	42,191
Operating profit margin	18.0%	15.0%	17.6%	15.6%	15.7%
Profit for the year	84,559	59,384	49,524	35,507	29,023
attributable to:					
equity holders of the Company	81,626	58,383	47,898	33,157	26,521
minority interests	2,933	1,001	1,626	2,350	2,502
Total assets	436,590	407,163	294,396	258,840	183,122
Total liabilities	275,312	219,904	139,156	116,558	116,958
Equity attributable to the equity holders of the Company	157,290	185,255	152,251	140,233	62,469
Minority interests	3,988	2,004	2,989	2,049	3,695

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standard (IFRS). The standard IAS 38 (Amendment) 'Intangible assets' is effective for the Group for the first time for the fiscal year beginning on April 1, 2009. According to this revised standard, a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. This means that an expense is recognised for distribution and marketing promotional goods when the Group has access to these goods and not when the goods are distributed to customers or used, as was the Group's accounting policy as at March 31, 2009 and before. The financial years ended 31 March 2009, 2008 and 2007 have been restated in accordance with the revised standard. The financial year ended 31 March 2006 has not been restated in accordance with the revised standard.

The above summary does not form a part of the consolidated financial statements.



# L'OCCITANE

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