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# L'OCCITANE

EN PROVENCE

## L'OCCITANE INTERNATIONAL S.A.

*49, Boulevard Prince Henri L-1724 Luxembourg*

*R.C.S. Luxembourg: B80359*

*(Incorporated under the laws of Luxembourg with limited liability)*

*(Stock code: 973)*

### INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

#### HIGHLIGHTS

- In a tough economic environment, the Group continues to invest to drive its top-line growth, helped by its continued efficiency efforts and favourable currency conversion effects
- Group's net sales were €546.7 million, recording an increase of 12.5% for the first six months of FY2016. Local currency growth was 5.8%
- China, France, Japan and Russia were among the fastest growing countries, with sales growth at constant rates of 20.4%, 11.1%, 8.2% and 8.1% respectively
- Operating profit was €31.7 million, an increase of 0.7% as compared to the same period last year
- Profit for the period was €20.1 million, a decrease of 46.2% as compared to the same period last year. The decrease was mainly due to unrealized foreign currency losses of €9.6 million during this period, as compared to foreign currency gains of €8.9 million same period last year

#### INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of L'Occitane International S.A. (the "Company") is pleased to announce the consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2015 together with comparative figures for the six months ended 30 September 2014. 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 six months ended 30 September	<i>Notes</i>	2015 € '000	2014 € '000
<b>Net Sales</b>	2	<b>546,699</b>	<b>485,874</b>
Cost of sales		<u>(100,758)</u>	<u>(95,840)</u>
<b>Gross profit</b>		<b>445,941</b>	<b>390,034</b>
<i>% of net sales</i>		<u>81.6%</u>	<u>80.3%</u>
Distribution expenses		(280,681)	(246,791)
Marketing expenses		(71,752)	(57,027)
Research & development expenses		(6,226)	(6,035)
General and administrative expenses		(56,044)	(49,126)
Share of (losses) from joint venture accounted for using the equity method		(27)	(30)
Other gains, net	3	<u>449</u>	<u>407</u>
<b>Operating profit</b>	4	<b><u>31,660</u></b>	<b><u>31,432</u></b>
Finance costs, net	5	(124)	(61)
Foreign currency gains / (losses)		<u>(9,591)</u>	<u>8,899</u>
<b>Profit before income tax</b>		<b><u>21,945</u></b>	<b><u>40,270</u></b>
Income tax expense	6	<u>(1,871)</u>	<u>(2,988)</u>
<b>Profit for the period from continuing operations</b>		<b><u>20,074</u></b>	<b><u>37,282</u></b>
<b>Attributable to:</b>			
Equity owners of the company		19,409	36,649
Non-controlling interests		<u>665</u>	<u>633</u>
<b>Total</b>		<b><u>20,074</u></b>	<b><u>37,282</u></b>
Effective tax rate		8.5%	7.4%
Earnings per share for profit attributable to the equity owners of the Company during the period ( <i>expressed in Euros per share</i> )			
Basic		0.013	0.025
Diluted		<u>0.013</u>	<u>0.025</u>
Number of shares used in earnings per share calculation			
Basic	7	1,470,574,041	1,470,309,391
Diluted	7	1,473,883,159	1,471,486,434

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at	<i>Notes</i>	<b>30 September 2015</b> € '000	<b>31 March 2015</b> € '000
<b>ASSETS</b>			
Property, plant and equipment, net		184,867	184,722
Goodwill		128,370	138,228
Intangible assets, net		62,464	67,656
Deferred income tax assets		81,181	68,702
Investments in joint ventures		(31)	(4)
Other non-current receivables		30,659	31,634
<b>Non-current assets</b>		<b><u>487,510</u></b>	<b><u>490,938</u></b>
Inventories, net	9	163,135	159,947
Trade receivables, net	10	94,686	106,978
Other current assets		50,620	56,361
Derivatives financial instruments		372	1
Cash and cash equivalents		399,966	395,128
<b>Current assets</b>		<b><u>708,779</u></b>	<b><u>718,415</u></b>
<b>TOTAL ASSETS</b>		<b><u>1,196,289</u></b>	<b><u>1,209,353</u></b>
 <b>EQUITY AND LIABILITIES</b>			
Share capital		44,309	44,309
Additional paid-in capital		342,851	342,851
Other reserves		(46,214)	(25,432)
Retained earnings		418,645	492,092
<b>Capital and reserves attributable to the equity owners</b>		<b><u>759,591</u></b>	<b><u>853,820</u></b>
Non-controlling interests		2,474	6,372
<b>Total equity</b>		<b><u>762,065</u></b>	<b><u>860,191</u></b>
Borrowings		109,110	107,373
Deferred income tax liabilities		4,521	4,730
Other financial liabilities		8,468	7,452
Other non-current liabilities		28,560	27,089
<b>Non-current liabilities</b>		<b><u>150,659</u></b>	<b><u>146,644</u></b>
Trade payables	11	90,773	90,667
Salaries, wages, related social items and other tax liabilities		56,941	64,703
Current income tax liabilities		7,999	13,347
Borrowings		2,593	2,803
Other current liabilities		110,963	14,516
Derivatives financial instruments		68	1,215
Provisions for other liabilities and charges		14,228	15,266
<b>Current liabilities</b>		<b><u>283,565</u></b>	<b><u>202,518</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>1,196,289</u></b>	<b><u>1,209,353</u></b>
<b>NET CURRENT ASSETS</b>		<b><u>425,214</u></b>	<b><u>515,897</u></b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b><u>912,724</u></b>	<b><u>1,006,835</u></b>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of preparation

This condensed consolidated interim financial information (“consolidated interim financial information”) for the six-month period ended 30 September 2015 has been prepared in accordance with IAS 34, ‘Interim financial reporting’ issued by the International Accounting Standards Board. The consolidated interim financial information should be read in conjunction with the consolidated annual financial statements for the year ended 31 March 2015, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The accounting policies and methods of computation used in the preparation of this consolidated interim financial information are consistent with those of the annual consolidated financial statements for the year ended 31 March 2015.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Interpretations and amendments to IFRSs effective for the financial period beginning 1 April 2015 do not have any material impact on the consolidated financial statements.

### 2. Net sales and segment information

Management assesses the performance of two operating segments, which are Sell-out and Sell-in:

- Sell-out comprises the sales of products directly to the final customers. These sales are mainly done in the Group’s stores and/or through the Group’s websites;
- Sell-in comprises the sales of products to intermediates. 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.

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

#### 2.1 Operating segments

##### For the six months ended 30 September 2015

	Sell-Out € '000	Sell-In € '000	Other reconciling items € '000	Total € '000
<b>Net sales</b>	<b>398,180</b>	<b>148,519</b>	—	<b>546,699</b>
<i>In %</i>	<i>72.8%</i>	<i>27.2%</i>	—	<i>100%</i>
<b>Gross profit</b>	<b>344,597</b>	<b>101,344</b>	—	<b>445,941</b>
<i>% of sales</i>	<i>86.5%</i>	<i>68.2%</i>	—	<i>81.6%</i>
Distribution expenses	(229,233)	(27,561)	(23,887)	(280,681)
Marketing expenses	(25,012)	(3,321)	(43,419)	(71,752)
Research & development expenses	—	—	(6,226)	(6,226)
General and administrative expenses	—	—	(56,044)	(56,044)
Share of profit / (loss) from joint operations	—	—	(27)	(27)
Other gains / (losses), net	(84)	(51)	584	449
<b>Operating profit</b>	<b>90,268</b>	<b>70,411</b>	<b>(129,019)</b>	<b>31,660</b>
<i>% of sales</i>	<i>22.7%</i>	<i>47.4%</i>	—	<i>5.8%</i>

##### For the six months ended 30 September 2014

	Sell-Out € '000	Sell-In € '000	Other reconciling items € '000	Total € '000
<b>Net sales</b>	<b>353,716</b>	<b>132,159</b>	—	<b>485,874</b>
<i>In %</i>	<i>72.8%</i>	<i>27.2%</i>	—	<i>100%</i>
<b>Gross profit</b>	<b>302,242</b>	<b>87,791</b>	—	<b>390,033</b>
<i>% of sales</i>	<i>85.4%</i>	<i>66.4%</i>	—	<i>80.3%</i>
Distribution expenses	(200,145)	(23,931)	(22,714)	(246,791)
Marketing expenses	(22,296)	(3,821)	(30,910)	(57,027)
Research & development expenses	—	—	(6,035)	(6,035)
General and administrative expenses	—	—	(49,126)	(49,126)
Share of profit / (loss) from joint operations	—	—	(30)	(30)
Other gains / (losses), net	374	—	33	407
<b>Operating profit</b>	<b>80,175</b>	<b>60,039</b>	<b>(108,782)</b>	<b>31,431</b>
<i>% of sales</i>	<i>22.7%</i>	<i>45.4%</i>	—	<i>6.5%</i>

## 2.2. Geographic areas

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

30 September	2015		2014	
	<i>Total</i>	<i>In % of total</i>	<i>Total</i>	<i>In % of total</i>
<i>In thousands of Euros</i>				
Japan	90,113	16.5%	81,024	16.7%
United States	72,277	13.2%	59,056	12.2%
Hong Kong	58,103	10.6%	54,505	11.2%
China	51,438	9.4%	35,673	7.3%
France	45,005	8.2%	40,506	8.3%
Luxembourg - Swiss branch	32,854	6.0%	29,729	6.1%
United Kingdom	31,648	5.8%	27,016	5.6%
Brazil	19,539	3.6%	22,050	4.5%
Russia	17,969	3.3%	22,006	4.5%
Taiwan	16,658	3.0%	14,747	3.0%
Other countries	111,095	20.3%	99,562	20.5%
<b>Net sales</b>	<b><u>546,699</u></b>	<b><u>100%</u></b>	<b><u>485,874</u></b>	<b><u>100%</u></b>

<sup>(1)</sup> Includes sales in Macau.

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

### 3. Losses on sale of assets, net

30 September	2015 € '000	2014 € '000
Net losses on sale of assets	<u>(176)</u>	<u>(401)</u>

### 4. Depreciation, amortization and impairment

Operating profit is arrived at after charging the following:

30 September	2015 € '000	2014 € '000
Depreciation, amortization and impairment	<u>29,791</u>	<u>27,511</u>

### 5. Finance costs, net

30 September	2015 € '000	2014 € '000
Interest on cash and cash equivalents	<u>1,368</u>	<u>1,520</u>
<b>Finance income</b>	<b><u>1,368</u></b>	<b><u>1,520</u></b>
Interest expense	(1,114)	(1,305)
Unwinding of discount of financial liabilities	(378)	(276)
Fair value losses on derivatives	<u>—</u>	<u>—</u>
<b>Finance costs</b>	<b><u>(1,492)</u></b>	<b><u>(1,581)</u></b>
<b>Finance costs, net</b>	<b><u>(124)</u></b>	<b><u>(61)</u></b>

### 6. Taxation

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

30 September	2015 € '000	2014 € '000
Profit before income tax	21,945	40,270
Income tax calculated at corporate tax rate ( <i>Luxembourg tax rate of 29.22% as at 30 September 2015 and 30 September 2014</i> )	(6,412)	(11,767)
Effect of different tax rates in foreign countries	6,605	13,187
Effect of unrecognized tax assets	(1,632)	(5,882)
Expenses not deductible for taxation purposes	(327)	1,722
Effect of unremitted tax earnings	<u>(105)</u>	<u>(248)</u>
Income tax expense	<u>(1,871)</u>	<u>(2,988)</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 €19.409 million for the six months ended 30 September 2015 (as compared to €36.649 million for the six months ended 30 September 2014) and the weighted average number of shares in issue of 1,470,574,041 (basic) and 1,473,883,159 (diluted) for the period ended 30 September 2015 and 1,470,309,391 (basic) and 1,471,486,434 (diluted) for the period ended 30 September 2014.

## 8. Dividends

In line with its policy to declare and pay only a final dividend each year, the Board has recommended that no distribution would be made from the profits of the six months ended 30 September 2015.

## 9. Inventories, net

Inventories, net consist of the following items:

	30 Sep 2015 € '000	31 Mar 2015 € '000	30 Sep 2014 € '000
Raw materials and supplies	20,441	24,400	25,458
Finished goods and work in progress	<u>156,464</u>	<u>151,166</u>	<u>163,776</u>
Inventories, gross	176,905	175,566	189,234
Less: allowance	<u>(13,770)</u>	<u>(15,619)</u>	<u>(15,862)</u>
Inventories, net	<u><u>163,135</u></u>	<u><u>159,947</u></u>	<u><u>173,372</u></u>

## 10. Trade receivables, net

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

	30 Sep 2015 € '000	31 Mar 2015 € '000	30 Sep 2014 € '000
Current and past due within 3 months	93,804	105,157	92,659
Past due from 3 to 6 months	612	1,148	977
Past due from 6 to 12 months	270	673	427
Past due over 12 months	<u>—</u>	<u>—</u>	<u>163</u>
Trade receivables, net	<u><u>94,686</u></u>	<u><u>106,978</u></u>	<u><u>94,226</u></u>

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

## 11. Trade payables

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

	30 Sep 2015 € '000	31 Mar 2015 € '000	30 Sep 2014 € '000
Current and past due within 3 months	88,795	89,216*	79,327
Past due from 3 to 6 months	1,479	797	1,020
Past due from 6 to 12 months	75	212	1,189
Past due over 12 months	<u>424</u>	<u>442</u>	<u>664</u>
Trade payables	<u><u>90,773</u></u>	<u><u>90,667</u></u>	<u><u>82,200</u></u>

\* 2,758 was reclassified as other current liabilities.

## MANAGEMENT DISCUSSION & ANALYSIS

### Summary:

For the six months ended 30 September	2015	2014
	€ 'M or %	€ 'M or %
Net sales	546.7	485.9
Operating profit	31.7	31.4
Profit for the period	20.1	37.3
Gross profit margin	81.6%	80.3%
Operating profit margin	5.8%	6.5%
Net profit margin	3.7%	7.7%

### Definitions:

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

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

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

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

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

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

### Seasonality of operations

The Group is subject to seasonal variances in sales, which are significantly higher in our financial third quarter (between 1 October and 31 December) in anticipation of and during the Christmas holiday season. For the six months ended 30 September 2014, the level of sales represented 41.2% of the annual level of sales in the year ended 31 March 2015 and the level of operating profit represented 19.1% of the annual operating profit in the year ended 31 March 2015. These ratios are not representative of FY2016 annual results.

Seasonality also has an impact on the production schedule and the use of working capital. We generally use a significant part of our working capital between April to November in order to increase the production in anticipation of increased sales and new product launches during the Christmas holiday season.

### REVENUE ANALYSIS

Net sales were €546.7 million for the six months ended 30 September 2015, an increase of €60.8 million or 12.5% as compared to the six months ended 30 September 2014. At constant exchange rates, net sales increased by 5.8%. Net sales in Sell-out and Sell-in business segments, representing 72.8% and 27.2% respectively of total net sales, increased by 5.9% and 5.4% respectively, at constant exchange rates.

The Group increased the total number of retail locations where the products are sold from 2,797 as at 31 March 2015 to 2,859 as at 30 September 2015, an increase of 2.2%. The Group maintained its selective global retail expansion strategy and increased the number of its own retail stores by 4.1% from 1,384 as at 31 March 2015 to 1,441 as at 30 September 2015, representing a net increase of 57 stores, compared to 38 net openings (excluding acquisitions) during the same period last year.

At constant exchange rates, the net sales from Comparable Stores, Non-comparable Stores and Sell-in segments contributed 15.8%, 58.6% and 25.6% respectively to Overall Growth for the period ended 30 September 2015.

China, Japan and France were the key contributing countries of net sales growth for the six months ended 30 September 2015.

### 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 the six months ended 30 September 2015:

	Year-on-year growth			Contribution to Overall Growth <sup>(2)</sup>
	€ '000 Growth	% Growth	% Growth <sup>(2)</sup>	
<b>Sell-out</b>	<b>44,464</b>	<b>12.6</b>	<b>5.9</b>	<b>74.4</b>
Comparable Stores	22,370	8.2	1.6	15.8
Non-comparable Stores <sup>(1)</sup>	22,094	26.9	20.0	58.6
<b>Sell-in</b>	<b>16,361</b>	<b>12.4</b>	<b>5.4</b>	<b>25.6</b>
<b>Overall Growth</b>	<b>60,825</b>	<b>12.5</b>	<b>5.8</b>	<b>100.0</b>

<sup>(1)</sup> Includes mail-order and other sales.

<sup>(2)</sup> Excludes the impact of foreign currency translation effects.

### Sell-out

For the six months ended 30 September 2015, the Sell-out business segment accounted for 72.8% of the Group's net sales and amounted to €398.2 million, an increase of 12.6% as compared to the same period last year and a 5.9% increase at constant exchange rates. Non-comparable Stores were the main contributor towards this local currency growth.

Sell-out segment contributed 74.4% to Overall Growth for the six months ended 30 September 2015, with 58.6% from Non-comparable Stores and 15.8% from Comparable Stores. The Group's online retail channel maintained its momentum with a 20.6% growth at constant exchange rates during the six months ended 30 September 2015 as compared to the same period last year.

There was a net addition of 57 own stores during the six months ended 30 September 2015, including net additions of 19 stores in China, 7 stores in Brazil, 6 stores in Japan, 2 stores each in Hong Kong, the UK and USA, 20 stores in Other Countries and 1 net closing in Russia. The Group continued to upgrade its retail network with 64 stores renovated or relocated during the six months ended 30 September 2015.

### Sell-in

For the six months ended 30 September 2015, the Sell-in business segment accounted for 27.2% of the Group's total sales and amounted to €148.5 million, an increase of 12.4% as compared to the same period last year and a 5.4% increase at constant exchange rates. The growth was primarily driven by B2B, wholesale and distribution channels. Travel retail business in Asia was hampered by the outbreak of MERS in Korea, which significantly affected the inbound tourism flows in HK and Macau whilst business in the Americas and the Middle East was affected by strong US dollar.



## Geographic Areas

The following table presents our net sales growth for the period ended 30 September 2015 and contribution to net sales growth (including and excluding foreign currency translation effects as indicated) by geographic area:

	Sales and % of total sales				Growth € '000	Growth %	Contribution to Overall Growth <sup>(1)</sup>	
	30 September 2015		30 September 2014				Growth <sup>(1)</sup> %	Growth <sup>(1)</sup> %
	€ '000	%	€ '000	%				
Japan	90,113	16.5	81,024	16.7	9,089	11.2	8.2	23.7
Hong Kong <sup>(2)</sup>	58,103	10.6	54,505	11.2	3,598	6.6	(12.0)	(23.4)
China	51,438	9.4	35,673	7.3	15,765	44.2	20.4	26.0
Taiwan	16,658	3.0	14,747	3.0	1,911	13.0	(1.3)	(0.7)
France	45,005	8.2	40,506	8.3	4,499	11.1	11.1	16.0
United Kingdom	31,648	5.8	27,016	5.6	4,632	17.1	4.9	4.7
United States	72,277	13.2	59,056	12.2	13,220	22.4	0.6	1.3
Brazil	19,539	3.6	22,050	4.5	(2,511)	(11.4)	5.6	4.4
Russia	17,969	3.3	22,006	4.5	(4,037)	(18.3)	8.1	6.4
Other countries <sup>(3)</sup>	143,950	26.3	129,291	26.6	14,659	11.3	9.0	41.6
<b>All countries</b>	<b>546,699</b>	<b>100.0</b>	<b>485,874</b>	<b>100.0</b>	<b>60,825</b>	<b>12.5</b>	<b>5.8</b>	<b>100.0</b>

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

<sup>(2)</sup> Includes sales in Macau.

<sup>(3)</sup> Includes sales from Luxembourg.

The following table provides a breakdown, by geographic area, of the number of our own retail stores, their percentage contribution to Overall Growth and the Same Store Sales Growth for the six months ended 30 September 2015 compared to the six months ended 30 September 2014:

	Own Retail Stores				% contribution to Overall Growth <sup>(1) (2)</sup>			
	Net openings		Net openings		Non- comparable Stores	Comparable Stores	Total Stores	Same Store Sales Growth % <sup>(2)</sup>
	30 Sep 2015	YTD Sep 2015	30 Sep 2014	YTD Sep 2014				
Japan <sup>(3)</sup>	117	6	108	2	9.4	12.9	22.4	6.9
Hong Kong <sup>(4)</sup>	38	2	35	3	(3.7)	(8.2)	(12.0)	(16.2)
China <sup>(5)</sup>	180	19	145	9	11.3	2.3	13.6	2.5
Taiwan	55	—	55	1	(0.7)	(2.0)	(2.8)	(6.2)
France <sup>(6)</sup>	81	—	80	5	2.8	4.6	7.4	6.4
United Kingdom	75	2	72	4	2.0	1.2	3.2	2.4
United States	216	2	208	11	5.0	(2.8)	2.2	(1.8)
Brazil	88	7	80	2	2.4	2.4	4.8	5.1
Russia <sup>(7)</sup>	106	(1)	111	1	1.0	3.3	4.3	7.0
Other countries <sup>(8)</sup>	485	20	446	7	15.9	2.2	18.0	0.9
<b>All countries</b>	<b>1,441</b>	<b>57</b>	<b>1,340</b>	<b>45</b>	<b>45.3</b>	<b>15.8</b>	<b>61.2</b>	<b>1.6</b>

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

<sup>(2)</sup> Excludes foreign currency translation effects.

<sup>(3)</sup> Includes 11 and 17 Melvita stores as at 30 September 2014 and 30 September 2015 respectively.

<sup>(4)</sup> Includes 3 L'Occitane stores in Macau and 10 Melvita stores in Hong Kong as at 30 September 2014 and 30 September 2015.

<sup>(5)</sup> Includes 8 Melvita stores as at 30 September 2015.

<sup>(6)</sup> Includes 4 Melvita stores as at 30 September 2014 and 5 Melvita and 1 Erborian stores as at 30 September 2015.

<sup>(7)</sup> Includes 4 Melvita stores as at 30 September 2014.

<sup>(8)</sup> Includes 7 L'Occitane stores from the acquisition of distributor in Norway and 7 Melvita stores as at 30 September 2014 and 8 Melvita and 1 Erborian stores as at 30 September 2015.

### ***Japan***

Japan's net sales for the six months ended 30 September 2015 were €90.1 million, an increase of 11.2% as compared to the same period last year. At constant exchange rates, Japan's sales growth was 8.2%, contributing 23.7% to Overall Growth. Same Store Sales Growth was 6.9%, thanks to the successful product launches and marketing campaigns. Comparable Stores contributed 12.9% to Overall Growth and Non-comparable Stores contributed 10.0% to Overall Growth. During the period, Japan had a net addition of 6 stores. At constant exchange rates, Sell-in sales recorded a growth of 3.2% as compared to the same period last year and contributed 0.7% to Overall Growth.

### ***Hong Kong***

Hong Kong's net sales for the six months ended 30 September 2015 were €58.1 million, an increase of 6.6% as compared to the same period last year. At constant exchange rates, the growth was -12.0%, posting a negative contribution of 23.4% to Overall Growth. Under weak market sentiment and sharp decrease in mainland Chinese tourists, Sell-out segment saw a drop of 14.3% with Same Stores Sales Growth posting a decline of 16.2%. Business environment for Sell-in segment was also challenged, in particular travel retail business in Asia. Travel retail sell-through was affected by the lagging effects of MERS in Korea and a material traffic drop in Hong Kong and Macau.

### ***China***

China's net sales for the six months ended 30 September 2015 were €51.4 million, an increase of 44.2% as compared to the same period last year. At constant exchange rates, the growth was 20.4%, contributing 26.0% to Overall Growth. China had the highest growth of the Group, mainly driven by the quality new stores which have been opened during last and current financial years and sales to T-mall, together contributing 20.0% to Overall Growth. China had a net addition of 19 stores, representing 11 L'Occitane stores and 8 Melvita stores opened during the first half of the financial year. At constant exchange rates, Sell-in sales recorded an increase of 18.7%, contributing 3.7% to Overall Growth.

### ***Taiwan***

Taiwan's net sales for the six months ended 30 September 2015 were €16.7 million, an increase of 13.0% as compared to the same period last year. At constant exchange rates, the growth was -1.3%, contributing -0.7% to Overall Growth. Same Store Sales deteriorated to -6.2% as a result of weakened retail environment together with the severe weather caused by typhoons during the second quarter of FY2016. Sell-out sales recorded a drop of 2.0% whilst Sell-in sales posted an increase of 4.2% at constant exchange rates, mainly contributed by B2B channel.

### ***France***

France's net sales for the six months ended 30 September 2015 were €45.0 million, an increase of 11.1% as compared to the same period last year, contributing 16.0% to Overall Growth. Sell-out sales growth was 9.2% and contributed 7.2% to Overall Growth, with a solid Same Store Sales Growth of 6.4%. Sell-in sales recorded a growth of 13.3%, contributing 8.9% to Overall Growth. The healthy growth in both Sell-out and Sell-in segments were driven by a combination of factors, including new local customer acquisition programs, successful product launches, notable increase in tourist traffic and accelerated growth of the emerging brands Erborian and Melvita.

### ***United Kingdom***

The United Kingdom's net sales for the six months ended 30 September 2015 climbed to €31.6 million, an increase of 17.1% as compared to the same period last year. At constant exchange rates, the growth was 4.9%, contributing 4.7% to Overall Growth. Sell-out segment posted a growth of 4.5% and contributed 3.2% to Overall Growth, with a balanced contribution from both Comparable Stores and Non-comparable Stores. Comparable Store Sales grew by 2.4% in local currency, contributing 1.2% to Overall Growth. Non-comparable Store Sales contributed 2.0% to Overall Growth mainly due to the 2 stores opened during the period and 5 stores opened in last financial year. Sell-in segment recorded an increase of 5.9% in local currency and contributed 1.5% to Overall Growth.

### ***United States***

The United States's net sales for the six months ended 30 September 2015 were €72.3 million, an increase of 22.4% as compared to the same period last year. At constant exchange rates, the growth was 0.6%, contributing 1.3% to Overall Growth. Sell-out channel recorded a growth of 1.1% at constant exchange rates, contributing 2.0% to Overall Growth. Same Store Sales Growth was -1.8% which contributed -2.8% to Overall Growth. Non-comparable Store Sales recorded a growth of 19.3% at constant rates and

contributed 5.0% to Overall Growth, mainly supported by the ramp-up of net addition of 17 stores in FY2015 and net addition of 2 stores during the period. The retail environment remained tough due to slow economic growth, strong US dollar and sluggish tourist traffic. Sell-in segment dropped by 2.3% at constant exchange rates, contributing -0.7% to Overall Growth, mainly due to the exit from Nordstrom.

### ***Brazil***

Brazil's net sales for the six months ended 30 September 2015 were €19.5 million, a decrease of 11.4% as compared to same period last year. At constant exchange rates, the growth was 5.6%, contributing 4.4% to Overall Growth. The growth was driven by Sell-out segment. Despite the plunging economy, the Company recorded Same Store Sales Growth of 5.1% in Brazil, with a contribution of 2.4% to Overall Growth, partly contributed by the encouraging Same Store Sales Growth of L'Occitane au Brésil at 24.0%. Non-comparable Stores Sales growth was supported by net addition of 3 stores in FY2015 and net addition of 7 stores during the period, contributing 2.4% to Overall Growth. Sell-in segment dropped by 4.6% at constant exchange rates, contributing -0.6% to Overall Growth.

### ***Russia***

Russia's net sales for the six months ended 30 September 2015 were €18.0 million, a decrease of 18.3% as compared to the same period last year. The decline in net sales was impacted by unfavorable foreign currency movements, i.e. weak Russian Ruble and strong Euro. At constant exchange rates, Russia remained one of the fastest growing countries of the Group, with a resilient growth of 8.1%, contributing 6.4% to Overall Growth. The growth was driven by both Sell-out and Sell-in segments, contributing 3.5% and 2.8% respectively to Overall Growth. Same Store Sales Growth remained healthy at 7.0% for the period as compared to a high base of 12.2% in the same period last year. E-commerce sales grew rapidly at 56.6% at constant exchange rates. The Russia economy continued to deteriorate under the international sanctions, tumbling Russian ruble, high inflation and sluggish retail market. Sales were affected by a drop in retail traffic and tickets but compensated by the price increases during the period.

### ***Other countries***

Other countries' net sales for the six months ended 30 September 2015 were €144.0 million, an increase of 11.3% as compared to the same period last year. At constant exchange rates, the growth was 9.0%, contributing 41.6% to Overall Growth. Sell-out segment recorded a growth of 6.9% at constant rates and contributed 20.5% to Overall Growth. Comparable Store Sales contributed 2.2% to Overall Growth with Same Store Sales Growth of 0.9%. Non-comparable Stores contributed 18.3% to the Overall Growth as a result of contentious expansion of store network. During the six months ended 30 September 2015, the number of own stores in other countries increased from 465 at the end of March 2015 to 485, a net increase of 20 stores. In terms of geographical area, 6 of the new stores were opened in Asia, 9 in Europe and South Africa and 5 in the Americas. At constant exchange rates, Canada, Australia and Germany led the growth with net sales grew by 18.8%, 15.1% and 9.5% respectively. Sell-in sales increased by 12.8% at constant exchange rates and contributed 21.1% to Overall Growth, mainly driven by increased sales from travel retail business in Europe, B2B and other wholesale customers.

## **PROFITABILITY ANALYSIS**

### **Cost of sales and gross profit**

Cost of sales increased by 5.1%, or €4.9 million to €100.8 million for the six months ended 30 September 2015 compared to the same period last year. The gross profit margin increased by 1.3 points to 81.6% for the period ended 30 September 2015 as compared to 80.3% for the same period last year. The increase in gross profit margin was essentially due to favourable exchange rates for 1.1 points of net sales, price increases in certain key countries during the period and favourable product mix effects for 0.6 points and lower freight and duties and better inventory management for another 0.5 points.

The gross margin improvement was partly offset by the increase in production costs for 0.2 points, brand, channel & product mixes for 0.3 points, higher usage of MPPs and boxes for another 0.3 points and other effects for 0.1 points.

## **Distribution expenses**

Distribution expenses increased by 13.7%, or €33.9 million, to €280.7 million for the period ended 30 September 2015 compared to the same period last year. As a percentage of net sales, the distribution expenses increased by 0.5 points to 51.3% of net sales for the period ended 30 September 2015. This increase was attributable to a combination of:

- higher investment to enhance staff structure in wholesale, travel retail and emerging brands and to implement POS systems and store digitalization in some countries for 0.5 points;
- lower leverage in retail personnel costs, rental expenses and depreciation for 0.8 points; and
- other effects for a total of 0.2 points

The operating pressure was partly offset by

- favourable channel mix for 0.4 points
- positive foreign exchange conversion effects for 0.3 points; and
- costs savings and logistics efficiency for 0.3 points.

## **Marketing expenses**

Marketing expenses increased by 25.8%, or €14.7 million, to €71.8 million for the period ended 30 September 2015 compared to the same period last year. The marketing expenses, as a percentage of net sales, increased by 1.4 points to 13.1% of net sales for the period ended 30 September 2015. This increase was attributable to:

- increase in advertising expenditure, in particularly digital marketing, PR events and marketing materials for 0.9 points;
- enhancement of the product development and digital teams as well as the marketing teams for a total of 0.7 points;
- unfavourable brand mix effect for 0.2 points as a result of a higher share of the emerging brands in sales mix, commanding a higher level of marketing expenses; and
- phasing and other effects for 0.2 points.

This was mitigated by a favourable exchange rate effect of 0.2 points and improvement in leverage and efficiency for 0.4 points.

## **Research & development expenses**

Research and development (“R&D”) expenses increased by 3.2%, or €0.2 million, to €6.2 million for the period ended 30 September 2015 compared to the same period last year. The R&D expenses decreased by 0.1 points to 1.1% of net sales for the period ended 30 September 2015. The improvement was mainly due to leverage on higher sales and favourable exchange rates.

## **General and administrative expenses**

General and administrative expenses increased by 14.1%, or €6.9 million, to €56.0 million compared to the same period last year. The general and administrative expenses, as a percentage of net sales, increased by 0.2 points to 10.3% of the net sales for the period ended 30 September 2015. This increase was attributable to a combination of:

- reinforcement of the management teams in certain subsidiaries as well as in the headquarters for 0.5 points; and
- one-off expenses and others for 0.2 points; and

This was partly mitigated by leverage and efficiency on higher sales for 0.3 points and favourable exchange rates effect for 0.2 points.

## **Operating profit**

Operating profit increased by 0.7%, or €0.2 million, to €31.7 million for the period ended 30 September 2015; however, the operating profit margin decreased by 0.7 points to 5.8% of net sales. The decrease in our operating profit margin is explained by the combination of:

- increase in advertising, marketing and product development expenses for 1.7 points; reinforcement in retail sales teams and new stores opening for 0.5 points; and organization structure enhancement for future growth in the headquarters and certain subsidiaries for another 0.5 points;

- unfavourable brand mix for 0.4 points as a result of a higher share of the emerging brands in sales mix, commanding a higher level of marketing expenses;
- drop in leverage of distribution expenses for 0.3 points;
- one-off and other costs incurred this year for 0.4 points;

partly offset by;

- favourable exchange rates effects for 1.8 points;
- improvement in efficiency for 0.9 points;
- favourable price and product mix effect, partly offset by a higher usage of MPPs and boxes, for 0.2 points; and
- positive channel mix effect for 0.2 points.

#### **Finance costs, net**

Net finance costs, at €0.1 million for the period ended 30 September 2015, remained the same as compared to the same period last year.

#### **Foreign currency gains/losses**

Net foreign currency losses amounted to €9.8 million for the six months ended 30 September 2015, as compared to net currency gains of €8.9 million for the same period last year. The losses this year were mainly unrealized and resulted from period-end conversion of intercompany loans and trade balances into euro, at relatively stronger euro rates against various foreign currencies at the end of September 2015 as compared to those rates at the end of March 2015, leading to unrealized foreign exchange losses on these loans and trade balances, notably with subsidiaries in Brazil, Russia, South Africa, Mexico, Malaysia and Korea. No material gain or loss was recorded in other subsidiaries using major hard currencies, which can be hedged by financial instruments at relatively reasonable costs.

#### **Income tax expense**

The effective income tax resulted in an expense of €1.9 million for the period ended 30 September 2015, as compared to €3.0 million for the period ended 30 September 2014, representing an effective income tax rate of 8.5% for the period ended 30 September 2015. The decrease in income tax expense is explained by the lower profits notably in countries with high tax rates, combined with favourable effects on the deferred tax assets related to intercompany margins. This was partly offset by unfavourable exchange rates effects also impacting the intercompany margins.

#### **Profit for the period**

For the aforementioned reasons, profit for the six months ended 30 September 2015 decreased by 46.2% or €17.2 million to €20.1 million, as compared to the same period last year. For the period ended 30 September 2015, the basic and diluted earnings per share decreased by 47.0% and 47.1% respectively.

### **BALANCE SHEET REVIEW**

#### **Liquidity and capital resources**

As at 30 September 2015, the Group had cash and cash equivalents of €400.0 million, as compared to €395.1 million as at 31 March 2015 and €289.2 million as at 30 September 2014.

As at 30 September 2015, the aggregate amount of undrawn borrowing facilities was €310.7 million. As at 30 September 2015, the total borrowings, including finance lease liabilities, current accounts with minority shareholders and bank overdrafts, amounted to €111.7 million, as compared to €110.2 million as at 31 March 2015.

#### **Investing activities**

Net cash used in investing activities was €32.9 million for the six months ended 30 September 2015, as compared to €33.9 million same period last year, representing a decrease of €1.0 million. This reflected capital expenditures primarily related to:

- the addition of leasehold improvements, other tangible assets, key moneys and changes in deposits related to stores for €16.4 million;

- additions in IT software and equipment for €4.6 million, including €3.3 million for hardware and equipment and €1.3 million for various software; and
- purchases of machinery, equipment, construction, fittings and others for the factories, R&D, warehouses and offices for €11.3 million. Out of this amount €6.6 million were in progress in the Manosque facility.

### Financing activities

Net cash inflow generated from financing activities was €0.3 million for the six months ended 30 September 2015. During the same period last year, net cash outflow was €15.2 million generated from financing activities. Net cash inflow from financing activities during the period under review mainly reflected the cash needs at subsidiary level.

### Inventories

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

For the period ended 30 September	2015	2014
Average Inventory turnover days <sup>(1)</sup>	293	307

<sup>(1)</sup> Average inventory turnover days equals average inventory divided by cost of sales and multiplied by 182.5. Average inventory equals the average of net inventory at the beginning and end of a given period.

Inventory net value was €163.1 million as at 30 September 2015, a decrease of €10.2 million or 5.9% as compared to €173.3 million as at 30 September 2014. The decrease in inventory turnover days by 14 days was due to:

- a decrease in raw materials at the factory by net 10 days;
- a decrease in finished goods at subsidiaries in particular the USA, Japan and the UK for a total of 21 days; and offset by
- unfavourable foreign exchange rates effects for 12 days; and
- higher Mini Products and Pouches (“MPP”) and box inventory and allowances for 5 days.

### Trade receivables

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

For the period ended 30 September	2015	2014
Turnover days of trade receivables <sup>(1)</sup>	34	34

<sup>(1)</sup> Turnover days of trade receivables equals average trade receivables divided by net sales and multiplied by 182.5. Average trade receivables equals the average of net trade receivables at the beginning and end of a given period.

Turnover days of trade receivables remained at 34 days for the period ended 30 September 2015.

### Trade payables

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

For the period ended 30 September	2015	2014
Turnover days of trade payables <sup>(1)</sup>	167	165

<sup>(1)</sup> Turnover days of trade payables equals average trade payables divided by cost of sales and multiplied by 182.5. Average trade payables equals the average of trade payables at the beginning and end of a given period.

The increase in 2 turnover days of trade payables for the period ended 30 September 2015 was mainly due to increase in accrued expenses at certain subsidiaries for 4 days. This was offset by 2 turnover days from the foreign exchange effects.



## BALANCE SHEET RATIOS

The Group's profitability ratios for the six months ended 30 September 2015 decreased as compared to same period last year. Return on capital employed for the six months ended 30 September 2015 dropped to 3.6% as compared to 6.0% for the same period last year. The decrease was mainly explained by a 45.9% decrease in net operating profit after tax, together with a decrease of 9.1% in capital employed. Return on equity was 2.6% for the six months ended 30 September 2015 compared to 4.8% same period last year. The decrease was mainly explained by a decrease of 47.0% in net profit attributable to equity owners, together with a decrease of 1.5% in shareholders' equity. The Group's liquidity and capital adequacy ratios remained favourable as a result of high net cash position.

For the period ended	30 September 2015 € '000	31 March 2015 € '000	30 September 2014 € '000
<b>Profitability</b>			
Net operating profit after tax (NOPAT) <sup>(1)</sup>	20,187	128,991	37,338
Capital employed <sup>(2)</sup>	566,597	575,238	623,480
Return on capital employed (ROCE) <sup>(3)</sup>	3.6%	22.4%	6.0%
Return on equity (ROE) <sup>(4)</sup>	2.6%	14.3%	4.8%
<b>Liquidity</b>			
Current ratio (times) <sup>(5)</sup>	2.50	3.55	3.15
Quick ratio (times) <sup>(6)</sup>	1.92	2.76	2.25
<b>Capital adequacy</b>			
Gearing ratio <sup>(7)</sup>	9.3%	9.1%	9.8%
Debt to equity ratio <sup>(8)</sup>	net cash position	net cash position	net cash position

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

<sup>(2)</sup> Non-current assets - (deferred tax liabilities + other financial liabilities + other non-current liabilities) + working capital  
Note that working capital excludes financial liabilities such as dividends and acquisition payment.

<sup>(3)</sup> NOPAT / Capital employed

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

<sup>(5)</sup> Current assets / current liabilities

<sup>(6)</sup> (Current assets - inventories) / current liabilities

<sup>(7)</sup> Total debt / total assets

<sup>(8)</sup> Net debt / (total assets - total liabilities)

## FOREIGN EXCHANGE RISK MANAGEMENT

The Group enters 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 30 September 2015, the Group had foreign exchange derivatives net assets of €0.3 million in the form of forward foreign exchange contracts (in accordance with fair market valuation requirements under IFRS). The notional principal amounts of outstanding forward exchange derivatives as at 30 September 2015 were primarily Japanese Yen for an equivalent of €18.6 million, United States Dollar for €2.7 million, Chinese Yuan for €4.0 million, Great British Pounds for €1.6 million and Mexican Pesos for €0.1 million.

## DIVIDENDS

At the Board meeting held on 1 June 2015, the Board recommended a distribution of a gross final dividend of €0.0291 together with a special dividend of €0.034 per share for an aggregated sum of €92.8 million or 75.8% of the net profit attributable to the equity owners of the Company. The total amount of the proposed final and special dividends is based on 1,470,574,041 shares in issue as at 30 September 2015 excluding 6,390,850 treasury shares. The shareholders of the Company approved both the final and special dividends at the annual general meeting held on 30 September 2015. The dividends were paid on 22 October 2015.

## POST BALANCE SHEET EVENTS

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

## **STRATEGIC REVIEW**

During the first half of financial year 2016 (“FY2016”), the Group continued its long term strategy of investing for sustainable growth. Some of its key markets posted resilient growth despite the challenging global economic backdrop, supported by management team’s commitment to pursue innovative approaches in product development, marketing and CRM initiatives. The Group’s focused investment during the period has empowered its emerging brands, particularly Melvita and L’Occitane au Brésil, the growth of which was impressive and presented a lucrative opportunity in the long term. The quality new stores it opened selectively over the past two years, as well as on-line channels expanded strategically under its omni-channel expansion strategy have also added on to the growth globally.

### **Optimized Omni-Channel Expansion**

The expansion and upgrade of our retail network continued to drive a balanced growth across channels, with China, France, Japan and Russia being the best performing markets growing at 20.4%, 11.1%, 8.2% and 8.1% respectively.

As part of the selective omni-channel strategy, the Group grew the total number of own retail stores to 1,441 and upgraded 64 of them in the first six months of FY2016. On top of the flagship stores and these quality physical touch points, some of which equipped with digital features and demonstrated L’Occitane’s core value, the Group also recorded initial success with its E-commerce outreach through own website, marketplaces and web partners.

In France and UK, the new “order online, pick in stores” services proved L’Occitane’s caring way of customer services and elevated shopping experience at L’Occitane’s every touch point.

### **Focused CRM and Digital Marketing Investment**

During the period, the marketing and CRM teams in some of the key markets have also continued to initiate innovative collaboration with social networking platforms, such as Line in Japan, Kakao Talk in Korea, as well as Wechat in China, with an aim to further integrate its physical and digital platforms to enhance brand experience so as to engage new and re-engage existing consumers.

Under the new brand awareness program to raise L’Occitane’s awareness and relevance to skincare products, the Group launched a “Skin Care Recruitment Campaign,” with targeted digital sampling mechanism being one of the key features, in a hope to drive new customer acquisition in an efficient manner.

To facilitate the spread of L’Occitane’s true stories, marketing team had also engaged top beauty bloggers and vloggers (video bloggers) as our brand ambassadors to deliver interactive and multimedia branding contents comprising brand, product, as well as holiday campaign movies.

### **Evolved development of E-commerce Business**

At the Group level, E-commerce business continued to lead the growth with a more than 20% increase over the same period last year. The impressive performance of on-line business in most of its key countries showcased the Group’s digital capability and commitment.

With less than a year’s operation, the amazing result of our digital flagship boutique on Tmall marketplace in China demonstrated L’Occitane’s appeal to sophisticated shoppers in emerging countries. The Group continued to explore opportunities with reputable social media partners in various areas, such as Line and Kakao Talk, with which successfully drove more traffic to both its on-line channels and physical stores.

The Group considered the successful implementation and integration of own E-commerce platforms, physical POS systems and on-line CRM programs as the keys to tap into the growing on-line beauty market. These major improvements in its on-line platforms proved to be essential to a balanced and sustained growth in the digital area.

### **Enriched Brand Portfolio and Product Offerings**

During the period, the Group opened 8 Melvita stores in China and inaugurated its first Erborian stores in Paris, France and Seoul, Korea. With a focused organic positioning, new anti-aging product offerings as well as the branding effects of new Opera store in France, Melvita saw sound growth in both Japan and France markets. The ramp-up of L’Occitane au Brésil brand was well on track, with more sales points opened and number of SKUs doubled in 2 years to over 100 as at 30 September 2015. In addition to the good growth obtained through physical sales points, the recent launch of L’Occitane au Brésil’s own E-commerce website also generated tremendous interest.



Within its core brand, L'Occitane en Provence, the Group's ongoing dedication to research & development capability amplified its face care product spectrum by sourcing nature's finest ingredients. The launch of the breakthrough whitening range, Reine Blanche, not only appealed well to Asian customers, but also reinforced L'Occitane's skin care brand identity during the period under review. Together with several others key successful launches including the Cédricat men's grooming collection and the Citrus Verbena, a respectable retail growth was achieved in the midst of deteriorating economic conditions.

### **Delivered Operational Consistency under Volatile Conditions**

Under its guideline of "Operations roadmap" and after the successful implementation of SAP, the Group continued roll out retail and CRM infrastructures in the first half of FY2016. Better efficacies were found in particular with supply chain and inventory management which result in positive contribution to gross profit. Its solid pricing strategy and discount control initiatives in turn ensured the optimal sales efficiency whilst safeguarded and strengthened brand integrity, proposition and profitability. With a consistent, balanced approach to focus on cost saving programs while pursuing long term investment, the Group continued to allocate resources to solidify its competitive advantages in branding and retail operation, in particular marketing campaigns, talent recruitment, store upgrade and expansion as well as front-line staffing structure.

The short term extreme volatility in foreign currency movement, however, hampered the foreign exchange benefit on the operating profit the Group recorded in the first six months as at 30 September 2015. With its goal to stabilize international business operation, the Group continued the global hedging policy to mitigate foreign exchange impacts.

### **Engaged Corporate Social Responsibility**

Committed to its mission to develop and market products that are increasingly respectful of man and the environment, the Group aims to achieve long term business success through caring and sustainable approaches. During the period, the Group actively engaged in various sort of charity events and supported health and life essentials for those areas where it sourced natural ingredients.

### **OUTLOOK**

In the second half of FY2016 and beyond, the Group expects to drive sustainable growth endorsed by committed management team with investment in business platforms, marketing and product innovations. The Group will continue to roll out refined format stores selectively in quality locations, especially in Asia, to replace those in weaker locations and positions. As an integral part of its omni-channel strategy, investment in digital platforms, such as own E-commerce websites, marketplaces and on-line partners shall remain the Group's key focus in the rest of the financial year. The novel click and collect services provided in France and UK would be extended to more point of sales, which is expected to reward L'Occitane through being more connected to customers as well as increasing sales.

With several initial investments been made, the Group will officially kickoff the "Brand Awareness Program" to greet its 40 year anniversary in calendar year 2016. The program shall enable greater and better recognition of L'Occitane brand and its products, and, in turn, create a long lasting attractiveness to existing and potential customers. With a budget of €10.0 million allocating to digital and innovative marketing approaches, customer centric digital platforms, "digical" (digital + physical) concept flagships, advanced targeting technology and analytics as well as CRM integration, it also plans to be the first beauty brand to launch shopping behavior study on "Research Online, Purchase Offline," to fully unfold the mechanism in collaboration with search engines.

Sharing a same passion for ingredients, sensoriality and Corsica, L'Occitane has collaborated with its French counterpart Pierre Hermé to launch a refreshing and delicate limited collection for the upcoming holiday season. These original, captivating perfumed products are expected to witness a decent pickup of demand during the festive season.

The Group will remain its global hedging policy with cautious derivative contracts to hedge the value of expected cash flows in major operating currencies. Nevertheless, the Group would like to highlight that the approach will assist in stabilizing cash flow volatility while is impossible to lift the translation impact from exchange rate conversion. Under this context, there remain uncertainties and factors that are beyond the Group's control.

The fear of the global economic downturn will continue to impact consumer sentiment across all markets, while the Group has been well prepared in the face of unstable, highly volatile operating environment. The Group believes the efforts to drive quality growth and improve efficiencies with focused investment will secure its position as a growing player in the premium natural cosmetics space, which in turn will create lasting value for its shareholders.

#### **AUDIT COMMITTEE**

As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, (the “Listing Rules”), the Company has an Audit Committee comprising of 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 the six months ended 30 September 2015.

#### **CORPORATE GOVERNANCE**

The Board reviews its corporate governance practices regularly 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 high standard of corporate governance practices and business ethics in the firm belief that they are essential for maintaining shareholders’ returns.

The Company has complied with all of the code provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2015 save as disclosed below:

The role of the Chief Executive Officer (the “CEO”) of the Group has been assumed by Mr. Reinold Geiger (“Mr. Geiger”), the Chairman of the Board. This deviation is deemed appropriate as it is considered to be more efficient to have one single person to be the Chairman of the Company as well as to discharge the executive functions of a CEO and it provides the Group with strong and consistent leadership. The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises highly experienced individuals. There are four independent non-executive directors in the Board. All of them possess adequate independence and therefore the Board considers the Company has achieved balance and provided sufficient protection of its interests. Moreover, Mr. Geiger is not a member of any of the 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. André Hoffmann, the Managing Director Asia-Pacific. Mr. Geiger is responsible to the Board and focuses on Group strategies and Board issues, and ensures a cohesive working relationship between members of the Board and management. The Managing Director has full executive responsibilities in the business directions and operational efficiency of the business units under his responsibilities and is accountable to Mr. Geiger.

Code provision F.1.3 provides that the company secretary should report to the Chairman and CEO. Mr. Karl Guénard (“Mr. Guénard”), joint company secretary of the Group, is based in Luxembourg and reports to Mr. Thomas Levilion (“Mr. Levilion”), an executive Director and the Group’s Deputy General Manager whose primary responsibility is to oversee the Group’s finance functions worldwide. The Company believes this is appropriate because both Mr. Guénard and Mr. Levilion work closely together on a day-to-day basis including dealing with matters relating to corporate governance and other Board-related matters. Ms. Yung Mei Yee (“Ms. Yung”), joint company secretary of the Group, is based in Hong Kong. Ms. Yung works in coordination with Mr. Guénard in the discharge of all company secretarial duties.

#### **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by the Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, they have confirmed that they have complied with the Model Code during the six months ended 30 September 2015.

#### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

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 six months ended 30 September 2015 have been reviewed by the Audit Committee of the Company.

## PUBLICATION OF INTERIM REPORT

The interim results announcement of the Company is published on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.loccitane.com](http://www.loccitane.com)). The interim report will be dispatched to the shareholders of the Company and will be available on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.loccitane.com](http://www.loccitane.com)) in due course.

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

Hong Kong, 16 November 2015

*As at the date of this announcement, the executive directors of the Company are Mr. Reinold Geiger (Chairman and Chief Executive Officer), Mr. André Hoffmann (Managing Director Asia-Pacific), Mr. Thomas Levilion (Group Deputy General Manager, Finance and Administration), Mr. Domenico Trizio (Chief Operating Officer), Mr. Karl Guénard (Joint Company Secretary) and Mr. Nicolas Veto (Group Human Resources Executive VP), the non-executive director of the Company is Mr. Martial Lopez and the independent non-executive directors of the Company are Mrs. Valérie Bernis, Mr. Charles Mark Broadley, Mr. Pierre Milet and Mr. Jackson Chik Sum Ng.*

### **Disclaimer**

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