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L'OCCITANE

EN PROVENCE

L'OCCITANE INTERNATIONAL S.A.

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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2012

HIGHLIGHTS

- Net Sales up 18.3% to €913.4 million. Local currency growth was 18.0%
- Profit for the year increased by 20.9% to €124.2 million
- Retail network grew by 13.9% to 2,082 locations and own retail network increased by 17.7% to 1,053 stores
- Same Store Sales Growth accelerated to 6.7% as compared to 5.3% in FY2011
- China grew by 51.9% in local currency and Same Store Sales Growth was 18.2%
- Earnings per share increased by 20.2% to €0.082
- Proposed dividend per share grew by 83.0% to €0.0247, payout ratio of 30.0%

ANNUAL RESULTS

The board of directors (the “Board”) of L’Occitane International S.A. (the “Company”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2012 (“FY2012”) together with comparative figures for the year ended 31 March 2011 (“FY2011”). The following financial information, including the comparative figures, has been prepared in accordance with International Financial Reporting Standards (“IFRS”).

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 March	Notes	2012 € '000	2011 € '000	% Change
Net Sales	2	913,448	772,294	18.3
Cost of sales		<u>(157,960)</u>	<u>(135,332)</u>	<u>16.7</u>
Gross profit		755,488	636,962	18.6
% of net sales		<u>82.7%</u>	<u>82.5%</u>	<u>n/a</u>
Distribution expenses		(410,325)	(343,460)	19.5
Marketing expenses		(92,443)	(84,593)	9.3
Research & development expenses		(6,334)	(5,082)	24.6
General and administrative expenses		(93,109)	(74,142)	25.6
Other (losses) / gains, net	3	<u>(1,004)</u>	<u>2,399</u>	<u>n/a</u>
Operating profit	4	<u>152,273</u>	<u>132,084</u>	<u>15.3</u>
Finance costs, net	5	184	(1,461)	n/a
Foreign currency gains / (losses)		<u>4,128</u>	<u>(3,020)</u>	<u>n/a</u>
Profit before income tax		156,585	127,603	22.7
Income tax expense	6	(32,394)	(24,903)	30.1
Profit for the year		<u>124,191</u>	<u>102,700</u>	<u>20.9</u>
Attributable to:				
Equity owners of the Company		121,159	99,501	21.8
Non-controlling interests		<u>3,032</u>	<u>3,199</u>	<u>-5.2</u>
Total		<u>124,191</u>	<u>102,700</u>	<u>20.9</u>
Earnings per share for profit attributable to the equity owners of the Company during the period (<i>expressed in Euros per share</i>)				
Basic	7	0.082	0.068	20.2
Diluted	7	<u>0.082</u>	<u>0.068</u>	<u>20.2</u>
Number of shares used in earnings per share calculation				
Basic		1,474,789,625	1,455,250,609	1.3
Diluted		1,474,789,625	1,455,250,609	1.3

CONSOLIDATED BALANCE SHEET

As at 31 March	<i>Notes</i>	2012	2011
		€ '000	€ '000
ASSETS			
Property, plant and equipment, net		120,787	91,258
Goodwill		106,747	89,382
Intangible assets, net		54,923	48,390
Deferred income tax assets		41,972	40,701
Available-for-sale financial assets		49	39
Other non-current receivables		<u>25,582</u>	<u>20,415</u>
Non-current assets		<u>350,060</u>	<u>290,185</u>
Inventories, net	9	126,410	101,339
Trade receivables, net	10	76,747	59,629
Other current assets		47,952	34,381
Derivative financial instruments		1,006	201
Cash and cash equivalents		<u>308,303</u>	<u>300,125</u>
Current assets		<u>560,418</u>	<u>495,675</u>
TOTAL ASSETS		<u>910,478</u>	<u>785,860</u>
EQUITY AND LIABILITIES			
Share capital		44,309	44,309
Additional paid-in capital		342,851	342,851
Other reserves		(5,463)	5,831
Retained earnings		<u>268,495</u>	<u>167,275</u>
Capital and reserves attributable to the equity owners		650,192	560,266
Non-controlling interests		<u>5,075</u>	<u>4,998</u>
Total equity		<u>655,267</u>	<u>565,264</u>
Borrowings		64,816	54,003
Deferred income tax liabilities		1,948	1,253
Derivative financial instruments		360	554
Other financial liabilities		8,404	5,873
Other non-current liabilities		<u>14,418</u>	<u>11,026</u>
Non-current liabilities		<u>89,946</u>	<u>72,709</u>
Trade payables	11	84,528	72,483
Salaries, wages, related social items and other tax liabilities		47,463	36,431
Current income tax liabilities		17,945	22,782
Borrowings		4,425	6,015
Other current liabilities		8,156	6,333
Derivative financial instruments		164	879
Provisions for other liabilities and charges		<u>2,584</u>	<u>2,964</u>
Current liabilities		<u>165,265</u>	<u>147,887</u>
TOTAL EQUITY AND LIABILITIES		<u>910,478</u>	<u>785,860</u>
NET CURRENT ASSETS		<u>395,153</u>	<u>347,788</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>745,213</u>	<u>637,973</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with IFRS.

The amended standards and interpretations that are effective for the first time for the Group for the financial year ended 31 March 2012 do not have any material impact on the consolidated financial statements.

The Company has no investments in associates or joint-ventures.

2. Net sales and segment information

Management assesses the performance of two operating segments, which are Sell-out and Sell-in and Business to Business (“B-to-B”):

- Sell-out comprises the sales 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 and B-to-B comprises the sales 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, airline companies and hotels.

In accordance with the aggregation criteria of IFRS 8, the operating segments Sell-in and B-to-B have been aggregated into a single operating segment.

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

2.1. Operating segments

31 March	2012			Total € ‘000
	Sell-out € ‘000	Sell-in and B-to-B € ‘000	Other reconciling items € ‘000	
Net sales	683,942	229,507	—	913,448
<i>In %</i>	74.9%	25.1%	—	100.0%
Gross profit	601,328	154,161	—	755,489
<i>% of sales</i>	87.9%	67.2%	—	82.7%
Distribution expenses	(329,334)	(35,412)	(45,579)	(410,325)
Marketing expenses	(38,279)	(5,812)	(48,353)	(92,443)
Research & development expenses	—	—	(6,334)	(6,334)
General and administrative expenses	—	—	(93,109)	(93,109)
Other (losses) / gains-net	535	(4)	(1,534)	(1,004)
Operating profit	234,250	112,933	(194,909)	152,274
<i>% of sales</i>	<u>34.2%</u>	<u>49.2%</u>	<u>—</u>	<u>16.7%</u>

2.1. Operating segments (continued)

31 March	2011			Total € '000
	Sell-out € '000	Sell-in and B-to-B € '000	Other	
			reconciling items € '000	
Net sales	569,115	203,179	—	772,294
<i>In %</i>	73.7%	26.3%	—	100.0%
Gross profit	504,634	132,328	—	636,962
<i>% of sales</i>	88.7%	65.1%	—	82.5%
Distribution expenses	(272,517)	(30,876)	(40,067)	(343,460)
Marketing expenses	(40,331)	(6,132)	(38,129)	(84,593)
Research & development expenses	—	—	(5,082)	(5,082)
General and administrative expenses	(1,968)	—	(72,175)	(74,142)
Other (losses) / gains-net	<u>1,425</u>	<u>(2)</u>	<u>977</u>	<u>2,400</u>
Operating profit	191,242	95,318	(154,476)	132,084
<i>% of sales</i>	<u>33.6%</u>	<u>46.9%</u>	<u>—</u>	<u>17.1%</u>

2.2. Geographic areas

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

31 March	2012		2011	
	Total	In %	Total	In %
	€ '000		€ '000	
Japan	215,583	23.6%	190,284	24.6%
United States	104,759	11.5%	95,512	12.4%
Hong Kong ⁽¹⁾	92,227	10.1%	71,167	9.2%
France	77,908	8.5%	77,269	10.0%
China	50,917	5.6%	32,794	4.2%
United Kingdom	46,466	5.1%	39,045	5.1%
Brazil	45,713	5.0%	34,843	4.5%
Luxembourg ⁽²⁾	44,729	4.9%	41,832	5.4%
Russia	42,648	4.7%	33,092	4.3%
Taiwan	32,540	3.6%	30,118	3.9%
Other countries	<u>159,959</u>	<u>17.5%</u>	<u>126,337</u>	<u>16.4%</u>
Net sales	<u>913,448</u>	<u>100.0%</u>	<u>772,294</u>	<u>100%</u>

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

⁽²⁾ Sales invoiced by the Company to distributors and travel retail customers in Europe, Middle-East and the Americas.

3. Profit / (losses) on sale of assets, net

31 March	2012	2011
	€ '000	€ '000
Net profit / (losses) on sale of assets	<u>(193)</u>	<u>1,471</u>

4. Operating profit

Operating profit is arrived at after charging and (crediting) the following:

31 March	2012	2011
	€ '000	€ '000
Employee benefit expenses	251,904	207,619
Rent and occupancy	159,858	132,345
Advertising costs	82,165	75,665
Raw materials and consumables used	101,009	103,774
Professional fees	49,626	38,884
Depreciation, amortization and impairment	36,217	30,452
Transportation expenses	31,813	28,403
Change in inventories of finished goods and work in progress	(18,224)	(33,112)
Listing costs	—	412
Auditor's remuneration	1,086	1,159
Other expenses	<u>64,617</u>	<u>57,009</u>
Total cost of sales, distribution expenses, marketing expenses, general and administrative expenses	<u>760,171</u>	<u>642,609</u>

5. Finance costs, net

31 March	2012	2011
	€ '000	€ '000
Interest on cash and cash equivalents	2,974	1,876
Gains from investment securities	963	—
Fair value gains on derivatives	<u>25</u>	<u>165</u>
Finance income	<u>3,962</u>	<u>2,041</u>
Interest expense	(3,251)	(3,133)
Unwinding of discount on financial liabilities	(527)	(369)
Fair value losses on derivatives	<u>—</u>	<u>—</u>
Finance costs	<u>(3,778)</u>	<u>(3,502)</u>
Finance costs, net	<u>184</u>	<u>(1,461)</u>

6. Taxation

The components of income tax expense are as follows:

31 March	2012	2011
	€ '000	€ '000
Current income tax	(32,664)	(40,234)
Deferred income tax	<u>(270)</u>	<u>15,331</u>
Total tax expense	<u>(32,394)</u>	<u>(24,903)</u>

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

31 March	2012	2011
	€ '000	€ '000
Profit before tax	156,585	127,603
Income tax calculated at corporate tax rate (<i>Luxembourg tax rate of 28.59% at 31 March 2012 and of 28.80% as at 31 March 2011</i>)	(44,768)	(36,749)
Effect of different tax rates in foreign countries	17,003	17,317
Effect of unrecognized tax assets	(2,093)	(2,016)
Expenses not deductible for taxation purposes	(1,200)	(1,701)
Effect of unremitted tax earnings	(1,283)	(1,841)
Recognition of previously unrecognized tax assets	7	91
Minimum tax payments	<u>(60)</u>	<u>(4)</u>
Income tax expense	<u>(32,394)</u>	<u>(24,903)</u>

7. Earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to equity owners of the Company of €121.159 million for the year ended 31 March 2012 (as compared to €99.501 million in the year ended 31 March 2011) and the weighted average number of shares in issue of 1,474,789,625 in the year ended 31 March 2012 and 1,455,250,609 in the year ended 31 March 2011. There is no dilutive effect from the potential ordinary shares related to stock options.

8. Dividends

At the Board of Directors' meeting held on 18 June 2012, the Board has recommended the distribution of a gross dividend of €0.0247 per share for a total amount of €36.3 million or 30.0% of the net profit attributable to the equity owners of the Company. The amount of the proposed dividend is based on 1,470,309,391 shares in issue as at 18 June 2012 excluding 6,655,500 treasury shares.

9. Inventories, net

Inventories, net consist of the following items:

31 March	2012	2011
	€ '000	€ '000
Raw materials and supplies	24,248	22,054
Finished goods and work in progress	<u>111,658</u>	<u>86,294</u>
Inventories, gross	135,906	108,347
Less, allowance	<u>(9,496)</u>	<u>(7,008)</u>
Inventories, net	<u><u>126,410</u></u>	<u><u>101,339</u></u>

10. Trade receivables, net

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

31 March	2012	2011
	€ '000	€ '000
Current and past due within 3 months	75,064	58,269
Past due from 3 to 6 months	959	533
Past due from 6 to 12 months	329	185
Past due over 12 months	<u>395</u>	<u>642</u>
Trade receivables, net	<u><u>76,747</u></u>	<u><u>59,629</u></u>

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 segment, sales are made with credit terms generally from 60 to 90 days.

11. Trade payables

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

31 March	2012	2011
	€ '000	€ '000
Current and past due within 3 months	84,175	71,825
Past due from 3 to 6 months	335	380
Past due from 6 to 12 months	18	270
Past due over 12 months	<u>—</u>	<u>8</u>
Trade payables	<u><u>84,528</u></u>	<u><u>72,483</u></u>

MANAGEMENT DISCUSSION & ANALYSIS

Summary:

For the year ended 31 March	2012 € million or %	2011 € million or %
Net sales	913.4	772.3
Operating profit	152.3	132.1
Profit for the year	124.2	102.7
Gross profit margin	82.7%	82.5%
Operating profit margin	16.7%	17.1%
Net profit margin	13.6%	13.3%

Definitions:

Comparable Stores means existing retail stores which have been open for at least 24 months before the end of the financial period under discussion.

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

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

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

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

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

REVENUE ANALYSIS

Net sales were €913.4 million in FY2012, an 18.3%, or €141.2 million increase compared to FY2011, reflecting net sales growth in most of our business segments and geographic areas. In FY2012, net sales in our Sell-out segment and our Sell-in and B-to-B segment (representing 74.9% and 25.1% of our total net sales, respectively) increased by 19.5% and 13.6%, respectively, excluding foreign currency translation effects. Net sales increased by 18.0% excluding foreign currency translation effects.

We increased the total number of retail locations where our products are sold from 1,828 as at 31 March 2011 to 2,082 as at 31 March 2012, an increase of 13.9%. We likewise increased the number of our own retail stores by 17.7% from 895 at 31 March 2011 to 1,053 at 31 March 2012, representing a net increase of 158 stores, including 80 additional stores in Asia, 53 in Europe and 25 in the Americas. Excluding foreign currency translation effects, Comparable Store Sales represented 23.2% of our Overall Growth in FY2012 while Non-comparable Store Sales during the period represented 55.7% of our Overall Growth, and our Sell-in and B-to-B segment contributed 19.9% to our Overall Growth.

Our sales in Hong Kong, China, Japan, the USA, Brazil, Russia and other countries were the driving factors of our net sales growth in FY2012.

Business Segments

The following table provides a breakdown of the net sales year-on-year growth (including and excluding foreign currency translation effects as indicated) by business segment for FY2012:

	FY2012 compared to FY2011			% Contribution to Overall Growth ⁽³⁾
	€ '000	% Growth	% Growth ⁽³⁾	
Sell-out	114,827	20.2	19.5	80.1
Comparable Stores	34,505	7.2	6.7	23.2
Non-comparable Stores	78,459	100.8	99.5	55.7
Other ⁽²⁾	1,863	17.6	15.2	1.2
Sell-in and B-to-B	<u>26,328</u>	<u>13.0</u>	<u>13.6</u>	<u>19.9</u>
Overall Growth	<u>141,155</u>	<u>18.3</u>	<u>18.0</u>	<u>100.0</u>

⁽¹⁾ In accordance with the aggregation criteria of IFRS 8, the operating segments Sell-in and B-to-B have been aggregated into a single operating segment.

⁽²⁾ Includes mail-order and other sales.

⁽³⁾ Excludes the impact of foreign currency translation effects.

Sell-out

Sell-out net sales increased by 19.5% excluding foreign currency translation effects, which was primarily related to our net addition of 158 own stores during FY2012, including net additions of 22 stores in China, 19 stores in Russia, 17 stores in Brazil, 11 stores in Korea, 10 stores in Taiwan, 9 stores each in the United Kingdom and Italy and 7 stores each in Japan and Hong Kong. Furthermore, we added 16 stores following the acquisition of our distributor in Malaysia in August 2011. Net sales of our own retail stores and internet represented 80.1% of our Overall Growth in FY2012, as compared to FY2011, with Non-comparable Stores providing 55.7% of the growth and Comparable Stores and internet providing 23.2% of the growth, respectively. For FY2012, Same Store Sales Growth rose to 6.7% as compared to 5.3% for FY2011. This increase was driven by a combination of higher average value of sales transactions and an increase in the number of transactions.

Sell-in and B-to-B

Excluding foreign currency translation effects, the Sell-in and B-to-B segment grew by 13.6% in FY2012, as compared to FY2011, reflecting sales growth of 34.4% from travel retail customers, driven by higher sales at existing points of sales, and the development of our sales to wholesale customers and department stores. This was partly offset by lower sales to our distributors as a consequence of our acquisition of our distributor in Malaysia in August 2011. Excluding foreign currency translation effects, B-to-B net sales increased by 19.0% due to strong performances in Asia, particularly in China.

Geographic Areas

The following table presents our net sales growth for FY2012 and contribution to net sales growth (including and excluding foreign currency translation effects as indicated) by geographic area:

	Net Sales Growth			
	FY2012 compared to FY2011			
	(€ '000)	% Growth	% Growth ⁽¹⁾	% Contribution to Overall Growth ⁽¹⁾
Japan	25,299	13.3	8.7	11.9
Hong Kong ⁽²⁾	21,060	29.6	33.7	17.3
China	18,123	55.3	51.9	12.3
Taiwan	2,422	8.0	7.4	1.6
France	639	0.8	0.8	0.4
United Kingdom	7,421	19.0	20.6	5.8
United States	9,247	9.7	13.2	9.1
Brazil	10,870	31.2	35.3	8.8
Russia	9,556	28.9	30.7	7.3
Other countries ⁽³⁾	<u>36,518</u>	<u>21.7</u>	<u>21.0</u>	<u>25.5</u>
All countries	<u>141,155</u>	<u>18.3</u>	<u>18.0</u>	<u>100.0</u>

⁽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 in Macau and to distributors and travel retail customers in Asia.

⁽³⁾ Includes sales from Luxembourg.

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

<i>As at 31 March</i>	FY2012 compared to FY2011						
	<i>2012</i>	<i>2011</i>	<i>change</i>	% of Overall Growth^{(1) (2)}			
				<i>Non-comparable Stores</i>	<i>Comparable stores</i>	<i>Total Stores</i>	<i>Same Store Sales Growth⁽²⁾</i>
Japan ⁽³⁾	90	83	7	13.4	(3.3)	10.1	(3.1)
Hong Kong ⁽⁴⁾	29	22	7	3.9	4.4	8.3	29.6
China	93	71	22	7.6	2.7	10.3	18.2
Taiwan ⁽⁵⁾	62	52	10	0.9	0.2	1.1	1.7
France ⁽⁶⁾	66	66	—	(0.3)	1.3	1.0	5.0
United Kingdom ⁽⁷⁾	57	48	9	3.4	2.8	6.2	15.4
United States ⁽⁸⁾	170	167	3	1.2	5.9	7.1	10.7
Brazil	63	46	17	5.1	2.5	7.6	13.3
Russia ⁽⁹⁾	76	57	19	3.6	2.5	6.1	15.3
Other countries ⁽¹⁰⁾	<u>347</u>	<u>283</u>	<u>64</u>	<u>16.9</u>	<u>4.2</u>	<u>21.1</u>	<u>6.6</u>
All countries	<u>1,053</u>	<u>895</u>	<u>158</u>	<u>55.7</u>	<u>23.2</u>	<u>78.9</u>	<u>6.7</u>

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

⁽²⁾ Excludes foreign currency translation effects.

⁽³⁾ Includes 4 and 6 Melvita stores as at 31 March 2011 and 31 March 2012, respectively.

⁽⁴⁾ Includes 1 L'Occitane store in Macau, and 4 and 7 Melvita stores in Hong Kong as at 31 March 2011 and 31 March 2012, respectively.

⁽⁵⁾ Includes 2 and 8 Melvita stores as at 31 March 2011 and 31 March 2012, respectively.

⁽⁶⁾ Includes 5 and 4 Melvita stores as at 31 March 2011 and 31 March 2012, respectively.

⁽⁷⁾ Includes 1 and 2 Melvita stores as at 31 March 2011 and 31 March 2012, respectively.

⁽⁸⁾ Includes 3 Melvita stores as at 31 March 2011 and 31 March 2012.

⁽⁹⁾ Includes 2 and 6 Melvita stores as at 31 March 2011 and 31 March 2012, respectively.

⁽¹⁰⁾ Includes 4 and 9 Melvita stores as at 31 March 2011 and 31 March 2012, respectively.

As the same customer increasingly tends to buy both on internet and in the stores, we now include the e-commerce sales in our Comparable Store Sales. The following table provides a comparison of our Same Store Sales Growth including and excluding e-commerce sales for the periods indicated:

	FY2012 compared to FY2011			
	Same Store Sales Growth⁽¹⁾			
	FY2012		FY2011	
	<i>including</i>	<i>excluding</i>	<i>including</i>	<i>excluding</i>
	<i>e-commerce</i>	<i>e-commerce</i>	<i>e-commerce</i>	<i>e-commerce</i>
Japan	(3.1)	(4.3)	1.8	0.8
Hong Kong ⁽²⁾	29.6	29.6	20.0	19.9
China	18.2	17.0	8.3	7.7
Taiwan	1.7	1.5	4.9	4.2
France	5.0	3.8	4.0	3.7
United Kingdom	15.4	12.0	8.6	8.2
United States	10.7	10.1	4.3	3.3
Brazil	13.3	10.6	6.2	5.6
Russia	15.3	13.6	18.4	13.0
Other countries	<u>6.6</u>	<u>4.9</u>	<u>4.0</u>	<u>2.8</u>
All countries	<u><u>6.7</u></u>	<u><u>5.4</u></u>	<u><u>5.3</u></u>	<u><u>4.3</u></u>

⁽¹⁾ Excludes foreign currency translation effects.

⁽²⁾ Includes sales in Macau.

Japan

Net sales in Japan increased by 8.7% in local currency in FY2012, as compared to FY2011, contributing 11.9% to our Overall Growth. This was primarily due to the development of our Sell-out segment. With a net addition of 7 stores during the period under review including 6 Melvita stores, Non-comparable Store Sales contributed 13.4% to our Overall Growth. Comparable Store Sales returned to positive in the fourth quarter, despite recording a decrease of 3.1% for the full year partly explained by the consequences of the earthquake and tsunami on the economy in Japan, but also to cannibalization effects following the opening of new stores in the Kyushu area and Osaka, which impacted the existing stores but resulted in significant sales increases overall in the same areas. Excluding the stores where the latter effects occurred, the Same Store Sales Growth was 2.5%.

Hong Kong

Hong Kong increased its sales by 33.7% in local currency, contributing 17.3% to our Overall Growth. Our Sell-out segment contributed 8.3% to our Overall Growth, notably due to 3.9% from Non-comparable Stores and 4.4% from Comparable Stores primarily explained by a higher number of transactions driven by the strong local consumer activity and the high number of mainland Chinese shoppers. Our Same Store Sales Growth was 29.6% driven by a combination of a higher number of transactions and an increased average sales value per transaction. The increase of our Sell-in and B-to-B sales was mainly related to a strong growth in sales to travel retail customers, primarily driven by the development of the Korean duty free sales and increased in-flight business.

China

With a growth of 51.9% in local currency, China achieved the fastest growth among our key countries. Comparable Store Sales and Non-comparable Store Sales contributed 2.7% and 7.6%, respectively, to our Overall Growth. Non-comparable Store Sales were driven by the net opening of 22 stores during the period under review. Same Store Sales Growth, at 18.2%, was much stronger than in FY2011, and was the result of the significantly improved inventory situation because we were able to resume importation of new products. The total net sales in China also benefited from a large increase of the Sell-in and B-to-B segment, which grew by 45.4%, contributing 2.0% to our Overall Growth.

Taiwan

Net sales in Taiwan increased by 7.4% in local currency, primarily driven by the Non-comparable Store Sales which contributed 0.9% to our Overall Growth. The Same Store Sales Growth was 1.7% in FY2012, but was stronger in the first half-year as a result of successful operations, for instance Mother's Day, anniversary sales and pre-sales with VIP customers. The development of a distributor activity in this territory contributed 0.7% to our Overall Growth, partly offset within the Sell-in and B-to-B segment by a decrease in sales of corporate gifts.

France

Net sales in France increased by 0.8% with the development of our Sell-out sales more than offsetting lower sales in our Sell-in and B-to-B segment. This decrease Sell-in and B-to-B sales was attributable to:

- the transfer of the invoicing of international B-to-B customers to other entities of the Group, with no impact on our overall sales;
- the planned decrease of sales of products under third parties' brands from our Lagorce factory, in order to focus on the production of our own brands; and
- lower sales to distributors and wholesalers due to some cautious ordering by our clients and a relatively weak traditional organic retail network.

The Same Store Sales Growth was a healthy 5.0%, contributing 1.3% to our Overall Growth. Excluding 11 stores renovated during FY2012, the Same Store Sales Growth for the L'Occitane brand in France was 6.5%. The Non-comparable stores contributed a negative 0.3% to our Overall Growth due to the closure of three under-performing stores.

United Kingdom

With strong developments in our Sell-out segment, net sales in the United Kingdom increased by 20.6% in local currency. The Sell-out segment contributed 6.1% to our Overall Growth, driven both by Comparable Stores, where sales grew by 15.4% in local currency, contributing 2.8% to the Overall Growth, and Non-comparable Stores which contributed 3.4% to the Overall Growth with the addition of 9 stores during the period under review. Our Sell-out sales benefited notably from innovative marketing approaches and the success of products like Divine Cream, which was granted an important consumer award. The Sell-in segment contributed a negative 0.3% to our Overall Growth due to lower sales from the TV sales operator, QVC.

United States

Net sales in the United States increased by 13.2% in local currency and benefited mainly from increases in the Sell-out segment, with Comparable Store Sales growing by 10.7% and contributing 5.9% to our Overall Growth. This is attributed to the investments in our store portfolio and stronger management team, which resulted in encouraging ticket growth. Excluding the stores renovated during FY2012, the Same Store Sales Growth was 11.2%. Non-comparable Store Sales contributed 1.2% to our Overall Growth due to the closing or relocation of 10 stores, more than offset by 13 openings during the period under review. The net store openings returned to positive for the first time in two years, with 3 net openings including 2 large format stores in New York. Our Sell-in and B-to-B segment grew by 23.7%, contributing 1.9% to our Overall Growth, with strong developments in distribution channels such as department stores, wholesale and TV channels.

Brazil

Net sales in Brazil increased by 35.3% in local currency. Our Sell-out segment contributed 7.6% to the Overall Growth with a strong 13.3% Same Store Sales Growth in FY2012, as compared to 6.2% in FY2011, and Non-comparable Store Sales contributing 5.1% to our Overall Growth with a faster pace of store openings: a net 17 stores was added during FY2012. Our Sell-in and B-to-B segment sales increased by 35.7%, contributing 1.2% to the Overall Growth, due to the development of the wholesale distribution as we initiated a co-operation with two key drugstore chains.

Russia

Russia achieved a net sales growth of 30.7% in local currency. This was driven by the growth in our Sell-out segment, which contributed 6.3% to the Overall Growth. The Same Store Sales Growth was 15.3% during FY2012, as compared to 18.4% in FY2011, which was due to a recovery after poor Same Store Sales Growth in FY2010 in the context of the weak economy in Russia at the time. Non-comparable Store Sales contributed 3.6% to our Overall Growth with the net addition of 19 stores during the period under review. Our Sell-in and B-to-B sales increased by 25.6% and contributed 1.0% to our Overall Growth, driven by the development of our wholesale activities and our sales to distributors in other cities apart from Moscow and St. Petersburg. The B-to-B sales also contributed with a surge of 92.1%.

Other countries

Net sales in other countries increased by 21.0% in local currency. Our Sell-out segment contributed 21.1% to our Overall Growth. Comparable Store Sales accounted for 4.2% of our Overall Growth with a Same Store Sales Growth of 6.6%. Non-comparable Store Sales contributed 17.0% to the Overall Growth as a result of our stores network expansion. During the period under review, we increased our retail stores in this group by 64 with, among others, 11 stores in Korea, 9 stores in Italy, 5 stores each in Germany and Spain and 3 stores in Canada and Poland. We also opened a net 2 stores each in India and Mexico. As a consequence of our acquisition of our distributor in Malaysia, we added 16 stores and further increased the stores network in this country by 2. Sales in Korea, Canada, Italy, Germany and Spain grew by 45.5%, 37.9%, 29.6%, 28.5% and 18.7%, respectively, excluding foreign currency translation effects. Our Sell-in and B-to-B sales increased by 9.4% and contributed 4.4% to our Overall Growth due to the increased sales from travel retail customers and department stores.

PROFITABILITY ANALYSIS

COST OF SALES AND GROSS PROFIT

Cost of sales increased by 16.7%, or €22.6 million, to €158.0 million in FY2012 compared to FY2011. Our gross profit margin increased by 0.2 points to 82.7% in FY2012. The increase in gross profit margin reflected essentially:

- an improved channel mix effect for 0.4 points as our sales in our Sell-out segment increased in FY2012 relative to sales of our other segments whose gross profit margins are lower than those of the Sell-out segment;
- higher sales prices and improved product mix for 0.5 points;
- lower freight and duties for 0.3 points linked to lower product purchases from the subsidiaries.
- the one-time effect of the recognition of our mini products and pouches (“MPPs”) as sellable articles for 0.6 points; and
- a favourable effect of foreign currencies of 0.1 points;

partly offset by:

- the MPPs costs for 1.3 points. In FY2011, prior to their recognition as sellable items, the cost of the MPPs was reported in the marketing expenses; and
- investments in production overheads for 0.4 points.

Note: As our MPPs are now essentially bundled with regular products, they are part of the sales and cannot be booked as marketing expenses as they were under IAS38. Since 1 April 2012, the MPPs costs are booked in the cost of sales and the MPPs on-hand are part of our inventories.

DISTRIBUTION EXPENSES

Distribution expenses increased by 19.5%, or €66.9 million, to €410.3 million in FY2012, as compared to FY2011. As a percentage of net sales, our distribution expenses increased by 0.4 points to 44.9% of net sales in FY2012, as compared to FY2011. This increase is attributable to a combination of:

- an unfavourable channel mix effect for 0.7 points;
- additional logistics costs due to the reorganisation of our warehouses prior to the go-live of our new central warehouse in May 2012, for 0.3 points; and
- the higher efficiency of our retail operations in relation to the increased Same Store Sales Growth, resulting in lower personnel, rental expenses and freight in proportion of net sales and the release of certain accruals for previously under-performing stores and other effects, for 0.6 points.

MARKETING EXPENSES

Marketing expenses increased by 9.3%, or €7.8 million, to €92.4 million in FY2012, as compared to FY2011. Our marketing expenses, as a percentage of net sales, decreased by 0.8 points to 10.1% of net sales in FY2012, as compared to FY2011, attributable to the transfer of the MPPs costs to the cost of sales as mentioned above, for 1.3 points, partly offset by:

- investments in new projects, digital marketing and resources in product development and operational marketing, for 0.3 points;
- the full impact of our three years commitments to the L'Occitane Foundation for 0.1 points; and
- an unfavourable channel mix effects for 0.1 points.

RESEARCH & DEVELOPMENT EXPENSES

Research and development (“R&D”) expenses increased by 24.6%, or €1.3 million, to €6.3 million in FY2012, as compared to FY2011, mainly explained by higher resources dedicated to strategic developments (phyto-extraction, genomics, patents, sustainable ingredients and products sourcing) and regulatory issues.

The management believes that monitoring the ratio of our R&D expenses to our total net sales in wholesale value allows for a better understanding of our efforts in R&D. This ratio is estimated by the management to be 1.1% in FY2012, compared to 1.0% in FY2011.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses increased by 25.6%, or €19.0 million, to €93.1 million in FY2012, as compared to FY2011 and increased by 0.6 points of net sales. This increase as a percentage of net sales was attributable to:

- investments in our processes, essentially SAP, and our management structures (finance, IT and general management) for 0.9 points;
- non-recurring costs for 0.3 points, mainly related to severances;
- a favourable leverage effect on the cost of the existing structure related to increased sales and other effects for 0.6 points.

OTHER GAINS AND LOSSES

Other losses were €1.0 million in FY2012, as compared to a €2.4 million gain in FY2011. This decrease is due to high gains in FY2011 related to disposal of stores, principally the Sèvres store in Paris, and an additional consideration received for the disposal of the Oliviers & Co. activity in the United States. FY2012 was also impacted by:

- an adjustment on prior years' results in Thailand for €0.7 million;
- the impairment of 3 product brands (Algascience, Prosun and Procarbo) that we do not plan to develop strongly in the future, for €0.6 million; and
- the write-off of assets in Japan as a result of the move to a new office expected to be safer in case of an earthquake, for €0.6 million.

OPERATING PROFIT

Operating profit increased by 15.3%, or €20.2 million, to €152.3 million in FY2012, as compared to FY2011. Our operating profit margin decreased slightly by 0.4 points of net sales to 16.7%. The reasons for this decrease are summarized as follows:

- unfavourable channel mix effects for 0.3 points as a consequence of the development of the retail network;
- investments in our future sales growth and structures for 1.7 points;
- one-time effects impacting negatively for 0.2 points;
- prices and product mix improvements for 0.5 points;
- increased retail efficiency for 0.5 points; and
- leverage on our existing structures and the combination of other effects for 0.8 points.

FINANCE INCOME AND COSTS, NET

Net finance income was €0.2 million in FY2012, as compared to net finance costs of €1.5 million in FY2011. This improvement was mainly related to higher finance income obtained on our positive cash balances throughout FY2012. In application of our policy and under the control of our Financial Investment Committee, our cash was invested in a range of investments which together generated a return of €4.0 million.

FOREIGN CURRENCY GAINS/LOSSES

Our net foreign currency gains amounted to €4.1 million in FY2012, compared to losses of €3.0 million in FY2011, principally related to inter-company financing and inter-company and external trading. The gain is attributable to:

- gains on our trading activities for €2.2 million, principally explained by the stronger US dollar, Japanese Yen and British Pound; and
- unrealized losses on an open balance in Swiss Francs of €0.5 million and on our inter-company financing for €0.4 million, primarily due to our financing of our affiliate in Brazil.

INCOME TAX EXPENSE

The effective income tax rate was 20.7% in FY2012, as compared to 19.5% for FY2011. This increase in our effective income tax rate is primarily explained by a higher share of taxable profits achieved in our sales subsidiaries as compared to the group of production and distribution entities in France and Switzerland. Our sales subsidiaries are generally affected by a higher tax rate. Such a change in the localisation of our taxable profits was notably related to the stabilisation of our inventories in distribution subsidiaries in FY2012, as compared to their strong increase in FY2011.

PROFIT FOR THE PERIOD

For the aforementioned reasons, profit for the period increased by 20.9% or €21.5 million to €124.2 million in FY2012, as compared to FY2011. Basic and diluted earnings per share increased in FY2012, compared with FY2011, by 20.2% from €0.068 to €0.082 with the number of shares used in the calculations increasing by 1.3% to 1,474,789,625. This increase in earnings per share resulted from the strong increase in our profits and from the moderate increase of our number of shares used in the calculation as a consequence of our repurchase of 6,655,500 shares, representing 0.45% of the issued share capital, at an average price of HKD14.44 per share during FY2012.

BALANCE SHEET AND CASH-FLOW REVIEW

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2012, we had cash and cash equivalents of €308.3 million, as compared to €300.1 million as at 31 March 2011.

As at 31 March 2012, the aggregate amount of undrawn borrowing facilities was €314.0 million. During FY2012, we signed a new bank borrowing agreement for €10.0 million with a 14-year maturity to finance our new international warehouse in Manosque. As at 31 March 2012, this facility was drawn for an amount of €6.8 million.

As at 31 March 2012, our total borrowings, including finance lease liabilities, current accounts with non-controlling interests and related parties and bank overdrafts, amounted to €69.2 million, as compared to €60.0 million as at 31 March 2012, with the increase being explained by increased borrowings in foreign currencies to offset increased foreign currencies exposures in our balance sheet, the financing of the new warehouse and the increase of the finance lease put in place in 2011 for the extension of the Lagorce facility.

SUMMARIZED CASH-FLOW STATEMENT

For the Year ended 31 March	2012	2011
	€ '000	€ '000
Profit before tax, adjusted for non-cash items	196,205	157,664
Changes in working capital	(17,297)	(32,634)
Income tax paid	<u>(43,466)</u>	<u>(26,119)</u>
Net cash inflow from operating activities	135,442	98,911
Net cash (outflow) from investing activities	(83,391)	(49,432)
Net cash inflow (outflow) from financing activities	(37,799)	213,362
Exchange losses on cash, cash equivalents and bank overdrafts	<u>(5,821)</u>	<u>(1,375)</u>
Net increase (decrease) in cash, cash equivalents and bank overdrafts	8,431	261,466

Our net cash inflow from operating activities increased by €36.5 million, or 36.9%, in FY2012 compared to FY2011 as a result principally of our top-line and profit growth as commented above and the lower impact of the increase in working capital.

INVESTING ACTIVITIES

Net cash used in investing activities was €83.4 million in FY2012, as compared to €49.4 million in FY2011, representing an increase of €34.0 million. This reflected capital expenditures primarily related to:

- the acquisition of our distributor in Malaysia for €12.6 million;
- the additions of leasehold improvements, other tangible assets, key moneys and changes in deposits related to stores for €32.6 million;
- the additions in information technology software and equipment for €11.8 million, including €6.7 million for the implementation of SAP as our enterprise resources planning system;
- the addition of machinery, equipment, construction, fittings and others to our factories, R&D and warehousing facilities for €21.4 million, net of the disposal of our former European warehouse in Manosque.

FINANCING ACTIVITIES

Net cash used in financing activities was €37.8 million in FY2012, as compared to a cash inflow of €213.4 million in FY2011, which was marked by our initial public offering in May 2010. Net cash used during the period under review mainly reflected the following:

- a net increase in bank borrowings and finance leases, as discussed above, for €5.7 million;
- the acquisition of the non-controlling interests in our affiliates in Switzerland and Korea for a total of €9.7 million;
- the payment of €25.0 million dividends to our shareholders and non-controlling interests in our subsidiaries; and
- our purchase of our own shares for €9.2 million under the buyback mandate granted to the Company at the last annual general meeting (“AGM”).

INVENTORIES

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

For the year ended 31 March	2012	2011
Average Inventory turnover days ⁽¹⁾	263	228

⁽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.

Our inventory increased by €25.1 million to €126.4 million as at 31 March 2012, from a low level of €101.3 million as at 31 March 2011. The inventory was impacted by the change in the utilization of our MPPs which are now essentially sold and are therefore recorded in inventories. This change impacted our inventory for €10.9 million as at 31 March 2012, or 13 inventory turnover days.

Excluding the effect of the MPPs, the 22 days increase in our inventory turnover days is explained as follows:

- Exchange rates effects for 7 days;
- re-sizing of our safety stocks to secure service to the markets, for 5 days;
- increased inventory coverage in our subsidiaries and factories for 6 days; and
- temporary increase in relation to the SAP go-live in Hong Kong in May 2012, for 4 days.

As the average inventory turnover days ratio relates the inventory to past sales, we use internally a ratio of inventory to anticipated sales for management purposes. This inventory coverage ratio excluding the impact of MPPs was estimated to be approximately 8.8 months, which compares to 8.4 months as at 31 March 2011.

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	2012	2011
Turnover days of trade receivables ⁽¹⁾	27	25

⁽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 days of trade receivables increased by 2 days from FY2011 to FY2012 primarily due to the development of our Sell-out sales in China and Brazil and, to a lesser extent, to exchange rates effects and slightly increased days of sales outstanding in our Sell-in and B-to-B 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	2012	2011
Turnover days of trade payables ⁽²⁾	59	57

⁽¹⁾ Average trade payables equals 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. Total purchases are estimated by deducting employee benefits, depreciations and changes in provisions from the total costs and expenses.

From FY2011 to FY2012, our average trade payables increased by €12.0 million and the turnover days of trade payables increased by 2 days, primarily attributable to slightly extended days of trade payables at our factories.

BALANCE SHEET RATIOS

Our return on capital employed decreased slightly in FY2012 compared to FY2011 primarily because of our capital expenditures. Our capital and reserves attributable to the equity owners increased by €89.9 million from 31 March 2011 to 31 March 2012 primarily as a combination of our profit during this period partly offset by the payment of the 2011 dividend and our repurchase of our own shares. Combined with our increased profitability, this resulted in the increase of our return on equity ratio to 18.6%. As a consequence of our high net cash position, our liquidity and capital adequacy ratio remained favourable.

For the year ended 31 March	2012	2011
	€ '000	€ '000
Profitability		
Net operating profit after tax (NOPAT) ⁽¹⁾	124,045	103,876
Capital employed ⁽²⁾	426,711	341,559
Return on capital employed (ROCE) ⁽³⁾	29.1%	30.4%
Return on equity (ROE) ⁽⁴⁾	18.6%	17.8%
Liquidity		
Current ratio (times) ⁽⁵⁾	3.39	3.35
Quick ratio (times) ⁽⁶⁾	2.63	2.67
Capital adequacy		
Gearing ratio ⁽⁷⁾	7.6%	7.6%
Debt to equity ratio ⁽⁸⁾	net cash position	net cash position

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

⁽²⁾ Non-current assets - (deferred tax liabilities + other non-current liabilities) + working capital

⁽³⁾ NOPAT / Capital employed

⁽⁴⁾ Net profit attributable to equity owners of the Company / shareholders' equity at period end excluding minority interest

⁽⁵⁾ Current assets / current liabilities

⁽⁶⁾ (Current assets — inventories) / current liabilities

⁽⁷⁾ Total debt / total assets

⁽⁸⁾ Net debt / (total assets - total liabilities)

FOREIGN EXCHANGE RISK MANAGEMENT

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 2012, we had foreign exchange derivatives net assets of €0.9 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 2012 were primarily Japanese yen for an equivalent of €39.3 million, US dollars for €7.5 million, British pounds for €5.4 million and Canadian dollars for €1.5 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 2012, we had interest rate derivative liabilities of €0.4 million. The notional principal amount of outstanding interest rate derivatives as at 31 March 2012 was €18.2 million.

DIVIDENDS

On 27 June 2011, our Board recommended the payment of a dividend of €0.0135 per share on our common stock, representing a total dividend of €19.9 million, or 20% of the profit attributable to the equity owners of the Company, out of our distributable reserves of €180.0 million as of 31 March 2011. The Shareholders approved this dividend at a meeting held on 30 September 2011. The dividend was paid on 21 October 2011.

Considering the performance delivered during FY2012, the Board is pleased to recommend the distribution of a gross dividend of €0.0247 per share, for a total amount of €36.3 million or 30.0% of the net profit attributable to the equity owners of the Company. The amount of the proposed dividend is based on 1,470,309,391 shares in issue as at 18 June 2012 excluding the treasury shares.

POST BALANCE SHEET EVENTS

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

USE OF PROCEEDS FROM THE COMPANY'S LISTING

The Company was listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 7 May 2010. The gross 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) amounted to HKD 3,055 million. The net proceeds after deducting underwriting commission and related expenses amounted to €298.9 million (the "Net Proceeds"). As at 31 March 2012, the Company had utilised €108.4 million of the Net Proceeds as follows:

- new store openings and store renovations for €62.5 million;
- extension and improvement of our manufacturing plants and R&D equipment for €26.1 million;
- increase in our R&D operating expenses for €2.3million;
- development of internet and e-commerce channel for €5.3 million; and
- general corporate purposes for €12.2 million dedicated to the implementation of SAP as our enterprise resources planning system.

Such utilisation of the Net Proceeds was in accordance with the proposed allocations set out in the section headed "Use of Proceeds" in the Company's prospectus dated 26 April 2010 ("the Prospectus"). The unutilised portion of the Net Proceeds is currently held in cash and cash equivalents and it is intended that it will also be applied in a manner consistent with the proposed allocations in the Prospectus.

STRATEGIC REVIEW AND PROSPECTS

FY2012 was a year of important achievements in a difficult market situation. We invested significantly on our future growth whilst delivering excellent business and financial results:

- accelerating top-line growth and store network development;
- excellent results in several key countries including China, Russia and Brazil;
- exceptional year in Hong Kong; and
- confirmed turnaround in the USA.

Furthermore, we still achieved significant growth in regions where the economy was more challenging, including the UK, France, Spain and Italy.

Our cash inflow from operating activities increased by 36.9% in relation to the sales growth, our maintained profitability and the limited increase in our working capital.

We were able to pursue our investment efforts with increased capital expenditures to enlarge and renovate our own retail network (acquisition of Malaysia, net openings of 158 stores) and implement the platform for our future growth: new central warehouse, revamping of the factories, information systems. We also invested in our operations with further resources in R&D, product development and marketing and in our processes, whilst setting the conditions for synergies with the merger of our factories.

Considering these results, which confirm the resilience of our model, the Board is pleased to propose a more dynamic dividend policy. The payout ratio will be increased to 30% this year, allowing an 83% increase in the dividend per share.

The Board expects that next year should continue to see strong developments despite some risks linked to the economy in general.

We will pursue our strategy to develop our brands in our strategic channels:

- we will further expand our retail stores network notably in China, Japan and other countries in Asia, as well as in Russia and Brazil. We will also take advantage of the momentum acquired in developed countries like the USA, Germany and the UK to increase our store base. In some selected areas, we intend to expand our presence with larger format stores which bring the opportunity for more business and also an enhanced shopping experience for our customers, ultimately reinforcing our brand image and awareness. Following the successful results in the USA and other countries, we will also continue our strong store renovation program on a global basis;
- internet and e-commerce will remain a key area of focus, as our expansion in this domain clearly demonstrates the potential of this channel and its full complementarity with our retail operations. Further efforts will be made to integrate and cross-fertilize our customer bases in retail and e-commerce;
- Travel retail is expected to continue its strong development and contribution to our growth and the reinforcement of our brand awareness.

Our organisation will see the consolidation of the rationalization efforts undertaken in FY2012 with the benefits of several investments like our new warehouses, the redesign of the Lagorce factory and its merger with the Manosque facility, as well as the successful implementation of our new ERP system in several entities.

We will nevertheless continue to invest significantly to achieve the next steps of our program, particularly with:

- the full renovation of the Manosque factory together with some capacity expansion and the construction of new R&D facilities;
- the roll-out of SAP in several new countries and the preparation for its implementation in our factories; combined with initiatives in the fields of purchasing and lean manufacturing, this will set the basis for further profitability improvements.
- sustained marketing efforts notably on the web and to prepare and launch new products and brands initiatives.

We strongly believe that the combined result of our operational, sales and marketing initiatives will drive further strong growth and enhanced results in the future in the interest of our shareholders.

AUDIT COMMITTEE

The Audit Committee was established on 21 June 2007 and details of the committee's duties and responsibilities are set out in its terms of reference.

In compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, (the "Listing Rules"), the Audit Committee comprises three Non-executive Directors of the Company, two of whom are Independent Non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has also discussed auditing, internal controls and financial reporting matters including the review of the consolidated results of the Group for FY2012.

CORPORATE GOVERNANCE

The Board of Directors reviews its corporate governance practices from time to time in order to meet the rising expectations of shareholders, to comply with increasingly stringent regulatory requirements and to fulfil its commitment to excellence in corporate governance. The Board is committed to maintaining a good 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 Corporate Governance Code and Corporate Governance Report” (the “Code”), there are two levels of corporate governance practices, namely: code provisions that a listed company must comply with or explain its non-compliance, and recommended best practices that a listed company is encouraged to comply with but need not disclose in the case of non-compliance. Since listing of the Company on 7 May 2010 up to 31 March 2012, the Company has been in compliance with the mandatory code provisions of the Code, save as disclosed below:

The role of the Chief Executive Officer (CEO) of the Group has been assumed by Mr. Reinold Geiger (“Mr. Geiger”), the Chairman of the Board. This deviation is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a CEO and it provides the Group with strong and consistent leadership. The Board 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, and Remuneration Committee) and each committee is composed of a majority of independent non-executive Directors. Nevertheless, the Board will regularly review the management structure to ensure that it meets the business development requirements of the Group.

Furthermore, Mr. Geiger is supported by Mr. Emmanuel Osti, Managing Director, and Mr. André Hoffmann, Managing Director Asia-Pacific. He is responsible to the Board and focuses on Group strategies and Board issues, and ensures a cohesive working relationship between members of the Board and management. The 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.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by the Directors of Listed Issuers 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 during FY2012.

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

The Company was granted a general mandate by the shareholders at the 2011 AGM to repurchase shares not exceeding 10% of the issued share capital of the Company. Pursuant to this general mandate, during FY2012 the Company purchased a total of 6,655,500 shares of the Company (representing 0.45% of the Company's shares in issue on 28 November 2011) on the Hong Kong Stock Exchange at an aggregate consideration (excluding expenses) of HK\$96,135,434. Details of the repurchases are as follows:

Month of purchase	Total number of shares purchased <i>HK\$</i>	Highest price paid per share <i>HK\$</i>	Lowest price paid per share <i>HK\$</i>	Aggregate consideration paid (excluding expenses)
November 2011	3,000,000	14.80	13.86	42,512,700
December 2011	<u>3,655,500</u>	15.20	14.12	<u>53,622,734</u>
Total	<u>6,655,500</u>			<u>96,135,434</u>

The purchases were made to enable the Company to hold shares that could subsequently be transferred to employees under the Company's share option plan, upon exercise by such employees of their share options. The Company is currently seeking to obtain a waiver from the Hong Kong Stock Exchange accordingly.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

GENERAL INFORMATION

The consolidated financial statements of the Group for the year ended 31 March 2012 have been reviewed by the Audit Committee of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of our Company will be closed from Friday, 21 September 2012 to Wednesday, 26 September 2012, both days inclusive, during which period no share transfers can be registered. The record date to determine which shareholders will be eligible to attend and vote at the forthcoming AGM of our Company will be Wednesday, 26 September 2012 (the “AGM Record Date”). All transfers accompanied by the relevant share certificate(s) must be lodged with our Company’s Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 20 September 2012.

Subject to the shareholders approving the recommended final dividend at the AGM of the Company, such dividend will be payable on or about Wednesday, 24 October 2012 to shareholders whose names appear on the register of members on Friday, 12 October 2012 (the “Dividend Record Date”). To determine eligibility for the final dividend, the register of members will be closed from Tuesday, 9 October 2012 to Friday, 12 October 2012, both days inclusive, during which period no shares can be registered. In order to be entitled to receive the final dividend, all transfers accompanied by the relevant share certificate(s) must be lodged with our Company’s Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30pm on Monday, 8 October 2012.

PUBLICATION OF FINAL RESULTS AND 2012 ANNUAL REPORT

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

ANNUAL GENERAL MEETING

The AGM of the Company will be held on 26 September 2012. A notice convening the AGM will be published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.loccitane.com) and will be dispatched to the shareholders of the Company.

BOARD OF DIRECTORS

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

Executive Directors

Reinold Geiger (*Chairman and Chief Executive Officer*)

Emmanuel Laurent Jacques Osti (*Managing Director*)

André Joseph Hoffmann (*Managing Director Asia-Pacific*)

Domenico Trizio (*Chief Operating Officer*)

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 Saltzbart Kilsby

Jackson Chik Sum Ng

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

Hong Kong, 18 June 2012